Section 1: 10-K (10-K)

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

Form 10-K

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

For the fiscal year ended December 31, 2013

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

For the transition period from to

Commission file number 1-12297

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of the voting common stock held by non-affiliates as of June 30, 2013 was $1,287,739,501. As of February 14, 2014, there were 90,243,731 shares of voting common stock outstanding.

Documents Incorporated by Reference

Certain portions, as expressly described in this report, of the registrant's proxy statement for the 2014 Annual Meeting of the Stockholders to be held May 2, 2014 are incorporated by reference into Part III, Items 10-14.

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PART I

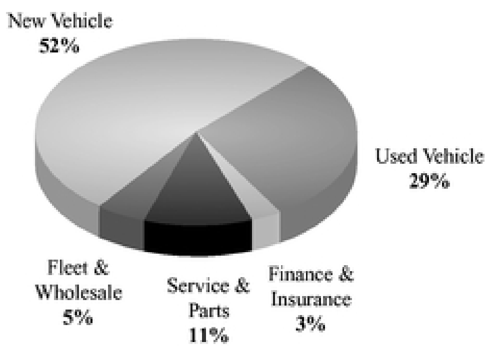
Item 1. *Business*

We are an international transportation services company operating automotive dealerships, commercial vehicle distribution, and car rental franchises principally in the United States, Western Europe, Australia and New Zealand, and employing approximately 18,000 people worldwide.

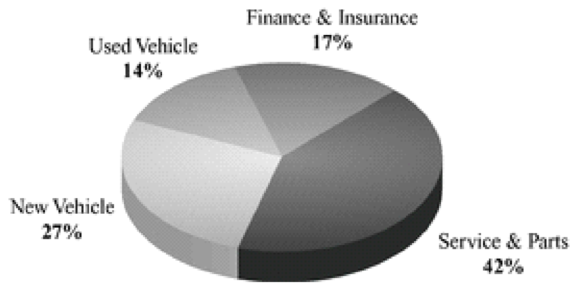
Automotive Dealership. We are the second largest automotive retailer headquartered in the U.S. as measured by the $14.7 billion in total revenue we generated in 2013. As of December 31, 2013, we operated 324 automotive retail franchises, of which 176 franchises are located in the U.S. and 148 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K. In 2013, we retailed and wholesaled more than 442,000 vehicles. We are diversified geographically, with 65% of our total automotive dealership revenues in 2013 generated in the U.S. and Puerto Rico and 35% generated outside the U.S. We offer over 35 vehicle brands, with 69% of our total automotive dealership revenue in 2013 generated from premium brands, such as Audi, BMW, Mercedes-Benz and Porsche. Each of our dealerships offers a wide selection of new and used vehicles for sale. In addition to selling new and used vehicles, we generate higher-margin revenue at each of our dealerships through maintenance and repair services and the sale and placement of third-party finance and insurance products, third-party extended service and maintenance contracts and replacement and aftermarket automotive products. Automotive dealerships represented 98.6% of our total revenues and 97.5% of our total gross profit in 2013.

We believe our diversified income streams help to mitigate the historical cyclicality found in some elements of the automotive sector. Revenues from higher margin service and parts sales include warranty work, customer paid work, collision repair services, and wholesale parts sales and are typically less cyclical than retail vehicle sales, and generate the largest part of our automotive retail gross profit. The following graphic shows the percentage of our total automotive dealership revenues by product area and their respective contribution to our overall gross profit:

Revenue Mix



Gross Profit Mix



Commercial Vehicle. On August 30, 2013, we completed the acquisition of Western Star Trucks Australia, the exclusive importer and distributor of Western Star heavy duty trucks (a Daimler brand), MAN heavy and medium duty trucks and buses (a VW Group brand), and Dennis Eagle refuse collection vehicles, together with associated parts across Australia, New Zealand and portions of Southeast Asia. The business also includes three retail commercial vehicle dealerships. From our acquisition on August 30, 2013 through December 31, 2013, this business generated $152.5 million of revenue through the distribution and retail sale of vehicles and parts to a network of more than 70 dealership locations. This business represented 1.0% of our total revenues and 1.1% of our total gross profit in 2013.

Car Rental. We are the Hertz car rental franchisee in the Memphis, Tennessee market and certain Indiana markets. We currently manage more than fifty on- and off-airport Hertz car rental locations. Our car rental operations represented 0.4% of our total revenues and 1.4% of our total gross profit in 2013 and complement our existing U.S. automotive dealership operations.

Penske Truck Leasing. We hold a 9.0% ownership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading provider of transportation services and supply chain management. PTL operates and maintains approximately 205,000 vehicles and serves customers in North America, South America, Europe and Asia and is one of the largest purchasers of commercial trucks in North America. Product lines include full-service truck leasing, truck rental and contract maintenance, logistics services such as dedicated contract carriage, distribution center management, transportation management and acting as lead logistics provider. PTL is owned 41.1% by Penske Corporation, 9.0% by us and the remaining 49.9% of PTL is owned by direct and indirect subsidiaries of General Electric Capital Corporation ("GECC"). We account for our investment in PTL under the equity method, and we therefore record our share of PTL's earnings on our statements of income under the caption "Equity in Earnings of Affiliates" which also includes the results of our other investments.

2013 Key Developments

Automotive Dealership Acquisitions and Dispositions. In 2013, we acquired or were granted open points (new franchises awarded from the automotive manufacturer) representing ten automotive franchises. We expect that these franchises will represent approximately $325.0 million in annualized revenue. These acquisitions include Jaguar/Land Rover Annapolis in Maryland which complements our franchises in Northern Virginia and Frank Smith Toyota/Scion and Frank Smith Hyundai in the McAllen, Texas metropolitan market which complements our franchises in Austin and Houston, Texas. We also disposed of 30 franchises representing approximately $340.0 million in annual revenue and principally consisting of ten Toyota/Lexus and fifteen Chrysler/Jeep/Dodge franchises in the U.K.

Commercial Vehicle. On August 30, 2013, we completed the acquisition of our commercial vehicle distribution and retail business with principal operations in Australia and New Zealand as discussed on the preceding page. We believe this business presents us with higher-margin revenues and offers a platform to potentially expand our operations in that market.

Car Rental Franchise Acquisitions. We expanded our Hertz car rental operations in 2013, acquiring Hertz's assets in certain Indiana markets. We believe there are further opportunities to expand our car rental operations, particularly in markets which would complement our existing U.S. automotive dealership operations.

Shareholder Dividends and Stock Repurchases. We increased our quarterly stock dividend each quarter in 2013. Our latest declared dividend is $0.18 per share payable March 3, 2014, which represents a dividend yield of 1.7% using our January 31st closing stock price. We also repurchased approximately 410,000 shares of our common stock in 2013 for $12.7 million, which, together with the quarterly dividends, represents a return to shareholders of approximately $68.7 million.

Named "Best Dealerships To Work For". We were pleased that six of our dealerships in the U.S. were named by Automotive News as "Among the 100 Best Dealerships to Work For." In addition, our U.K. dealerships, collectively known as the Sytner Group, were ranked as one of the "Best Big Companies to Work for in the U.K." by the London Sunday Times. We believe these awards reflect our ongoing commitment to our valuable dealership employees, which enhances customer satisfaction and may result in improved sales over time.

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Outlook

The level of new automotive unit sales in our markets affects our results. The new vehicle market and the amount of customer traffic visiting our dealerships have improved during the past few years, and there are market expectations for continued improvement in 2014. During 2013, U. S. car and light truck sales increased 7.5% from 2012 to 15.6 million units. We believe the U.S. automotive market will continue to improve based upon industry forecasts from companies such as IHS Automotive, Edmunds and Kelley Blue Book, coupled with demand in the marketplace, an aging vehicle population, a strong credit environment for consumers, and the planned introduction of new models by many different vehicle brands.

During 2013, U.K. vehicle registrations increased 10.8% from 2012 to 2.3 million registrations. Based on industry forecasts from entities such as the Society of Motor Manufacturers and Traders (www.smmt.co.uk), we believe the U.K. market will continue to be resilient as a result of U.K. motorists responding positively to new products and the latest technologically advanced vehicles, particularly in the area of premium brand sales and attractive financing offers.

Our commercial vehicle distribution and retail business operates in the Australian and New Zealand heavy and medium duty truck markets, the bus market and the refuse collection vehicle market. In 2013, the Australia heavy duty truck market reported sales of 11,119 units, representing a decrease of 2.3% from 2012. The brands we represent in Australia maintained an 11.7% share of that market in 2013. We expect the Australian/New Zealand commercial vehicle market to be relatively stable over the next twelve months and look for positive results to impact our business as we integrate those operations.

We expect our car rental operations and PTL to benefit from the improving economic conditions in the United States. See "Item 1A. Risk Factors" and, for a more detailed discussion of our financial and operating results, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Long-Term Business Strategy

Our long-term business strategy focuses on several key areas in an effort to foster long-term relationships with our customers. The key areas of our long-term strategy follow:

- Attract, develop, and empower associates to grow our business;
- Offer outstanding brands in premium facilities and superior customer service;
- Maintain diversification;
- Expand revenues at existing locations and increase higher-margin businesses;
- Grow through strategic acquisitions;
- Enhance customer satisfaction;
- Leverage scale and implement "best practices" and
- Leverage Internet marketing

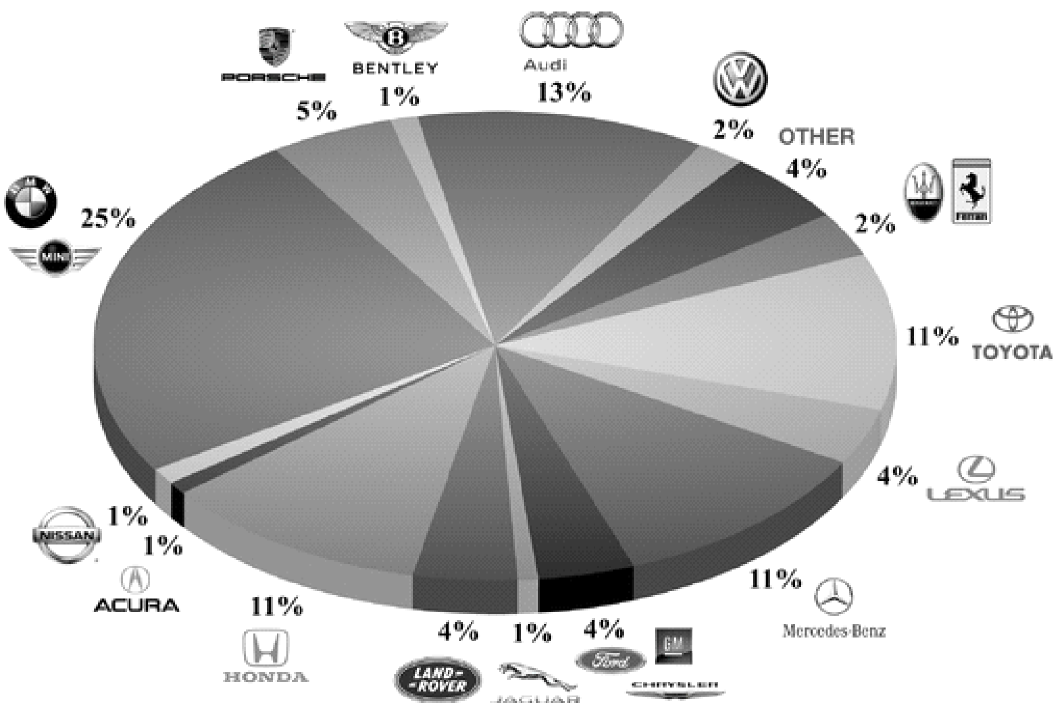
Attract, Develop, and Empower Associates to Grow our Business

We view our local managers and associates as one of our most important assets. We operate in a decentralized manner that fosters an entrepreneurial spirit where each dealership or business unit has independent operational and financial management responsible for day-to-day operations. We believe experienced local managers are better qualified to make day-to-day decisions concerning the successful operation of a business unit and can be more responsive to our customers' needs. We seek local management that not only has relevant industry experience, but is also familiar with the local market. We also have regional management that oversees operations and supports the local unit operationally and administratively. We invest for future growth and offer outstanding brands and facilities which we believe attracts outstanding talent. We believe attracting the best talent and allowing our associates to make business decisions at the local level helps to foster long-term growth through increased repeat and referral business.

Offer Outstanding Brands in Premium Facilities and Superior Customer Service

We offer outstanding brands in premium facilities and believe offering our customers a superior customer service experience will generate repeat and referral business and will help to foster a loyal and dedicated customer base. Customer satisfaction is measured at each of our automotive dealerships and our car rental operations on a monthly, quarterly, and/or yearly basis by the manufacturers we represent, and we compensate our employees, in part, based on their performance in such rankings.

Our revenue mix consists of 69% related to premium brands, 27% related to volume foreign brands, and 4% related to brands of U.S. based manufacturers. We believe our largely premium and foreign brand mix will continue to offer us the opportunity to generate same-store growth, including higher margin service and parts sales. The following chart reflects our percentage of total automotive dealership revenue by brand:



We sell and service outstanding automotive brands in our premium facilities, in attractive geographic markets. Where advantageous, we aggregate our automotive dealerships in a campus setting in order to build a destination location for our customers, which we believe helps to drive increased customer traffic to each of the brands at the location. This strategy also creates an opportunity to reduce personnel expenses, consolidate advertising and administrative expenses and leverage operating expenses over a larger base of dealerships. Our U.S. based dealerships have generally achieved new unit vehicle sales that are significantly higher than industry averages for the brands we sell.

Maintain Diversification

Our business benefits from our diversified revenue mix, including the multiple revenue streams in a traditional automotive dealership (new vehicles, used vehicles, finance and insurance, and service and parts operations), revenues from our commercial vehicle and car rental operations, and returns relating to our joint venture investments, which we believe helps to mitigate the cyclicality that has historically impacted some elements of the automotive sector. We are further diversified within our automotive retail operations due to our brand mix and geographical dispersion.

Diversification Outside the U.S. One of the unique attributes of our operations versus our peers is our diversification outside the U.S. The following table shows our revenues by country:

Location	% of Total 2013 Revenue
United States	64%
United Kingdom	34%
Other International	2%

The U.K. is the second largest automotive retail market in Western Europe. We generated 93% of our revenue in the U.K. through the sale and service of premium brands in 2013. We believe that we are among the largest Audi, Bentley, BMW, Ferrari, Land Rover, Lexus, Mercedes-Benz, Maserati and Porsche dealers in the U.K. based on new unit sales. Additionally, we operate a number of dealerships in Germany, Western Europe's largest automotive retail market, including through joint ventures with experienced local partners, which sell and service Audi, BMW, Lexus, MINI, Porsche, Toyota, Volkswagen and various other premium brands. We also operate BMW/MINI dealerships in Northern Italy in a joint venture with a local partner.

Diversification Through Penske Truck Leasing. We hold a 9.0% ownership interest in PTL, a leading provider of transportation services and supply chain management, which further diversifies our total results of operations. Our share of PTL's earnings in 2013 was $23.5 million and is shown on our statement of income under the caption "Equity in Earnings of Affiliates."

Expand Revenues at Existing Locations and Increase Higher-Margin Businesses

Commercial Vehicle. We acquired our commercial vehicle operations on August 30, 2013. We believe this business provides us with higher-margin revenues and offers a platform to potentially expand our operations in that market. To the extent we can grow our commercial vehicle revenues, our overall margins should increase.

Increase Same-Store Sales. We believe our emphasis on superior customer service and premium facilities will contribute to increases in same-store sales over time. We have added a significant number of incremental automotive service bays in recent years in order to better accommodate our customers and further enhance our higher-margin service and parts revenues. We have employed a strategy called "Retail First" to increase our same-store used vehicle sales. With this strategy, we have increased our efforts to retail a used vehicle to a consumer before attempting to dispose of it through the traditional wholesale process. We believe this strategy has helped to increase the number of used retail vehicle sales in 2013.

Grow Finance, Insurance, and Other Aftermarket Revenues. Each sale of a vehicle provides us the opportunity to assist in arranging financing for the sale of a vehicle, to sell the customer an extended service contract or other insurance product, and to sell aftermarket products, such as security systems and protective coatings. In order to improve our finance and insurance business, we focus on enhancing and standardizing training programs aimed at driving process improvements which we believe will improve our overall revenues.

Expand Service and Parts and Collision Repair Revenues. Today's vehicles are increasingly complex and require sophisticated equipment and specially trained technicians to perform certain services. Additionally, many manufacturers today are offering maintenance programs packaged with the vehicle sale. These programs require customers to have the service work performed at a factory-authorized dealership. Unlike independent service shops, our dealerships are authorized to perform this work under warranties provided by manufacturers. We believe that our brand mix and the complexity of today's vehicles, combined with our investment in expanded service facilities and our focus on customer service, will contribute to increases in our service and parts revenue. We also operate 27 collision repair centers which are integrated with local dealership operations. We also offer rapid repair services such as paint-less dent repair, headlight reconditioning, wheel repairs, tire sales and windshield replacement at most of our facilities in order to offer our customers the convenience of one-stop shopping for all of their automotive requirements.

Grow through Strategic Acquisitions

We believe that attractive automotive retail acquisition opportunities exist for well-capitalized dealership groups with experience in identifying, acquiring and integrating dealerships. The fragmented automotive retail market provides us with significant growth opportunities in our markets. We generally seek to acquire dealerships with high-growth automotive brands in highly concentrated or growing demographic areas that will benefit from our management expertise, manufacturer relations and scale of operations, as well as smaller, single location dealerships that can be effectively integrated into our existing operations. Over time, we have also been awarded new franchises from various manufacturers. In 2013, we acquired or were granted open points representing ten franchises which we expect will generate approximately $325.0 million in annualized revenue. We also disposed of 30 franchises that generated approximately $340.0 million of revenue on an annualized basis in 2013.

We also believe there are acquisition opportunities for our commercial vehicle operations in Australia and New Zealand and in connection with our car rental operations. We have a seasoned local management team in Australia that we have complemented with additional personnel familiar with our automotive retail operations and we will endeavor to utilize local management to identify additional retail and distribution opportunities.

Enhance Customer Satisfaction

We strive for superior customer satisfaction. By offering outstanding brands in premium facilities, "one-stop" shopping convenience in our aggregated facilities, and a well-trained and knowledgeable sales staff, we aim to forge lasting relationships with our customers, enhance our reputation in the community, and create the opportunity for significant repeat and referral business. We monitor customer satisfaction data accumulated by manufacturers to track the performance of operations, and incent our personnel to provide exceptional customer service, thereby driving increased customer loyalty.

Leverage Scale and Implement "Best Practices"

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

Leverage Internet Marketing

We intend to leverage the Internet to attract and retain customers as we believe the majority of our customers consult the Internet for information when shopping for a vehicle. In order to attract customers and enhance our customer service, each of our dealerships maintains its own website. All of our dealership websites are presented in common formats (except where otherwise required by manufacturers) which helps to minimize costs and provides a consistent image across dealerships. In addition, many automotive manufacturers' websites, and our corporate websites, provide links to our dealership websites and, in the U.K., manufacturers also provide a website for the dealership. Additionally, when customers access our dealership websites with mobile devices such as a smartphone or an iPad, we present these websites in a format that allows for a consistent customer experience through optimization of our sites to the applicable mobile device.

In addition, we list substantially all our U.S. and U.K. automotive retail vehicle inventory on www.PenskeCars.com or www.sytner.co.uk, respectively. These websites are designed to make it easy for consumers, employees and partners to view and compare over 50,000 new, certified and pre-owned vehicles. These sites, together with our dealership websites, provide consumers a simple method to schedule maintenance and repair services at their local Penske Automotive dealership and view extensive vehicle information, including photos, prices, promotions, videos and third party vehicle history reports for pre-owned vehicles. Additionally, customers may download a PenskeCars.com app to access this site at their convenience.

We attempt to obtain high visibility for these websites by utilizing strategies to obtain high search engine relevance on sites like Google and Bing. We also encourage interaction with our customers on social media sites such as Facebook and YouTube to bring new customers to our dealership and enhance repeat and referral business.

Automotive Dealership Operations

We routinely acquire and dispose of automotive retail franchises. Our financial statements include the results of operations of acquired dealerships from the date of acquisition. The following table sets forth information with respect to our current dealerships that were acquired or opened from January 1, 2011 to December 31, 2013:

Dealership	Date Opened or Acquired	Location	Franchises
U.S.			
Fiat-Ponce	05/11	Ponce, PR	Fiat
Audi Willoughby	03/11	Willoughby, OH	Audi
Crevier BMW/MINI	07/11	Santa Ana, CA	BMW, MINI
Mercedes-Benz of Greenwich	07/11	Greenwich, CT	Mercedes-Benz
Fiat of Fayetteville	12/11	Fayetteville, AR	Fiat
Fiat Mayaguez	12/11	Mayaguez, PR	Fiat
MINI of Marin	03/12	Marin, CA	MINI
Nissan/Infiniti San Francisco	03/12	San Francisco, CA	Nissan, Infiniti
Landers Fiat	04/12	Benton, AR	Fiat
Triangle Suzuki de San Juan	04/12	San Juan, PR	Suzuki
Lexus de Ponce	06/12	Ponce, PR	Lexus
BMW/MINI of Ontario	10/12	Ontario, CA	BMW, MINI
Jon Lancaster Toyota	11/12	Madison, WI	Toyota, Scion
Lexus of Madison	11/12	Middleton, WI	Lexus
Maserati of Warwick	03/13	Warwick, RI	Maserati
Bentley of Edison	10/13	Edison, NJ	Bentley
Jaguar/Land Rover Annapolis	10/13	Annapolis, MD	Jaguar/Land Rover
Frank Smith Toyota-Scion	12/13	Pharr, TX	Toyota-Scion
Frank Smith Hyundai	12/13	Pharr, TX	Hyundai
Outside the U.S.			
Sytner Maidenhead BMW	02/11	Maidenhead, England	BMW
Sytner Slough MINI	02/11	West Midlands, England	MINI
McLaren Manchester	07/11	Manchester, England	McLaren
Belfast Audi	01/12	Belfast, Ireland	Audi
Portadown Audi	01/12	Portadown, Ireland	Audi
Agnew Seat Boucher	01/12	Belfast, Ireland	Seat
Bavarian Garages (NI) Ltd.	01/12	Belfast, Ireland	BMW, MINI
Mercedes-Benz of Belfast	01/12	Belfast, Ireland	Mercedes-Benz
smart of Belfast	01/12	Belfast, Ireland	smart
Mercedes-Benz of Portadown	01/12	Portadown, Ireland	Mercedes-Benz
Stanley Motor Works	01/12	Belfast, Ireland	Suzuki, Volvo
Isaac Agnew Volkswagen	01/12	Belfast, Ireland	Volkswagen
Isaac Agnew Volkswagen Newtonabbey	01/12	Newtownabbey, Ireland	Volkswagen, VW-Van
Porsche Centre Belfast	01/12	Belfast, Ireland	Porsche
AutoVanti Monza	03/12	Monza, Italy	BMW, MINI
Alba Motors	07/12	Bologna, Italy	BMW, MINI
AutoVanti	07/12	Bologna, Italy	BMW (2), MINI
Guy Salmon Jaguar Stockport	10/12	Stockport, England	Jaguar
Guy Salmon Land Rover Northampton	06/13	Northhampton, England	Land Rover
Lamborghini Leicester	09/13	Leicestershire, England	Lamborghini
AutoVanti Brianza	10/13	Desio, Italy	BMW

In 2013, 2012 and 2011, we disposed of 30, 11 and 16 franchises, respectively, that we believe were not integral to our strategy or operations. The dispositions in 2013 principally consisted of ten Toyota/

Lexus and fifteen Chrysler, Jeep and Dodge franchises in the U.K. We expect to continue to pursue acquisitions and selected dispositions in the future.

Automotive Retail Franchises. These tables exhibit our automotive retail franchises by location and manufacturer as of December 31, 2013:

Location	Franchises	Franchises	U.S.	Non-U.S.	Total
Arizona	22	BMW/MINI	20	42	62
Arkansas	12	Toyota/Lexus/Scion	39	3	42
California	32	Mercedes-Benz/Sprinter/smart	19	23	42
Connecticut	7	Audi/Volkswagen/Bentley	17	25	42
Florida	8	Chrysler/Jeep/Dodge/Fiat	16	—	16
Georgia	4	Honda/Acura	24	2	26
Indiana	2	Ferrari/Maserati	7	12	19
Maryland	2	Porsche	6	8	14
Minnesota	2	Jaguar/Land Rover	4	18	22
Nevada	2	Lamborghini	1	4	5
New Jersey	23	Nissan/Infiniti	8	—	8
New York	1	Cadillac/Chevrolet	5	—	5
Ohio	8	Others	10	11	21
Puerto Rico	15				
Rhode Island	13	Total	176	148	324
Tennessee	2				
Texas	11				
Virginia	7				
Wisconsin	3				
Total U.S.	176				
U.K.	131				
Germany	9				
Italy	8				
Total Foreign	148				
Total Worldwide	324				

New Vehicle Retail Sales. In 2013, we retailed 199,795 new vehicles which generated 55.3% of our automotive retail revenue and 26.7% of our automotive retail gross profit. We sell over 35 vehicle brands in the U.S., Puerto Rico, the U.K., Germany and Italy. New vehicles are typically acquired by dealerships directly from the manufacturer. We strive to maintain outstanding relations with the automotive manufacturers, based in part on our long-term presence in the automotive retail market, our commitment to providing premium facilities, our commitment to drive customer satisfaction, the reputation of our management team and the consistent high sales volume at our dealerships. Our dealerships finance the purchase of most new vehicles from the manufacturers through floor plan financing provided primarily by various manufacturers' captive finance companies.

Used Vehicle Retail Sales. In 2013, we retailed 166,419 used vehicles, which generated 30.8% of our automotive retail revenue and 14.2% of our automotive retail gross profit. We acquire used vehicles from various sources, including from our car rental operations, auctions open only to authorized new vehicle dealers, public auctions, trade-ins from consumers in connection with their purchase of a new vehicle from us and lease expirations or terminations. To improve customer confidence in our used vehicle inventory, each of our dealerships participates in all available manufacturer certification processes for used vehicles. If certification is obtained, the used vehicle owner is typically provided benefits and warranties similar to those offered to new vehicle owners by the applicable manufacturer. Most of our dealerships have implemented software tools which assist in procuring and selling used vehicles. In the U.K., we offer used vehicles to wholesalers and other dealers via online auction.

We have employed a strategy called "Retail First" to increase our same-store used vehicle sales. Under this strategy, we have increased our efforts to retail a used vehicle to a consumer before attempting to dispose of it through the traditional wholesale process. We believe this strategy has helped to increase the number of used retail vehicle sales in 2013. For example, the ratio of used vehicles to new vehicles retailed improved from 0.80:1 to 0.83:1 during 2013. We believe these strategies have resulted in greater operating efficiency and helped to reduce costs associated with maintaining optimal inventories.

Vehicle Finance, Extended Service and Insurance Sales. Finance, extended service and insurance sales represented 2.7% of our automotive retail revenue and 17.1% of our automotive retail gross profit in 2013. At our customers' option, our dealerships can arrange third-party financing or leasing in connection with vehicle purchases. We typically receive a portion of the cost of the financing or leasing paid by the customer for each transaction as a fee. While these services are generally non-recourse to us, we are subject to chargebacks in certain circumstances, such as default under a financing arrangement or prepayment. These chargebacks vary by finance product but typically are limited to the fee we receive. As further discussed in "Item 1A. Risk Factors," the consumer finance protection bureau has instituted regulatory proceedings which may change the way we are compensated for assisting our customers in obtaining financing, which could result in lower related revenues.

We also offer our customers various vehicle warranty and extended protection products, including extended service contracts, maintenance programs, guaranteed auto protection (known as "GAP," this protection covers the shortfall between a customer's loan balance and insurance payoff in the event of a total loss), lease "wear and tear" insurance and theft protection products. The extended service contracts and other products that our dealerships currently offer to customers are underwritten by independent third parties, including the vehicle manufacturers' captive finance subsidiaries. Similar to finance transactions, we are subject to chargebacks relating to fees earned in connection with the sale of certain extended protection products. We also offer for sale other aftermarket products, including security systems and protective coatings.

We offer finance and insurance products using a "menu" process, which is designed to ensure that we offer our customers a complete range of finance, insurance, protection, and other aftermarket products in a transparent manner. We provide training to our finance and insurance personnel to help assure compliance with internal policies and procedures, as well as applicable state regulations.

Service and Parts Sales. Service and parts sales represented 11.2% of our automotive retail revenue and 42.0% of our automotive retail gross profit in 2013. We generate service and parts sales in connection with warranty and non-warranty work performed at each of our dealerships. We believe our service and parts revenues benefit from the increasingly complex technology used in vehicles that makes it difficult for independent repair facilities to maintain and repair today's automobiles.

A goal of each of our dealerships is to make each vehicle purchaser a customer of our service and parts department. Our dealerships keep detailed records of our customers' maintenance and service histories, and many dealerships send reminders to customers when vehicles are due for periodic maintenance or service. Many of our dealerships have extended evening and weekend service hours for the convenience of our customers. We also offer rapid repair services such as paint-less dent repair, headlight reconditioning, wheel repairs, tire sales and windshield replacement at most of our facilities in order to offer our customers the convenience of one-stop shopping for all of their automotive requirements. We also operate 27 collision repair centers, each of which is operated as an integral part of our dealership operations.

PAG Automotive Dealership Locations

The following is a list of all of our automotive dealerships as of December 31, 2013:

U.S. DEALERSHIPS

ARIZONA
Acura North Scottsdale
Audi of Chandler
Audi North Scottsdale
Bentley Scottsdale
BMW North Scottsdale
Bugatti Scottsdale
Jaguar North Scottsdale
Lamborghini Scottsdale
Land Rover North Scottsdale
Lexus of Chandler
Mercedes-Benz of Chandler
MINI North Scottsdale
MINI of Tempe
Porsche North Scottsdale
Rolls-Royce Scottsdale
Scottsdale Aston Martin
Scottsdale Ferrari Maserati
smart center Chandler
Sprinter @ Mercedes-Benz of Chandler
Tempe Honda
Volkswagen North Scottsdale
ARKANSAS
Acura of Fayetteville
Chevrolet of Fayetteville
Fiat of Fayetteville
Honda of Fayetteville
Landers Chevrolet
Landers Chrysler Jeep Dodge
Landers Fiat
Landers Ford
Toyota-Scion of Fayetteville
CALIFORNIA
Acura of Escondido
Audi Escondido
Audi Stevens Creek
BMW of San Diego
BMW/MINI of Ontario
Capitol Honda
Commonwealth Audi
Commonwealth Volkswagen
Crevier BMW
Crevier MINI
Honda Mission Valley
Honda North
Honda of Escondido
Kearny Mesa Acura
Kearny Mesa Toyota-Scion
Lexus Kearny Mesa
Los Gatos Acura
Marin Honda
MINI of Marin
MINI of San Diego
Mazda of Escondido
Mercedes-Benz of San Diego
Nissan/Infiniti San Francisco
Peter Pan BMW
Porsche of Stevens Creek
smart center San Diego
Sprinter @ Mercedes-Benz of San Diego
Toyota Scion of Clovis
CONNECTICUT
Audi of Fairfield
Honda of Danbury
Mercedes-Benz of Fairfield
Mercedes-Benz of Greenwich
Porsche of Fairfield
smart center Fairfield
Sprinter @ Mercedes-Benz of Fairfield
FLORIDA
Central Florida Toyota-Scion
Royal Palm Mazda
Palm Beach Toyota-Scion
Royal Palm Toyota-Scion
Royal Palm Nissan
GEORGIA
Atlanta Toyota-Scion
Honda Mall of Georgia
United BMW of Gwinnett
United BMW of Roswell
INDIANA
Penske Chevrolet
Penske Honda
MARYLAND
Jaguar/Land Rover Annapolis
MINNESOTA
Motorwerks BMW
Motorwerks MINI
NEW JERSEY
Acura of Turnersville
Audi Turnersville
BMW of Turnersville
Chevrolet Cadillac of Turnersville
BMW of Tenafly
Bentley of Edison
Lexus of Edison
Ferrari Maserati of Central New Jersey
Gateway Toyota-Scion
Honda of Turnersville
Hudson Chrysler Jeep Dodge
Hudson Nissan
Hudson Toyota-Scion
Hyundai of Turnersville
Lexus of Bridgewater
Nissan of Turnersville
Toyota-Scion of Turnersville
NEW YORK
Honda of Nanuet
OHIO
Audi Bedford
Audi Willoughby
Honda of Mentor
Mercedes-Benz of Bedford
Porsche of Beachwood
smart center Bedford
Toyota-Scion of Bedford
RHODE ISLAND
Acura of Warwick
Audi Warwick
Bentley Providence
BMW of Warwick
Infiniti of Warwick
Lexus of Warwick
Maserati of Warwick
Mercedes-Benz of Warwick
MINI of Warwick
Nissan West Warwick
Porsche of Warwick
smart center Warwick
Sprinter @ Mercedes-Benz of Warwick
TENNESSEE
Wolfchase Toyota-Scion
TEXAS
BMW of Austin
Frank Smith Hyundai
Honda of Spring
Spring Branch Honda
Frank Smith Toyota-Scion
MINI of Austin
Round Rock Honda
Round Rock Hyundai
Round Rock Toyota-Scion
VIRGINIA
Audi Chantilly
Audi of Tysons Corner
Mercedes-Benz Chantilly
Mercedes-Benz of Tysons Corner
Porsche of Tysons Corner
smart center Tysons Corner
Sprinter @ Mercedes Benz of Chantilly
WISCONSIN
East Madison Toyota-Scion
Lexus of Madison
PUERTO RICO
Lexus de Ponce
Lexus de San Juan
Triangle Chrysler, Dodge, Jeep de Ponce
Triangle Chrysler, Dodge, Jeep, del Oeste
Triangle Honda 65 de Infanteria
Triangle Nissan del Oeste
Triangle Suzuki de San Juan
Triangle Toyota-Scion de San Juan
Triangle Fiat del Oeste
Triangle Fiat de Ponce

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NON-U.S. DEALERSHIPS

U.K.

Audi

Belfast Audi
Bradford Audi
Derby Audi
Harrogate Audi
Huddersfield Audi
Leeds Audi
Leicester Audi
Mayfair Audi
Nottingham Audi
Portadown Audi
Reading Audi
Slough Audi
Wakefield Audi
West London Audi

Bentley

Bentley Birmingham
Bentley Edinburgh
Bentley Leicester
Bentley Manchester

BMW/MINI

Bavarian Garages (NI) Ltd.
Sytner Birmingham
Sytner Cardiff
Sytner Chigwell
Sytner Coventry
Sytner Docklands
Sytner Harold Wood
Sytner High Wycombe
Sytner Leicester
Sytner Maidenhead
Sytner Newport
Sytner Nottingham
Sytner Oldbury
Sytner Sheffield
Sytner Slough
Sytner Solihull
Sytner Sunningdale
Sytner Sutton

Ferrari/Maserati

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

Honda

Honda Gatwick
Honda Redhill

Jaguar/Land Rover

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

Lamborghini

Lamborghini Birmingham
Lamborghini Edinburgh
Lamborghini Leicester

Lexus

Lexus Bristol
Lexus Leicester
Lexus Milton Keynes

McLaren

McLaren Manchester

Mercedes-Benz/smart

Mercedes-Benz of Bath
Mercedes-Benz of Bedford
Mercedes-Benz/smart of Belfast
Mercedes-Benz of Carlisle
Mercedes-Benz of Cheltenham and Gloucester
Mercedes-Benz of Newbury
Mercedes-Benz/smart of Northampton
Mercedes-Benz of Portadown
Mercedes-Benz of Sunderland
Mercedes-Benz of Swindon
Mercedes-Benz of Weston-Super-Mare
Mercedes-Benz/smart of Bristol
Mercedes-Benz/smart of Milton Keynes
Mercedes-Benz/smart of Newcastle
Mercedes-Benz/smart of Teesside

Porsche

Porsche Centre Belfast
Porsche Centre Edinburgh
Porsche Centre Glasgow
Porsche Centre Leicester
Porsche Centre Mid-Sussex
Porsche Centre Silverstone
Porsche Centre Solihull

Rolls-Royce

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

Suzuki

Stanley Motor Works

Volkswagen

Agnew SEAT Boucher
Isaac Agnew Volkswagen
Isaac Agnew Volkswagen Mallusk
SEAT Huddersfield
VW Harrogate
VW Huddersfield
VW Leeds

Volvo

Stanley Motor Works
Tollbar Warwick

GERMANY

PorscheZentrum Manheim (Porsche)
Tamsen GmbH Bremen (Ferrari, Maserati, Aston Martin, Bentley)
Tamsen GmbH Hamburg (Ferrari, Maserati, Aston Martin, Lamborghini)

ITALY

AutoVanti Monza (BMW, MINI)
AutoVanti Bologna—Casalecchio (BMW, MINI)
AutoVanti Bologna—Quarto Inferiore (BMW)
AutoVanti Bologna—Centro (BMW, MINI)
AutoVanti Brianza (BMW)

We also own 50% of the following automotive dealerships:

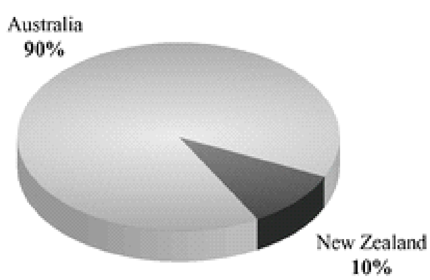
GERMANY
Aix Automobile GmbH (Toyota, Lexus)
Audi Zentrum Aachen (Audi)
Autohaus Krings (Skoda)
Autohaus Nix (Toyota (3))
Autohaus Nix GmbH (Toyota)
Autohaus Piper GmbH & Co. KG (Volkswagen, Skoda (2))
Jacobs automobile Aachen GmbH (Citroën, Kia)
Jacobs Automobile Düren (SEAT, Volkswagen, Audi)
Jacobs automobile Eifel (Audi, Volkswagen)
Jacobs automobile Eschweiler (Volkswagen)
Jacobs automobile Geilenkirchen (Volkswagen, Audi)
Jacobs automobile Stolberg GmbH (Volkswagen)
Jacobs Sportwagen GmbH (Maserati)
Sirries automobile GmbH (Volkswagen, Audi, Skoda)
TCD GmbH (Toyota, Lexus)
Volkswagen Zentrum Aachen (Volkswagen)
Wolff & Meier GmbH (Volkswagen, Skoda)
Zabka Automobile GmbH (Volkswagen, Audi, SEAT)

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

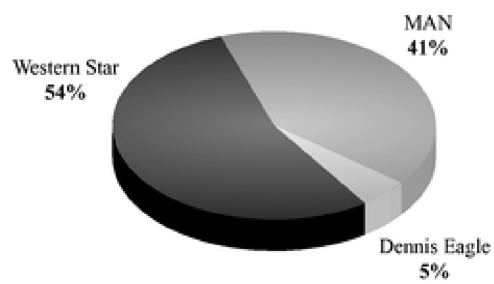
Commercial Vehicle

On August 30, 2013, we completed the acquisition of Western Star Trucks Australia, the exclusive importer and distributor of Western Star heavy duty trucks (a Daimler brand), MAN heavy and medium duty trucks and buses (a VW Group brand), and Dennis Eagle refuse collection vehicles, together with associated parts across Australia, New Zealand and portions of Southeast Asia. The business also includes three retail commercial vehicle dealerships. From our acquisition of this business on August 30, 2013 through December 31, 2013, it generated $152.5 million of revenue through the distribution and retail sale of vehicles and parts to a network of more than 70 dealership locations. The following graphics show the percentage of our total commercial vehicle revenue generated by operations in Australia and New Zealand and the percentage of new commercial vehicle sales revenue generated by each brand sold by our commercial vehicle business:

Revenue by Country



Revenue by Brand



Our local headquarters is located outside Brisbane, Australia, which is the country's third largest city. Our headquarters includes administrative facilities as well as a 167,000 square foot parts distribution center and an 85,000 square foot production center. We also have a 13,000 square foot parts distribution center in Auckland, New Zealand.

Western Star trucks are manufactured by Daimler Trucks North America in Portland, Oregon. These technologically advanced, custom-built vehicles are ordered by customers to meet their particular needs for hauling, mining, logging and other heavy-duty applications. We are also the exclusive importer of MAN trucks and buses. MAN SE, a VW Group company, is a leading producer of medium and heavy duty trucks as well as city and coach buses. These cab-forward, fuel efficient vehicles are principally produced in several sites in Germany. Dennis Eagle refuse collection vehicles are manufactured by Ros Roca in Warwick, England. Together these brands represented 11.7% of heavy duty truck units sold in Australia during 2013.

Our commercial vehicle operations includes three retail commercial vehicle distribution points. The Brisbane Truck Centre in Brisbane, Australia is the largest retailer of Western Star Trucks in Australia by volume. The remaining two points are in Auckland, New Zealand and Tauranga, New Zealand, which together represent the largest retailer of Western Star Trucks by volume in New Zealand. We finance our purchases of these vehicles under a floor plan agreement with a local Daimler affiliate with terms similar to our other floor plan agreements.

Car Rental

We are the Hertz car rental franchisee in the Memphis, Tennessee market and certain Indiana markets. We currently manage more than fifty on- and off-airport Hertz car rental locations. Our Hertz car rental operations represented 0.4% of our total revenues and 1.4% of our total gross profit in 2013. We rent a wide variety of makes and models of cars though our fleet of principally Toyota vehicles and to a lesser extent Honda and General Motors vehicles. In addition to car rentals and licensee fees, we generate revenues from reimbursements by customers of airport concession fees and other facility costs, fueling charges, and charges for ancillary customer products and services such as supplemental equipment (child seats), loss or collision damage waiver, theft protection, liability and personal accident/effects insurance coverage, navigation systems and satellite radio services. Our car rental fleet is approximately 5,300 vehicles. We dispose of vehicles through a variety of disposition channels, including auctions to our automotive retail dealerships, brokered sales, sales to wholesalers and other dealers.

Penske Truck Leasing

We hold a 9.0% ownership interest in PTL, a leading provider of transportation services and supply chain management. PTL operates and maintains approximately 205,000 vehicles and serves customers in North America, South America, Europe and Asia and is one of the largest purchasers of commercial trucks in North America. Product lines include full-service truck leasing, truck rental and contract maintenance, logistics services such as dedicated contract carriage, distribution center management, transportation management and acting as lead logistics provider. PTL has a highly diversified customer base ranging from individual consumers to multi-national corporations across industries such as food and beverage, manufacturing, transportation, automotive, healthcare, and retail.

Full-service truck leasing, truck rental and contract maintenance. Full-service truck leasing, truck rental and contract maintenance of commercial trucks constitutes PTL's largest business. PTL manages a fleet of approximately 205,000 trucks, tractors and trailers, consisting of approximately 140,000 vehicles owned by PTL and operated by its customers under full-service leases and rental agreements and approximately 65,000 customer-owned and—operated vehicles for which PTL provided contract maintenance services. PTL's commercial and consumer rental fleet consists of approximately 53,000 vehicles for use by its full-service truck leasing, small business and consumer customers for periods ranging from one hour to 12 months.

Commercial customers often outsource to PTL to reduce the complexity and cost of vehicle ownership. PTL integrates most aspects of fleet management, including the provision of custom configured equipment and the delivery of a package of support and maintenance services, as well as making additional short-term rental vehicles available to its contract customers. Its broad service offering has enabled its customers to reduce the large number of vendors that an in-house fleet manager must coordinate. The services provided under its full-service lease and contract maintenance agreements generally include preventive maintenance, sophisticated diagnostics, emergency road service, fleet services, safety programs and fuel services through its network of approximately 700 locations across the United States and Canada. Its commercial rental operations offer short-term availability of tractors, trucks and trailers, typically to accommodate seasonal, emergency and other temporary needs. A significant portion of these rentals are to existing full-service leasing and contract maintenance customers that are seeking flexibility in their fleet management.

For consumer customers, PTL provides short-term rental of light- and medium-duty trucks on a one-way and local basis, typically to transport household goods. Customers typically include local small businesses and individuals seeking a do-it-yourself solution to their moving needs. Its fleet consists generally of late model vehicles ranging in size from small vans to 26-foot trucks. Its consumer rentals are conducted through approximately 1,900 independent rental agents and 320 of its PTL-operated leasing and rental facilities.

Logistics. PTL's logistics business offers an extensive variety of services, including dedicated contract carriage, distribution center management, transportation management and lead logistics provider. PTL coordinates services for its customers across the supply chain, including: inbound material flow, handling and packaging, inventory management, distribution and technologies, and sourcing of third-party carriers. These services are available individually or on a combined basis and often involve its associates performing services at the customer's location. By offering a scalable series of products to its customers, PTL can manage the customer's entire supply chain or any component parts. It also utilizes specialized software that enables real-time fleet visibility and provides reporting metrics, giving customers detailed information on fuel economy and other critical supply chain costs. PTL's international logistics business has approximately 300 locations in North America, South America, Europe and Asia.

Industry Information

Approximately 65% of our automotive dealership revenues are generated in the U.S., which in 2013 was the world's second largest automotive retail market. In 2013, sales of cars and light trucks were approximately 15.6 million units, which represents an increase of 7.5% over 2012. The majority of automotive retail sales in the U.S. are generated at approximately 17,800 franchised new-car dealerships as of January 1, 2014. According to the latest available data from the National Automobile Dealers Association, dealership revenue is derived as follows: 56% from new vehicle sales, 32% from used vehicle sales and 12% from service and parts sales. Dealerships also offer a wide range of higher-margin products and services, including extended service contracts, financing arrangements and credit insurance. The National Automobile Dealers Association figures noted above include finance and insurance revenues within either new or used vehicle sales, as sales of these products are usually incremental to the sale of a vehicle.

We also operate in Germany, the U.K., and Italy, which represented the first, second, and fourth largest automotive retail markets, respectively, in Western Europe in 2013, and accounted for approximately 53% of the total vehicle sales in Western Europe. Unit sales of automobiles in Western Europe were approximately 12.3 million in 2013, a 2% decrease compared to 2012. In Germany, the U.K., and Italy, new car sales were approximately 3.0 million, 2.3 million, and 1.3 million units, respectively, in 2013.

In the U.S., publicly held automotive retail groups account for less than 10% of total industry revenue. Although significant consolidation has already taken place, the industry remains highly fragmented, with more than 90% of the U.S. industry's market share remaining in the hands of smaller regional and independent players. The Western European automotive retail market is similarly fragmented. We believe that further consolidation in these markets is probable due to the significant capital requirements of maintaining manufacturer facility standards and the limited number of viable alternative exit strategies for dealership owners.

Generally, new vehicle unit sales are cyclical and, historically, fluctuations have been influenced by factors such as manufacturer incentives, interest rates, fuel prices, unemployment, inflation, weather, the level of personal discretionary spending, credit availability, consumer confidence and other general economic factors. However, from a profitability perspective, automotive retailers have historically been less vulnerable than automobile manufacturers and automotive parts suppliers to declines in new vehicle sales. We believe this is due to the retailers' more flexible expense structure (a significant portion of the automotive retail industry's costs are variable) and their diversified revenue streams such as used vehicle sales and service and parts sales. In addition, automobile manufacturers may offer various dealer incentives when sales are slow, which further increases the volatility in profitability for automobile manufacturers and may help to decrease volatility for automotive retailers.

Our commercial vehicle business operates principally in Australia and New Zealand. In 2013, medium and heavy duty truck sales in Australia and New Zealand combined were 20,312 units, representing an increase of 1.7% from 2012. The products we distribute (and sell at three retail outlets) represent approximately 8.0% of the combined medium and heavy duty truck market in Australia and New Zealand.

Business Description

Information Technology and Customer Privacy

We consolidate financial, accounting and operational data received from our local operations through private data communications networks. Local operating data is gathered and processed through individual systems utilizing common centralized management systems predominately licensed from, and in many cases operated by, third-parties. Our local systems follow our standardized accounting procedures and are compliant with any guidelines established by our vehicle manufacturers. Our database technology allows us to extract and aggregate data from the systems in a consistent format to generate consolidated financial and operational analysis. These systems also allow us to access detailed information for each individual location, as a group, or on a consolidated basis. Information we can access includes, among other things, inventory, cash, unit sales, the mix of new and used vehicle sales and sales of aftermarket products and services. Our ability to access this data allows us to continually analyze our local results of operations and financial position so as to identify areas for improvement.

We utilize common customer relationship management systems that assist us in identifying customer opportunities and responding to customer inquiries. We utilize compliance systems that assist us with our regulatory obligations and assist us in maintaining the privacy of the information we receive from customers that we collect, process, and retain in the normal course of our business. We have adopted rigorous customer information safeguard programs and "red flag" policies to assist us in maintaining customer privacy.

As part of our business model, we receive personal information regarding customers, associates and vendors, from various online and offline channels. Our internal and third-party systems are under a moderate level of risk from hackers or other individuals with malicious intent to gain unauthorized access to our systems. Cyber-attacks are growing in number and sophistication thus presenting an ongoing threat to systems, whether internal or external, used to operate the business on a day to day basis. Despite these measures, our facilities and systems, and those of our third-party service providers, could be vulnerable to security breaches, computer viruses, or other events. Any security breach or event resulting in the unauthorized disclosure of confidential information, or degradation of services provided by critical business systems whether by us directly or our third-party service providers, could adversely affect our business operations, sales, reputation with current and potential customers, associates or vendors, as well as other operational and financial impacts derived from investigations, litigation, imposition of penalties or other means.

Marketing

Automotive Dealership. Our automotive dealership advertising and marketing efforts are focused at the local market level. We utilize many different media for our marketing activities, focusing increasingly on the Internet and other digital media, including our own websites such as www.PenskeCars.com and www.sytner.co.uk as discussed above under "Leverage Internet Marketing". We also utilize traditional marketing avenues in many markets, including, newspaper, direct mail, magazine, television, and radio advertising. Automobile manufacturers supplement our local and regional advertising efforts through large advertising campaigns promoting their brands and promoting attractive financing packages and other incentive programs they may offer. In an effort to realize increased efficiencies, we are focusing on common marketing metrics and business practices across our dealerships, as well as negotiating enterprise arrangements for targeted marketing resources.

Commercial Vehicle. We market our commercial vehicles principally through our network of more than 70 dealership locations, supported by corporate level marketing efforts. We separate our marketing by brand in Australia. We market to customers at various trade shows and other industry events in Australia and New Zealand, which presents the opportunity to approach fleet managers with new products and offerings. We also employ racing and other local sponsorships to generate brand awareness in our markets. Our internet marketing leverages manufacturer websites supplemented by our brand specific websites to promote our brands. We rely on our dealerships to market to local customers though we typically assign a regional sales manager to oversee local dealer marketing efforts.

Agreements with Vehicle Manufacturers

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

Some of our agreements, including those with BMW, Honda, Mercedes-Benz and Toyota, expire after a specified period of time, ranging from one to six years. Manufacturers have generally not terminated our franchise agreements, and our franchise agreements with fixed terms have typically been renewed without substantial cost. We currently expect the manufacturers to renew all of our franchise agreements as they expire. In addition, certain agreements with the manufacturers limit the total number of dealerships of that brand that we may own in a particular geographic area and, in some cases, limit the total number of their vehicles that we may sell as a percentage of a particular manufacturer's overall sales. Manufacturers may also limit the ownership of stores in contiguous markets. To date, we have reached the limit of the number of Lexus dealerships we may own in the U.S., and we have reached certain geographical limitations with certain manufacturers in the U.S. and

U.K. Where these limits are reached, we cannot acquire additional franchises of those brands in the relevant market unless we can negotiate modifications to the agreements. We may not be able to negotiate any such modifications.

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

Our agreements with manufacturers or distributors usually give them the right, in some circumstances (including upon a merger, sale, or change of control of the company, or in some cases a material change in our business or capital structure), to acquire the dealerships from us at fair market value. For example, our agreement with General Motors provides that, upon a proposed purchase of 20% or more of our voting stock by any new person or entity or another manufacturer (subject to certain exceptions), an extraordinary corporate transaction (such as a merger, reorganization or sale of a material amount of assets) or a change of control of our board of directors, General Motors has the right to acquire all assets, properties and business of any General Motors dealership owned by us for fair value. Some of our agreements with other major manufacturers, including Honda and Toyota, contain provisions similar to the General Motors provisions.

With respect to our commercial vehicle operations, we are party to distributor agreements with each manufacturer of products we distribute pursuant to which we are the exclusive distributor of these products in Australia and nearby markets. The agreements govern all aspects of our distribution rights, including sales and service activities, service and warranty terms, use of intellectual property, promotion and advertising provisions, pricing and payment terms, and indemnification requirements. The agreement with Western Star expires in 2025. We also are party to shipping agreements with respect to importing those products. For each of these dealers, we have signed a franchise agreement with terms that set forth the dealer's obligations with respect to the sales and servicing of these vehicles.

With respect to our car rental operations, we are party to license agreements with Hertz System, Inc. pursuant to which we are licensed to operate a Hertz brand car rental business at various locations within markets in Tennessee, Mississippi and Indiana. The agreements govern all aspects of our rights to use the Hertz car rental system, including rental and sales activities and programs, payment of fees, use of intellectual property, promotion and advertising provisions and indemnification requirements. The agreements have an initial term of ten years with renewal options exercisable by us subject to the satisfaction of certain conditions.

Competition

Automotive Dealership. We believe that the principal factors consumers consider when determining where to purchase a vehicle are the marketing campaigns conducted by manufacturers, the ability of dealerships to offer a wide selection of the most popular vehicles, the location of dealerships and the quality of the customer experience. Other factors include customer preference for particular brands of automobiles, pricing (including manufacturer rebates and other special offers) and warranties. We believe that our dealerships are competitive in all of these areas.

The automotive retail industry is currently served by franchised automotive dealerships, independent used vehicle dealerships and individual consumers who sell used vehicles in private transactions. For new vehicle sales, we compete primarily with other franchised dealers in each of our marketing areas, relying on our premium facilities, superior customer service, advertising and merchandising, management experience, sales expertise, reputation and the location of our dealerships to attract and retain customers. Each of our markets may include a number of well-capitalized competitors, including in certain instances dealerships owned by automotive manufacturers and national and regional automotive retail chains. We also compete with dealers that sell the same brands of new vehicles that we sell and with dealers that sell other brands of new vehicles that we do not represent in a particular market. Our new vehicle dealership competitors have franchise agreements which gives them access to new vehicles on the same terms as us. Automotive dealers also face competition in the sale of new vehicles from purchasing services and warehouse clubs. With respect to arranging financing for our customers' vehicle purchases, we compete with a broad range of financial institutions such as banks and local credit unions.

For used vehicle sales, we compete in a highly fragmented market which sells more than 40 million units annually through other franchised dealers, independent used vehicle dealers, automobile rental agencies, purchasing services, private parties and used vehicle "superstores" for the procurement and resale of used vehicles. We compete with other franchised dealers to perform warranty repairs and with other automotive dealers, franchised and non-franchised service center chains, and independent garages for non-warranty repair and routine maintenance business. We compete with other automotive dealers, franchised and independent aftermarket auto repair shops, and auto parts retailers in our parts operations. We believe that the principal factors consumers consider when determining where to purchase vehicle parts and service are price, the use of factory-approved replacement parts, facility location, the familiarity with a manufacturer's brands and the quality of customer service. A number of regional or national chains offer selected parts and services at prices that may be lower than our prices.

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

Commercial Vehicle. With respect to our commercial vehicle operations, we compete with manufacturers and distributors of other medium and heavy duty vehicles in our markets. The products we distribute (and sell at three retail outlets) represented approximately 8.0% of the combined medium and heavy duty truck market in Australia and New Zealand in 2013.

Car Rental. According to Auto Rental News, car rental industry revenues in the United States were estimated to be approximately $24.0 billion for 2012 and grew in 2012 by 3.9%. On-airport rentals are significantly influenced by air travel volumes. In our car rental markets, we compete with other local and national car rental companies, such as Avis Budget Group, Enterprise and National Car Rental. Competition among car rental industry participants is intense and is primarily based on price, vehicle availability and quality, service, reliability, rental locations and product innovation. We believe, however, that our strategies to provide exceptional customer service will foster repeat and referral business in these markets. Off-airport business volume is also driven by local business use, leisure travel and the replacement of cars being repaired.

PTL. As an alternative to using PTL's full-service truck leasing or contract maintenance services, PTL believes that most potential customers perform some or all of these services themselves. They may also purchase similar or alternative services from other third-party vendors. PTL's full-service truck leasing operations compete with companies providing similar services on a national, regional and local level. PTL's contract maintenance offering competes primarily with truck and trailer manufacturers and independent dealers who provide maintenance services. Its commercial and consumer rental operations compete with several other nationwide truck rental systems, a large number of truck leasing and rental companies with multiple branches operating on a regional basis, and many similar companies operating primarily on a local basis. Its logistics business competes with other dedicated logistics providers, transportation management businesses, freight brokers, warehouse providers and truckload carriers on a national, regional and local level, as well as with the internal supply chain functions of prospective customers who rely on their own resources for logistics management.

Employees and Labor Relations

As of December 31, 2013, we employed approximately 18,000 people, approximately 600 of whom were covered by collective bargaining agreements with labor unions. We consider our relations with our employees to be satisfactory. Our policy is to motivate our key managers through, among other things, variable compensation programs tied principally to local profitability. Due to our reliance on vehicle manufacturers, we may be adversely affected by labor strikes or work stoppages at the manufacturers' facilities.

Regulation

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

Our financing activities with customers are subject to truth-in-lending, consumer leasing, equal credit opportunity and similar regulations, as well as motor vehicle finance laws, installment finance laws, insurance laws, usury laws and other installment sales laws. Some jurisdictions regulate finance fees that may be paid as a result of vehicle sales. In recent years, private plaintiffs, state attorneys general and federal agencies in the U.S. have increased their scrutiny of advertising, sales, and finance and insurance activities in the sale and leasing of motor vehicles. As further discussed in "Item 1A. Risk Factors," the consumer finance protection bureau has instituted regulatory proceedings which may change the way we are compensated for assisting our customers in obtaining financing, which could result in lower related revenues.

In the U.S., we benefit from the protection of numerous state franchise laws that generally provide that a manufacturer or distributor may not terminate or refuse to renew a franchise agreement unless it has first provided the dealer with written notice setting forth good cause and stating the grounds for termination or non-renewal. Some state franchise laws allow dealers to file protests or petitions or to attempt to comply with the manufacturer's criteria within the notice period to avoid the termination or non-renewal. Europe generally does not have these laws and, as a result, our European dealerships operate without these types of protections.

Environmental Matters

We are subject to a wide range of environmental laws and regulations, including those governing discharges into the air and water, the operation and removal of aboveground and underground storage tanks, the use, handling, storage and disposal of hazardous substances and other materials and the investigation and remediation of environmental contamination. Our business involves the generation, use, handling and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials such as motor oil, filters, transmission fluid, antifreeze, refrigerant, batteries, solvents, lubricants, and fuel. We have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations.

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

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

An expanding trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. Vehicle manufacturers are subject to federally mandated corporate average fuel economy standards, which will increase substantially through 2025. Furthermore, in response to concerns that emissions of carbon dioxide and certain other gases, referred to as "greenhouse gases," may be contributing to warming of the Earth's atmosphere, climate change-related legislation and policy changes to restrict greenhouse gas emissions are being considered, or have been implemented, at state and federal levels. Furthermore, numerous states, including California, have adopted or are considering requiring the sale of specified numbers of zero-emission vehicles. Significant increases in fuel economy requirements or new federal and state restrictions on emissions of carbon dioxide on vehicles and automobile fuels in the U.S. could adversely affect prices of and demand for the vehicles that we sell.

We have a proactive strategy related to environmental, health and safety compliance, which includes contracting with third-parties to inspect our facilities periodically. We believe that we do not have any material environmental liabilities and that compliance with environmental laws and regulations will not, individually or in the aggregate, have a material effect on us. However, soil and groundwater contamination is known to exist at certain of our current or former properties. Further, environmental laws and regulations are complex and subject to change. In addition, in connection with our acquisitions, it is possible that we will assume or become subject to new or unforeseen environmental costs or liabilities, some of which may be material. Compliance with current, amended, new or more stringent laws or regulations, stricter interpretations of existing laws or the future discovery of environmental conditions could require additional expenditures by us, and such expenditures could be material.

Insurance

Our business is subject to substantial risk of loss due to significant concentrations of property value, including vehicles and parts at our locations. In addition, we are exposed to liabilities arising out of our operations such as employee claims, customer claims and claims for personal injury or property damage, and potential fines and penalties in connection with alleged violations of regulatory requirements. We attempt to manage such risks through loss control and risk transfer utilizing insurance programs which are subject to specified deductibles and significant retentions. Certain insurers have limited available property coverage in response to the natural catastrophes experienced in recent years. As a result, we are exposed to uninsured and underinsured losses that could have a material adverse effect on us.

Available Information

For selected financial information concerning our various operating and geographic segments, see Note 17 to our consolidated financial statements included in Item 8 of this report. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website, www.penskeautomotive.com, under the tab "Investor Relations" as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). You may read or copy any materials we filed with the SEC at the SEC's Public Reference Room at 100F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 800-732-0330. Additionally, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information. The address of the SEC's website is www.sec.gov. We also make available on our website copies of materials regarding our corporate governance policies and practices, including our Corporate Governance Guidelines; our Code of Business Ethics; and the charters relating to the committees of our Board of Directors. You may obtain a printed copy of any of the foregoing materials by sending a written request to: Investor Relations, Penske Automotive Group, Inc., 2555 Telegraph Road, Bloomfield Hills, MI 48302 or by calling toll-free 866-715-5289. The information on or linked to our website is not part of this document. We plan to disclose changes to our Code of Business Ethics, or waivers, if any, for our executive officers or directors, on our website. We are incorporated in the state of Delaware and began dealership operations in October 1992.

Seasonality

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

Commercial Vehicle. Our commercial vehicle business generally experiences higher sales volumes during the second quarter of the year which is primarily attributable to commercial vehicle customers completing annual capital expenditures before their fiscal year-end, which is typically June 30 in Australia and New Zealand.

Car Rental. The seasonality of our car rental business follows the seasonality of business and leisure travel in our markets. We therefore experience decreased levels of car rental business in the winter months and increased levels in the spring and summer months.

Item 1A. Risk Factors

Our business, financial condition, results of operations, cash flows, prospects, and the prevailing market price and performance of our common stock may be affected by a number of factors, including the matters discussed below. Certain statements and information set forth herein, as well as other written or oral statements made from time to time by us or by our authorized officers on our behalf, constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "goal," "plan," "seek," "project," "continue," "will," "would," and variations of such words and similar expressions are intended to identify such forward-looking statements. We intend for our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we set forth this statement in order to comply with such safe harbor provisions. You should note that our forward-looking statements speak only as of the date of this Annual Report on Form 10-K or when made and we undertake no duty or obligation to update or revise our forward-looking statements, whether as a result of new information, future events, or otherwise.

Although we believe that the expectations, plans, intentions, and projections reflected in our forward-looking statements are reasonable, such statements are subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

The risks, uncertainties, and other factors that our stockholders and prospective investors should consider include the following:

Macro-economic conditions. Our performance is impacted by general economic conditions overall, and in particular by economic conditions in the markets in which we operate. These economic conditions include: levels of new and used vehicle sales; availability of consumer credit; changes in consumer demand; consumer confidence levels; fuel prices; personal discretionary spending levels; interest rates; and unemployment rates. When the worldwide economy faltered and the worldwide automotive industry experienced significant operational and financial difficulties in 2008 and 2009, we were adversely affected, and we expect a similar relationship between general economic and industry conditions and our performance in the future.

Vehicle manufacturers exercise significant control over us. Each of our dealerships operates under franchise and other agreements with automotive manufacturers or related distributors. These agreements govern almost every aspect of the operation of our dealerships, and give manufacturers the discretion to terminate or not renew our franchise agreements for a variety of reasons, including certain events outside our control such as accumulation of our stock by third parties. Without franchise agreements, we would be unable to sell new vehicles or perform manufacturer authorized warranty service. If a significant number of our franchise agreements are terminated or are not renewed, we would be materially affected.

Restructuring, bankruptcy or other adverse condition affecting a significant automotive manufacturer or supplier. Our success depends on the overall success of the automotive industry generally, and in particular on the success of the brands of vehicles that each of our dealerships sell. In 2013, revenue generated at our BMW/MINI, Audi/Volkswagen/Porsche/Bentley, Toyota/Lexus/Scion, Honda/Acura, and Mercedes-Benz/Sprinter/smart dealerships represented 25%, 21%, 15%, 12%, and 11% respectively, of our total automotive dealership revenues. Significant adverse events, such as the reduced 2011 new vehicle production by Japanese automotive manufacturers caused by the significant production and supply chain disruptions resulting from the earthquake and tsunami that struck Japan in March 2011, or future events that interrupt vehicle or parts supply to our dealerships, would likely have a significant and adverse impact on the industry as a whole, including us, particularly if the events relate to any of the manufacturers whose franchises generate a significant percentage of our revenue.

Our business is very competitive. We generally compete with: other franchised automotive dealerships in our markets; private market buyers and sellers of used vehicles; Internet-based vehicle brokers; national and local service and repair shops and parts retailers; and automotive manufacturers (in certain markets). Purchase decisions by consumers when shopping for a vehicle are extremely price sensitive. The level of competition in the market generally, coupled with increasing price transparency resulting from increased use of the Internet by consumers, can lead to lower selling prices and related profits. If there is a prolonged drop in retail prices, new vehicle sales are allowed to be made over the Internet without the involvement of franchised dealers, or if dealerships are able to effectively use the Internet to sell outside of their markets, our business could be materially adversely affected.

Property loss, business interruption or other liabilities. Our business is subject to substantial risk of loss due to: the significant concentration of property values, including vehicle and parts inventories, at our operating locations; claims by employees, customers and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements. While we have insurance for many of these risks, we retain risk relating to certain of these perils and certain perils are not covered by our insurance. Certain insurers have limited available property coverage in response to the natural catastrophes experienced in recent years. If we experience significant losses that are not covered by our insurance, whether due to adverse weather conditions or otherwise, or we are required to retain a significant portion of a loss, it could have a significant and adverse effect on us.

Leverage. Our significant debt and other commitments expose us to a number of risks, including:

Cash requirements for debt and lease obligations. A significant portion of the cash flow we generate must be used to service the interest and principal payments relating to our various financial commitments, including $2.6 billion of floor plan notes payable, $1.1 billion of non-vehicle long-term debt and $4.9 billion of future lease commitments (including extension periods that are reasonably assured of being exercised and assuming constant consumer price indices). A sustained or significant decrease in our operating cash flows could lead to an inability to meet our debt service or lease requirements or to a failure to meet specified financial and operating covenants included in certain of our agreements. If this were to occur, it may lead to a default under one or more of our commitments and potentially the acceleration of amounts due, which could have a significant and adverse effect on us.

Availability. Because we finance the majority of our operating and strategic initiatives using a variety of commitments, including floor plan notes payable and revolving credit facilities, we are dependent on continued availability of these sources of funds. If these agreements are terminated or we are unable to access them because of a breach of financial or operating covenants or otherwise, we will likely be materially affected.

Interest rate variability. The interest rates we are charged on a substantial portion of our debt, including the floor plan notes payable we issue to purchase the majority of our inventory, are variable, increasing or decreasing based on changes in certain published interest rates. Increases to such interest rates would likely result in significantly higher interest expense for us, which would negatively affect our operating results. Because many of our customers finance their vehicle purchases, increased interest rates may also decrease vehicle sales, which would negatively affect our operating results.

International operations. We have significant operations outside the U.S. that expose us to changes in foreign exchange rates and to the impact of economic and political conditions in the markets where we operate. As exchange rates fluctuate, our results of operations as reported in U.S. dollars fluctuate.

For example, if the U.S. dollar were to strengthen against the U.K. pound, our U.K. results of operations would translate into less U.S. dollar reported results. Any significant or prolonged increase in the value of the U.S. dollar, particularly as compared to the U.K. pound, could result in a significant and adverse effect on our reported results.

Joint ventures. We have significant investments in a variety of joint ventures, including automotive retail operations in Germany and Italy, and a 9.0% ownership interest in PTL. We expect to receive annual operating distributions from each such venture, and, in the case of PTL, to realize U.S. tax savings as a result of our investment. These benefits may not be realized if the joint ventures do not perform as expected, or if changes in tax, financial or regulatory requirements negatively impact the results of the joint venture operations. Our ability to dispose of these investments may be limited. In addition, because PTL is engaged in different businesses than we are, its performance may vary significantly from ours.

Performance of sublessees. In connection with the sale, relocation and closure of certain of our franchises, we have entered into a number of third-party sublease agreements. The rent paid by our sub-tenants on such properties in 2013 totaled approximately $24.4 million. In the aggregate, we remain ultimately liable for approximately $266.4 million of such lease payments including payments relating to all available renewal periods. We rely on our sub-tenants to pay the rent and maintain the properties covered by these leases. In the event a subtenant does not perform under the terms of their lease with us, we could be required to fulfill such obligations, which could have a significant and adverse effect on us.

Information Technology. Our information systems are fully integrated into our operations and we rely on them to operate effectively, including with respect to: electronic communications and data transfer protocols with manufacturers and other vendors; customer relationship management; sales and service scheduling; data storage; and financial and operational reporting. The majority of our systems are licensed from third parties, the most significant of which are provided by one supplier in the U.S. and one supplier in the U.K. The failure of our information systems to perform as designed or the failure to protect the integrity of these systems could disrupt our business operations, impact sales and results of operations, expose us to customer or third-party claims, or result in adverse publicity.

Cyber-security. As part of our business model, we receive personal information regarding customers, associates and vendors, from various online and offline channels. We collect, process, and retain this information in the normal course of our business. Our internal and third-party systems are under a moderate level of risk from hackers or other individuals with malicious intent to gain unauthorized access to our systems. Cyber-attacks are growing in number and sophistication thus presenting an ongoing threat to systems, whether internal or external, used to operate the business on a day to day basis. Despite the security measures we have in place, our facilities and systems, and those of our third-party service providers, could be vulnerable to security breaches, computer viruses, lost or misplaced data, programming errors, human errors, acts of vandalism, or other events. Any security breach or event resulting in the misappropriation, loss, or other unauthorized disclosure of confidential information, or degradation of services provided by critical business systems, whether by us directly or our third-party service providers, could adversely affect our business operations, sales, reputation with current and potential customers, associates or vendors, as well as other operational and financial impacts derived from investigations, litigation, imposition of penalties or other means.

The success of our commercial vehicle business is directly impacted by availability and demand for the vehicles we distribute. Since August 30, 2013, we are the exclusive distributor of Western Star commercial trucks, MAN commercial trucks and buses, and Dennis Eagle refuse collection vehicles, together with associated parts across Australia, New Zealand and portions of Southeast Asia. The profitability of this business depends upon the number of vehicles we distribute, which in turn is impacted by demand for these vehicles. We believe demand for these vehicles is subject to general economic conditions, exchange rate fluctuations, regulatory changes, competitiveness of the vehicles and other factors over which we have limited control. In the event sales of these vehicles are less than we expect, our related results of operations and cash flows for this aspect of our business may be materially adversely affected. In the event of supply disruptions or if sufficient quantities of these vehicles are not made available to us, our cash flows or results of operations for this aspect of our business may be materially adversely affected. The vehicles we distribute are principally manufactured at a limited number of locations. In the event of a supply disruption or if sufficient quantities of the vehicles are not made available to us, or if we accept vehicles and are unable to economically distribute those vehicles, our cash flows or results of operations may be materially adversely affected.

If the value of our car rental fleet declines more than we expect, we could be materially adversely affected. We have a car rental vehicle fleet of approximately 5,300 vehicles. When we acquire these cars, we make certain assumptions regarding their value at the time we expect to dispose of them. If the ultimate market value of a significant number of the cars at the time of disposition is less than our estimated residual values, our car rental operations could incur significant losses. Because our fleet is principally comprised of Toyota vehicles and to a lesser extent Honda and General Motors vehicles, we are more at risk for a decrease in perceived value for these brands, and any events that negatively affect these manufacturers, such as large scale recalls that would render the cars unusable, could exacerbate this risk.

Key personnel. We believe that our success depends to a significant extent upon the efforts and abilities of our senior management, and in particular upon Roger Penske who is our Chairman and Chief Executive Officer. To the extent Mr. Penske, or other key personnel, were to depart from our Company unexpectedly, our business could be significantly disrupted.

Regulatory issues. We are subject to a wide variety of regulatory activities, including:

Governmental regulations, claims and legal proceedings. Governmental regulations affect almost every aspect of our business, including the fair treatment of our employees, wage and hour issues, and our financing activities with customers. In California, recent judicial decisions call into question whether long-standing methods for compensating dealership employees comply with the local wage and hour rules. We could be susceptible to claims or related actions if we fail to operate our business in accordance with applicable laws or it is determined that long-standing compensation methods did not comply with local laws. Claims arising out of actual or alleged violations of law which may be asserted against us or any of our dealers by individuals, through class actions, or by governmental entities in civil or criminal investigations and proceedings, may expose us to substantial monetary damages which may adversely affect us.

The Dodd-Frank Wall Street Reform and Consumer Protection Act established a new consumer financial protection agency (the "CFPB") with broad regulatory powers. Although automotive dealers are generally excluded from the CFPB's regulatory authority, the CFPB has announced its intention to regulate automotive financing through its regulation of automotive finance companies and other financial institutions. The CFPB has issued regulatory guidance instructing financial institutions to monitor dealer loans for potential discrimination resulting from the system used to compensate dealers for assisting in the customer financing transaction. The CFPB has instructed lenders that if discrimination is found, and not cured on a timely basis, that the lender must change the way it compensates dealers. We cannot predict at this time the outcome of this regulatory initiative by the CFPB. In addition, the CFPB has announced its future intention to regulate the sale of other finance and insurance products. If either of these initiatives restrict our ability to generate revenue from arranging financing for our customers or selling customers additional products, we could be adversely affected.

Vehicle requirements. Federal and state governments in our markets have increasingly placed restrictions and limitations on the vehicles sold in the market in an effort to combat perceived negative environmental effects. For example, in the U.S., vehicle manufacturers are subject to federally mandated corporate average fuel economy standards which will increase substantially through 2025. Furthermore, numerous states, including California, have adopted or are considering requiring the sale of specified numbers of zero-emission vehicles. Significant increases in fuel economy requirements and new federal or state restrictions on emissions on vehicles and automobile fuels in the U.S. could adversely affect prices of and demand for the new vehicles that we sell.

Franchise laws in the U.S. In the U.S., state law generally provides protections to franchised automotive dealers from discriminatory practices by manufacturers and from unreasonable termination or non-renewal of their franchise agreements. If these franchise laws are repealed or amended, manufacturers may have greater flexibility to terminate or not renew our franchises. Franchised automotive dealers in the European Union operate without such protections.

Changes in law. New laws and regulations at the state and federal level may be enacted which could materially adversely impact our business. For example, a ballot initiative in California titled the California Car Buyers Protection Act has been proposed that, if enacted as proposed, would eliminate our ability to be compensated for assisting in financing customer vehicle purchases, among other matters. If this initiative or other adverse changes in law were to be enacted, it could have a significant and adverse effect on us.

Environmental regulations. We are subject to a wide range of environmental laws and regulations, including those governing: discharges into the air and water; the operation and removal of storage tanks; and the use, storage and disposal of hazardous substances. In the normal course of our operations we use, generate and dispose of materials covered by these laws and regulations. We face potentially significant costs relating to claims, penalties and remediation efforts in the event of non-compliance with existing and future laws and regulations.

Accounting rules and regulations. The Financial Accounting Standards Board is currently evaluating several significant changes to generally accepted accounting standards in the U.S., including the rules governing the accounting for leases. Any such changes could significantly affect our reported financial position, earnings and cash flows. In addition, the Securities and Exchange Commission is currently considering adopting rules that would require us to prepare our financial statements in accordance with International Financial Reporting Standards, which could also result in significant changes to our reported financial position, earnings and cash flows.

Related parties. Our two largest stockholders, Penske Corporation and its affiliates ("Penske Corporation") and Mitsui & Co and its affiliates ("Mitsui"), together beneficially own approximately 52% of our outstanding common stock. The presence of such significant shareholders results in several risks, including:

Our principal stockholders have substantial influence. Penske Corporation and Mitsui have entered into a stockholders agreement pursuant to which they have agreed to vote together as to the election of our directors. As a result, Penske Corporation has the ability to control the composition of our Board of Directors, which may allow them to control our affairs and business. This concentration of ownership, coupled with certain provisions contained in our agreements with manufacturers, our certificate of incorporation, and our bylaws, could discourage, delay or prevent a change in control of us.

Some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests. Roger Penske, our Chairman and Chief Executive Officer and a director, and Robert H. Kurnick, Jr., our President and a director, hold the same offices at

Penske Corporation. Each of these officers is paid much of their compensation by Penske Corporation. The compensation they receive from us is based on their efforts on our behalf, however, they are not required to spend any specific amount of time on our matters. One of our directors, Richard J. Peters also serves as a director of Penske Corporation.

Penske Corporation has pledged its shares of common stock to secure a loan facility. Penske Corporation has pledged all of its shares of our common stock as collateral to secure a loan facility. A default by Penske Corporation could result in the foreclosure on those shares by the lenders, after which the lenders could attempt to sell those shares on the open market. Any such change in ownership and/or sale could materially impact the market price of our common stock. See below "Penske Corporation ownership levels."

Penske Corporation ownership levels. Certain of our agreements have clauses that are triggered in the event of a material change in the level of ownership of our common stock by Penske Corporation, such as our trademark agreement between us and Penske Corporation that governs our use of the "Penske" name which can be terminated 24 months after the date that Penske Corporation no longer owns at least 20% of our voting stock. We may not be able to renegotiate such agreements on terms that are acceptable to us, if at all, in the event of a significant change in Penske Corporation's ownership.

We have a significant number of shares of common stock eligible for future sale. Penske Corporation and Mitsui own approximately 52% of our common stock and each has two demand registration rights that could result in a substantial number of shares being introduced for sale in the market. We also have a significant amount of authorized but unissued shares. The introduction of any of these shares into the market could have a material adverse effect on our stock price.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We lease or sublease substantially all of our dealership properties and other facilities. These leases are generally for a period of between five and 20 years, and are typically structured to include renewal options at our election. We lease office space in Bloomfield Hills, Michigan, Leicester, England, Stuttgart, Germany and Brisbane, Australia for our administrative headquarters and other corporate related activities. We believe that our facilities are sufficient for our needs and are in good repair.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Our common stock is traded on the New York Stock Exchange under the symbol "PAG." As of February 15, 2014, there were 184 holders of record of our common stock. The following table sets forth the high and low sales prices and quarterly dividends per share for our common stock as reported on the New York Stock Exchange Composite Tape during each quarter of 2013 and 2012.

	High	Low	Dividend
2012:			
First Quarter	$ 25.90	$ 18.47	$ 0.10
Second Quarter	27.58	20.26	0.11
Third Quarter	31.04	21.32	0.12
Fourth Quarter	32.35	26.10	0.13
2013:			
First Quarter	$ 34.34	$ 28.87	$ 0.14
Second Quarter	33.52	27.61	0.15
Third Quarter	43.29	30.36	0.16
Fourth Quarter	47.79	37.07	0.17

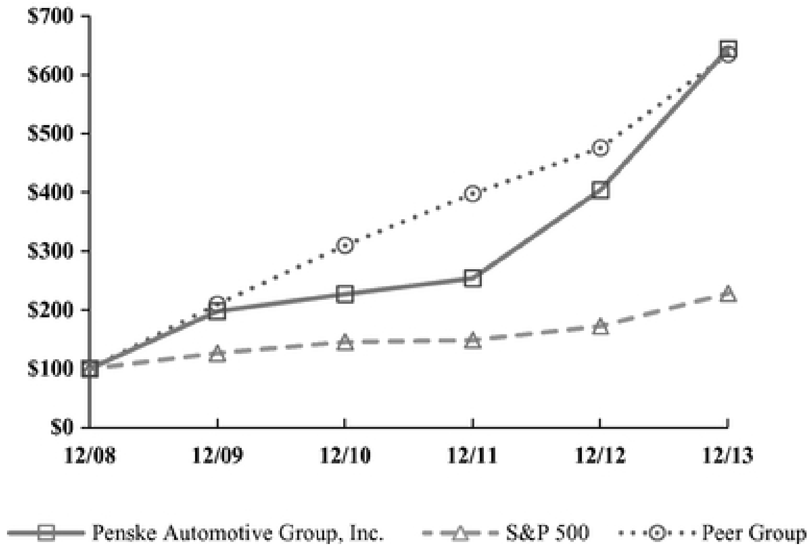
Dividends

In addition to the dividends noted above, we have announced the payment of a dividend of $0.18 per share to be paid on March 3, 2014 to record holders as of February 10, 2014. Future cash dividends will depend upon our earnings, capital requirements, financial condition, restrictions imposed by any then-existing indebtedness and other factors considered relevant by our Board of Directors. In particular, our U.S. credit agreement and the indenture governing our 5.75% senior subordinated notes contain, and any future indenture that governs any notes which may be issued by us may contain, certain limitations on our ability to pay dividends. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." We are a holding company whose assets consist primarily of the direct or indirect ownership of the capital stock of our operating subsidiaries. Consequently, our ability to pay dividends is dependent upon the earnings of our subsidiaries and their ability to distribute earnings and other advances and payments to us.

SHARE INVESTMENT PERFORMANCE

The following graph compares the cumulative total stockholder returns on our common stock based on an investment of $100 on December 31, 2008 and the close of the market on December 31 of each year thereafter against (i) the Standard & Poor's 500 Index and (ii) an industry/peer group consisting of Asbury Automotive Group, Inc., AutoNation, Inc., Group 1 Automotive, Inc., Lithia Motors Inc. and Sonic Automotive, Inc. The graph assumes the reinvestment of all dividends.

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



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* $100 invested on 12/31/08 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	Cumulative Total Return					
	12/08	12/09	12/10	12/11	12/12	12/13
Penske Automotive Group, Inc.	100.00	197.66	226.82	253.75	403.81	644.04
S&P 500	100.00	126.46	145.51	148.59	172.37	228.19
Peer Group	100.00	209.69	309.75	397.67	475.46	634.70

Share Repurchases

For information with respect to repurchase of our shares by us, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Securities Repurchases" on page 46.

Item 6. ***Selected Financial Data***

The following table sets forth our selected historical consolidated financial and other data as of and for each of the five years in the period ended December 31, 2013, which has been derived from our audited consolidated financial statements. During the periods presented, we made a number of acquisitions and have included the results of operations of the acquired dealerships from the date of acquisition. As a result, our period to period results of operations vary depending on the dates of the acquisitions. Accordingly, this selected financial data is not necessarily comparable or indicative of our future results. During the periods presented, we also sold or made available for sale certain dealerships which have been treated as discontinued operations in accordance with generally accepted accounting principles. You should read this selected consolidated financial data in conjunction with our audited consolidated financial statements and related footnotes included elsewhere in this report.

	As of and for the Years Ended December 31,				
	2013	2012(1)	2011(2)	2010(3)	2009(4)
	(In millions, except share and per share data)				
Consolidated Statement of Operations Data:					
Total revenues	$ 14,705.4	$ 13,084.3	$ 11,039.4	$ 9,863.0	$ 8,644.5
Gross profit	$ 2,259.8	$ 2,005.7	$ 1,752.1	$ 1,578.4	$ 1,452.0
Income (loss) from continuing operations attributable to Penske Automotive Group common stockholders(5)	$ 249.6	$ 194.1	$ 174.8	$ 123.0	$ 78.5
Net income (loss) attributable to Penske Automotive Group common stockholders	$ 244.2	$ 185.5	$ 176.9	$ 108.3	$ 76.5
Diluted earnings (loss) per share from continuing operations attributable to Penske Automotive Group common stockholders	$ 2.76	$ 2.15	$ 1.92	$ 1.34	$ 0.86
Diluted earnings (loss) per share attributable to Penske Automotive Group common stockholders	$ 2.70	$ 2.05	$ 1.94	$ 1.18	$ 0.83
Shares used in computing diluted share data	90,330,621	90,342,315	91,274,132	92,091,411	91,652,744
Balance Sheet Data:					
Total assets	$ 6,415.5	$ 5,379.0	$ 4,499.4	$ 4,066.9	$ 3,793.2
Total floor plan notes payable	$ 2,607.6	$ 2,116.3	$ 1,623.6	$ 1,347.7	$ 1,108.2
Total debt (excluding floor plan notes payable)	$ 1,083.2	$ 936.6	$ 850.2	$ 776.1	$ 946.4
Total equity attributable to Penske Automotive Group common stockholders	$ 1,504.4	$ 1,304.2	$ 1,145.1	$ 1,050.7	$ 951.7
Cash dividends per					

share	$	0.62	$	0.46	$	0.24	$	—	$	—

(1) Includes charges of $17.8 million ($13.0 million after-tax), or $0.14 per share, relating to costs associated with the repurchase and redemption of our 7.75% senior subordinated notes.

(2) Includes an $11.0 million, or $0.12 per share, net income tax benefit. The components of the net benefit include (a) a $17.0 million, or $0.19 per share, positive adjustment primarily from the release of amounts previously recorded in the U.K. as uncertain tax positions as such positions were accepted by the U.K. tax authorities and (b) a negative adjustment relating to a valuation

allowance against certain U.K. deferred tax assets of $6.0 million, or $0.07 per share, as evidence supporting the future realizability of such assets was no longer available.

(3) Includes gains of $5.3 million ($3.6 million after-tax), or $0.04 per share, and $1.6 million ($1.1 million after-tax), or $0.01 per share, relating to a gain on the sale of an investment and the repurchase of $155.7 million aggregate principal amount of our 3.5% senior subordinated convertible notes, respectively, offset by a charge of $4.1 million ($2.8 million after-tax), or $0.03 per share, associated with costs related to franchise closure and relocation costs.

(4) Includes a gain of $10.4 million ($6.5 million after-tax), or $0.07 per share, relating to the repurchase of $68.7 million aggregate principal amount of our 3.5% senior subordinated convertible notes and charges of $5.2 million ($3.4 million after-tax), or $0.04 per share, relating to costs associated with the termination of the acquisition of the Saturn brand, our election to close three franchises in the U.S. and charges relating to our interest rate hedges of variable rate floor plan notes payable as a result of decreases in our vehicle inventories, and resulting decreases in outstanding floor plan notes payable, below hedged levels.

(5) Excludes income from continuing operations attributable to non-controlling interests of $1.5 million, $1.7 million, $1.4 million, $1.1 million and $0.5 million in 2013, 2012, 2011, 2010, and 2009, respectively.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those discussed in Item 1A. "Risk Factors" and "Forward-Looking Statements." We have acquired and initiated a number of businesses during the periods presented and addressed in this Management's Discussion and Analysis of Financial Condition and Results of Operations. Our financial statements include the results of operations of those businesses from the date acquired or when they commenced operations. This Management's Discussion and Analysis of Financial Condition and Results of Operations has been updated to reflect the revision of our financial statements for entities which have been treated as discontinued operations through December 31, 2013.

Overview

We are an international transportation services company, operating automotive retail dealerships, commercial vehicle distribution and car rental franchises principally in the United States, Western Europe, Australia and New Zealand, and employing approximately 18,000 people worldwide.

Automotive Dealership. We are the second largest automotive retailer headquartered in the U.S. as measured by the $14.7 billion in total revenue we generated in 2013. As of December 31, 2013, we operated 324 automotive retail franchises, of which 176 franchises are located in the U.S. and 148 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K. In 2013, we retailed and wholesaled more than 442,000 vehicles. We are diversified geographically, with 65% of our total automotive dealership revenues in 2013 generated in the U.S. and Puerto Rico and 35% generated outside the U.S. We offer over 35 vehicle brands, with 69% of our automotive dealership revenue in 2013 generated from premium brands, such as Audi, BMW, Mercedes-Benz and Porsche. Each of our dealerships offers a wide selection of new and used vehicles for sale. In addition to selling new and used vehicles, we generate higher-margin revenue at each of our dealerships through maintenance and repair services and the sale and placement of third-party finance and insurance products, third-party extended service and maintenance contracts and replacement and aftermarket automotive products. Automotive dealerships represented 98.6% of our total revenues and 97.5% of our total gross profit in 2013.

Commercial Vehicle. On August 30, 2013, we completed the acquisition of Western Star Trucks Australia, the exclusive importer and distributor of Western Star heavy duty trucks (a Daimler brand), MAN heavy and medium duty trucks and buses (a VW Group brand), and Dennis Eagle refuse collection vehicles, together with associated parts across Australia, New Zealand and portions of Southeast Asia. The business also includes three retail commercial vehicle dealerships. From our acquisition on August 30, 2013 through December 31, 2013, this business generated $152.5 million of revenue through the distribution and retail sale of vehicles and parts to a network of more than 70 dealership locations. This business represented 1.0% of our total revenues and 1.1% of our total gross profit in 2013.

Car Rental. We are the Hertz car rental franchisee in the Memphis, Tennessee market and certain Indiana markets. We currently manage more than fifty on- and off-airport Hertz car rental locations. Our Hertz car rental operations represented 0.4% of our total revenues and 1.4% of our total gross profit in 2013 and complement our existing U.S. automotive dealership operations.

Penske Truck Leasing. We also hold a 9.0% ownership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading provider of transportation services and supply chain management. PTL operates and maintains more approximately 205,000 vehicles and serves customers in North America, South America, Europe and Asia and is one of the largest purchasers of commercial trucks in North America. Product lines include full-service truck leasing, truck rental and contract maintenance, logistics services such as dedicated contract carriage, distribution center management, transportation management and acting as lead logistics provider. PTL is owned 41.1% by Penske Corporation, 9.0% by us and the remaining 49.9% of PTL is owned by direct and indirect subsidiaries of General Electric Capital Corporation ("GECC"). We account for our investment in PTL under the equity method, and we therefore record our share of PTL's earnings each quarter on our statements of operations under the caption "Equity in Earnings of Affiliates," which also includes the results of our other investments.

Outlook

The level of new automotive unit sales in our markets affects our results. The new vehicle market and the amount of customer traffic visiting our dealerships have improved during the past few years, and there are market expectations for continued improvement in 2014. In 2013, U.S. car and light truck sales increased 7.5% from 2012 to 15.6 million units. We believe the U.S. automotive market will continue to improve based upon industry forecast from companies such as IHS Automotive, Edmunds and Kelley Blue Book, coupled with demand in the marketplace, an aging vehicle population, a strong credit environment for consumers, and the planned introduction of new models by many different vehicle brands.

During 2013, U.K. vehicle registrations increased 10.8% from 2012 to 2.3 million registrations. Based on industry forecasts from entities such as the Society of Motor Manufacturers and Traders (www.smmt.co.uk), we believe the U.K. market will continue to be resilient as a result of U.K. motorists responding positively to new products and the latest technologically advanced vehicles, particularly in the area of premium brand sales and attractive financing offers.

Our commercial vehicle distribution and retail operations business operates in the Australian and New Zealand heavy and medium duty truck markets, the bus market and the refuse collection vehicle market. In 2013, the Australia heavy duty truck market reported sales of 11,119 units, representing a decrease of 2.3% from 2012. The brands we represent in Australia maintained an 11.7% share of that market in 2013. We expect the Australian/New Zealand commercial vehicle market to be relatively stable over the next twelve months and look for positive results to impact our business as we integrate those operations.

We expect our car rental operations and PTL to benefit from the improving economic conditions in the United States. As described in Item 1A. "Risk Factors," there are a number of factors that could cause actual results to differ materially from our expectations.

Operating Overview

Automotive dealerships represent the majority of our results of operations. New and used vehicle revenues include sales to retail customers and to leasing companies providing consumer automobile leasing. We generate finance and insurance revenues from sales of third-party extended service contracts, sales of third-party insurance policies, commissions relating to the sale of finance and lease contracts to third parties and the sales of certain other products. Service and parts revenues include fees paid by customers for repair, maintenance and collision services, and the sale of replacement parts and other aftermarket accessories as well as warranty repairs which are reimbursed directly by various OEM's.

Our gross profit tends to vary with the mix of revenues we derive from the sale of new vehicles, used vehicles, finance and insurance products, and service and parts transactions. Our gross profit varies across product lines, with vehicle sales usually resulting in lower gross profit margins and our other revenues resulting in higher gross profit margins. Factors such as inventory and vehicle availability, customer demand, consumer confidence, unemployment, general economic conditions, seasonality, weather, credit availability, fuel prices and manufacturers' advertising and incentives also impact the mix of our revenues, and therefore influence our gross profit margin.

Aggregate gross profit increased $254.1 million, or 12.7%, during 2013 compared to 2012. The increase in gross profit is largely attributable to same-store increases in new and used vehicle, finance and insurance and service and parts gross profit. Our retail gross margin percentage decreased from 16.3% during 2012 to 15.9% during 2013, due primarily to lower gross margin on new and used vehicle retail sales as well as an increase in the percentage of our revenues generated by vehicle sales, which carry a lower gross margin than other parts of our business.

Our selling expenses consist of advertising and compensation for sales personnel, including commissions and related bonuses. General and administrative expenses include compensation for administration, finance, legal and general management personnel, rent, insurance, utilities and other expenses. As the majority of our selling expenses are variable, and we believe a significant portion of our general and administrative expenses are subject to our control, we believe our expenses can be adjusted over time to reflect economic trends.

The results of our commercial distribution and retail business are principally driven by the number and types of vehicles ordered by our customers. The results of our car rental operations are principally driven by the volume and pricing of vehicle rentals in our markets.

Floor plan interest expense relates to financing incurred in connection with the acquisition of new and used vehicle inventories that is secured by those vehicles. Other interest expense consists of interest charges on all of our interest-bearing debt, other than interest relating to floor plan financing and includes interest relating to our commercial vehicle and car rental vehicle acquisitions. The cost of our variable rate indebtedness is based on the prime rate, defined London Interbank Offered Rate ("LIBOR"), the Bank of England Base Rate, the Finance House Base Rate, or the Euro Interbank Offered Rate or the Australian or New Zealand Bank Bill Swap Rate (BBSW). Our floor plan interest expense has increased during 2013 as a result of an increase in the amounts outstanding under floor plan arrangements. Our other interest expense has increased during 2013 due to an increased level of borrowing in 2013 relating to the issuance of our $550.0 million 5.75% senior subordinated notes in August 2012 and borrowings to acquire the commercial vehicle business. We used the proceeds of the 5.75% notes to repurchase our $375.0 million 7.75% senior subordinated notes in the third quarter of

2012. The overall increase in other interest expense was offset in part by the 200 basis point reduction in the interest rate.

Equity in earnings of affiliates represents our share of the earnings from our investments in joint ventures and other non-consolidated investments, including PTL. Because PTL is engaged in different businesses than we are, its operating performance may vary significantly from ours.

The future success of our business is dependent upon, among other things, general economic and industry conditions, our ability to consummate and integrate acquisitions, the level of vehicle sales in the markets where we operate, our ability to increase sales of higher margin products, especially service and parts services, our ability to realize returns on our significant capital investment in new and upgraded dealership facilities, our ability to integrate acquisitions, the success of our distribution of commercial vehicles and the return realized from our investments in various joint ventures and other non-consolidated investments. See Item 1A. "Risk Factors" and "Forward-Looking Statements" below.

Critical Accounting Policies and Estimates

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

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

Revenue Recognition

Automotive Dealership Vehicle, Parts and Service Sales. We record revenue when vehicles are delivered and title has passed to the customer, when vehicle service or repair work is completed and when parts are delivered to our customers. Sales promotions that we offer to customers are accounted for as a reduction of revenues at the time of sale. Rebates and other incentives offered directly to us by manufacturers are recognized as a reduction of cost of sales. Reimbursements of qualified advertising expenses are treated as a reduction of selling, general and administrative expenses. The amounts received under certain manufacturer rebate and incentive programs are based on the attainment of program objectives, and such earnings are recognized either upon the sale of the vehicle for which the award was received, or upon attainment of the particular program goals if not associated with individual vehicles. Taxes collected from customers and remitted to governmental authorities are recorded on a net basis (excluded from revenue). During 2013, 2012, and 2011, we earned $513.4 million, $474.9 million, and $374.1 million, respectively, of rebates, incentives and reimbursements from manufacturers, of which $500.3 million, $462.8 million, and $363.6 million, respectively, was recorded as a reduction of cost of sales. The remaining $13.1 million, $12.1 million, and $10.5 million was recorded as a reduction of selling, general and administrative expenses during 2013, 2013, and 2011, respectively.

Automotive Dealership Finance and Insurance Sales. Subsequent to the sale of a vehicle to a customer, we sell installment sale contracts to various financial institutions on a non-recourse basis (with specified exceptions) to mitigate the risk of default. We receive a commission from the lender equal to either the difference between the interest rate charged to the customer and the interest rate set by the financing institution or a flat fee. We also receive commissions for facilitating the sale of various products to customers, including guaranteed auto protection insurance, vehicle theft protection and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts and other insurance products, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions we received may be charged back based on the terms of the contracts. The revenue we record relating to these transactions is net of an estimate of the amount of chargebacks we will be required to pay. Our estimate is based upon our historical experience with similar contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on extended service contracts and other insurance products. Aggregate reserves relating to chargeback activity were $23.3 million and $23.4 million as of December 31, 2013 and 2012, respectively.

Commercial Vehicle Revenue. Revenue from the distribution of vehicles and parts is recognized at the time of delivery of goods to the retailer.

Car Rental Revenue. Rental and rental related revenues are recognized over the period the vehicles and accessories are rented based on the terms of the rental contract. Taxes collected from customers and remitted to the governmental authorities are recorded on a net basis (excluded from revenue).

Impairment Testing

Franchise value impairment is assessed during the fourth quarter every year and upon the occurrence of an indicator of impairment through a comparison of its carrying amount and estimated fair value. An indicator of impairment exists if the carrying value of a franchise exceeds its estimated fair value and an impairment loss may be recognized up to that excess. The fair value of franchise value is determined using a discounted cash flow approach, which includes assumptions about revenue and profitability growth, franchise profit margins, and the cost of capital. We also evaluate our franchise agreements in connection with the annual impairment testing to determine whether events and circumstances continue to support our assessment that the franchise agreements have an indefinite life.

Goodwill impairment is assessed at the reporting unit level during the fourth quarter every year and upon the occurrence of an indicator of impairment. Our operations are organized by management into operating segments by line of business and geography. We have determined that we have two reportable segments as defined in generally accepted accounting principles for segment reporting: (i) Retail, consisting of our automotive retail operations, and (ii) Other, consisting of our commercial vehicle operating segment, our car rental business operating segment, and our investments in non-automotive retail operations. We have determined that the dealerships in each of our operating segments within the Retail reportable segment are components that are aggregated into four geographical reporting units for the purpose of goodwill impairment testing, as they (A) have similar economic characteristics (all are automotive dealerships having similar margins), (B) offer similar products and services (all sell new and used vehicles, service, parts and third-party finance and insurance products), (C) have similar target markets and customers (generally individuals) and (D) have similar distribution and marketing practices (all distribute products and services through dealership facilities that market to customers in similar fashions). The geographic reporting units are Eastern, Central, and Western United States and International. The goodwill included in our Other reportable segment relates to our car rental business operating segment and our commercial vehicle operating segment. The car rental business operating segment has been identified as its own reporting unit. Our commercial vehicle operating segment has two geographic reporting units.

For our retail operations reporting units, we prepare a qualitative assessment of the carrying value of goodwill using the criteria in ASC 350-20-35-3 to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying value. If it were determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, additional analysis would be unnecessary. During 2013, we concluded that it was not more likely than not that any of the retail operations reporting units' fair value were less than their carrying amount. If the additional impairment testing was necessary, we would have estimated the fair value of our reporting units using an "income" valuation approach. The "income" valuation approach estimates our enterprise value using a net present value model, which discounts projected free cash flows of our business using the weighted average cost of capital as the discount rate. In connection with this process, we also reconcile the estimated aggregate fair values of our reporting units to our market capitalization. We believe that this reconciliation process is consistent with a market participant perspective. This consideration would also include a control premium that represents the estimated amount an investor would pay for our equity securities to obtain a controlling interest and other significant assumptions including revenue and profitability growth, franchise profit margins, residual values and the cost of capital.

For our car rental business reporting unit, we performed our initial impairment test by comparing the estimated fair value of the reporting unit with its carrying value. We estimated the fair value of our reporting unit using an "income" valuation approach. We concluded that the fair value of the reporting unit exceeded its carrying value.

Investments

We account for each of our investments under the equity method, pursuant to which we record our proportionate share of the investee's income each period. The net book value of our investments was $346.9 million and $303.2 million as of December 31, 2013 and 2012, respectively, including $268.8 million relating to PTL as of December 31, 2013. Investments for which there is not a liquid, actively traded market are reviewed periodically by management for indicators of impairment. If an indicator of impairment is identified, management estimates the fair value of the investment using a discounted cash flow approach, which includes assumptions relating to revenue and profitability growth, profit margins and the cost of capital. Declines in investment values that are deemed to be other than temporary may result in an impairment charge reducing the investments' carrying value to fair value.

Self-Insurance

We retain risk relating to certain of our general liability insurance, workers' compensation insurance, auto physical damage insurance, property insurance, employment practices liability insurance, directors and officers insurance and employee medical benefits in the U.S. As a result, we are likely to be responsible for a significant portion of the claims and losses incurred under these programs. The amount of risk we retain varies by program, and, for certain exposures, we have pre-determined maximum loss limits for certain individual claims and/or insurance periods. Losses, if any, above the pre-determined loss limits are paid by third-party insurance carriers. Certain insurers have limited available property coverage in response to the natural catastrophes experienced in recent years. Our estimate of future losses is prepared by management using our historical loss experience and industry-based development factors. Aggregate reserves relating to retained risk were $21.1 million and $20.1 million as of December 31, 2013 and 2012, respectively. Changes in the reserve estimate during 2013 relate primarily to our general liability and workers compensation programs.

Income Taxes

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

We do not provide for U.S. taxes relating to undistributed earnings or losses of our foreign subsidiaries. Income from continuing operations before income taxes of foreign subsidiaries (which subsidiaries are predominately in the U.K.) was $134.7 million, $117.0 million, and $98.4 million during 2013, 2012 and 2011, respectively. We believe these earnings will be indefinitely reinvested in the companies that produced them. At December 31, 2013, we have not provided U.S. federal income taxes on a temporary difference of $664.3 million related to the excess of financial reporting basis over tax basis in the foreign subsidiaries.

Classification in Continuing and Discontinued Operations

We classify the results of our operations in our consolidated financial statements based on generally accepted accounting principles relating to discontinued operations, which requires judgments, including whether a business will be divested, whether the cash flows will be replaced, the period required to complete the divestiture, and the likelihood of changes to the divestiture plans. If we determine that a business should be either reclassified from continuing operations to discontinued operations or from discontinued operations to continuing operations, our consolidated financial statements for prior periods are revised to reflect such reclassification.

New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued ASU No. 2013-02, "Comprehensive Income (Topic 220)—Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU No. 2013-02 requires disclosure of amounts reclassified out of accumulated other comprehensive income by component. In addition, we are required to present either on the face of the statement of income or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts not reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. We complied with the disclosure requirements of this ASU as shown in Note 15 to the Consolidated Financial Statements.

In March 2013, the FASB issued ASU No. 2013-05, "Foreign Currency Matters (Topic 830)—Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." ASU No. 2013-05 resolves the diversity in practice about whether Subtopic 810-10, Consolidation—Overall, or Subtopic 830-30, Foreign Currency Matters—Translation of Financial Statements, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. This ASU is effective prospectively for the first annual period beginning after December 15, 2013. We do not expect adoption of ASU No. 2013-05 to affect our consolidated financial position, results of operations, or cash flows.

In July 2013, the FASB issued ASU No. 2013-10, "Derivatives and Hedging (Topic 815)—Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes." The amendments in ASU No. 2013-10 permit the Fed Funds

Effective Swap Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to UST and LIBOR. This ASU is effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. We do not expect the adoption of ASU No. 2013-10 to affect our consolidated financial position, results of operations, or cash flows.

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes (Topic 740)—Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU No. 2013-11 resolves the diversity in practice regarding the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This ASU is effective for the first annual period beginning after December 15, 2013. We do not expect adoption of ASU No. 2013-11 to affect our consolidated financial position, results of operations, or cash flows.

Results of Operations

The following tables present comparative financial data relating to our operating performance in the aggregate and on a "same-store" basis. Dealership results are included in same-store comparisons when we have consolidated the acquired entity during the entirety of both periods being compared. As an example, if a dealership was acquired on January 15, 2011, the results of the acquired entity would be included in annual same-store comparisons beginning with the year ended December 31, 2013 and in quarterly same store comparisons beginning with the quarter ended June 30, 2012.

2013 compared to 2012 and 2012 compared to 2011 (in millions, except unit and per unit amounts)

Our results for 2012 include costs of $17.8 million ($13.0 million after-tax), or $0.14 per share, relating to the redemption of $375.0 million aggregate principal amount of our previously outstanding 7.75% Notes. Our results for 2011 include an $11.0 million, or $0.12 per share, net income tax benefit. The components of the net benefit include (a) a $17.0 million, or $0.19 per share, positive adjustment primarily from the release of amounts previously recorded in the U.K. as uncertain tax positions as such positions were accepted by the U.K. tax authorities and (b) a negative adjustment relating to a valuation allowance against certain U.K. deferred tax assets of $6.0 million, or $0.07 per share, as evidence supporting the future realizability of such assets was no longer available.

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Automotive Retail New Vehicle Data

(in millions, except unit and per unit amounts)

New Vehicle Data	2013	2012	2013 vs. 2012 Change	2013 vs. 2012 % Change	2012	2011	2012 vs. 2011 Change	2012 vs. 2011 % Change
New retail unit sales	199,795	180,949	18,846	10.4%	180,949	149,078	31,871	21.4%
Same-store new retail unit sales	192,433	177,171	15,262	8.6%	163,086	144,299	18,787	13.0%
New retail sales revenue	$ 7,619.5	$ 6,753.4	$ 866.1	12.8%	$ 6,753.4	$ 5,605.8	$ 1,147.6	20.5%
Same-store new retail sales revenue	$ 7,351.2	$ 6,613.9	$ 737.3	11.1%	$ 6,092.8	$ 5,400.8	$ 692.0	12.8%
New retail sales revenue per unit	$ 38,137	$ 37,322	$ 815	2.2%	$ 37,322	$ 37,603	$ (281)	(0.7)%
Same-store new retail sales revenue per unit	$ 38,201	$ 37,331	$ 870	2.3%	$ 37,360	$ 37,428	$ (68)	(0.2)%
Gross profit—new	$ 584.9	$ 545.3	$ 39.6	7.3%	$ 545.3	$ 464.7	$ 80.6	17.3%
Same-store gross profit—new	$ 566.0	$ 534.4	$ 31.6	5.9%	$ 489.6	$ 448.1	$ 41.5	9.3%
Average gross profit per new vehicle retailed	$ 2,927	$ 3,014	$ (87)	(2.9)%	$ 3,014	$ 3,117	$ (103)	(3.3)%
Same-store average gross profit per new vehicle retailed	$ 2,941	$ 3,016	$ (75)	(2.5)%	$ 3,002	$ 3,106	$ (104)	(3.3)%
Gross margin%—new	7.7%	8.1%	(0.4)%	(4.9)%	8.1%	8.3%	(0.2)%	(2.4)%
Same-store gross margin%—new	7.7%	8.1%	(0.4)%	(4.9)%	8.0%	8.3%	(0.3)%	(3.6)%

Units

Retail unit sales of new vehicles increased 18,846 units, or 10.4%, from 2012 to 2013, and increased 31,871 units, or 21.4%, from 2011 to 2012. The increase from 2012 to 2013 is due to a 15,262 unit, or 8.6%, increase in same-store new retail unit sales, coupled with a 3,584 unit increase from net dealership acquisitions during the year. Same-store units increased 7.7% in the U.S. and 10.9% internationally due in part to more favorable macro-economic conditions in the U.S. and in the U.K. The same-store increases were driven by a 10.5% increase in our premium brands, a 6.9% increase in our volume foreign brands and an 8.2% increase in our domestic brands.

The increase from 2011 to 2012 is due to an 18,787 unit, or 13.0%, increase in same-store new retail unit sales, coupled with a 13,084 unit increase from net dealership acquisitions during the year. The same-store increase is primarily due to an increase in premium brand unit sales. We believe our premium, volume foreign, and domestic brands are being positively impacted by improved market conditions including increased credit availability, pent-up demand, the introduction of new models, and specifically in the case of volume foreign Japanese brands, improved inventory levels, as these manufacturers have returned to normal production levels following the March 2011 tsunami.

Revenues

New vehicle retail sales revenue increased $866.1 million, or 12.8%, from 2012 to 2013 and increased $1,147.6 million, or 20.5%, from 2011 to 2012. The increase from 2012 to 2013 is due to a $737.3 million, or 11.1%, increase in same-store revenues, coupled with a $128.8 million increase from net dealership acquisitions during the year. The same-store revenue increase is due primarily to the 8.6% increase in same-store unit sales, which increased revenue by $583.1 million, coupled with an $870, or 2.3%, increase in comparative average selling prices per unit, which increased revenue by $154.2 million.

The increase from 2011 to 2012 is due to a $692.0 million, or 12.8%, increase in same-store revenues, coupled with a $455.6 million increase from net dealership acquisitions during the year. The same-store revenue increase is due primarily to the 13.0% increase in new retail unit sales, which increased revenue by $701.8 million, somewhat offset by a $68, or 0.2%, decrease in comparative average selling prices per unit, which decreased revenue by $9.8 million. We believe the changes in comparative average selling price per unit were driven in part by inventory availability in our Japanese volume foreign brands as a result of the March 2011 tsunami.

Gross Profit

Retail gross profit from new vehicle sales increased $39.6 million, or 7.3%, from 2012 to 2013, and increased $80.6 million, or 17.3%, from 2011 to 2012. The increase from 2012 to 2013 is due to a $31.6 million, or 5.9%, increase in same-store gross profit, coupled with an $8.0 million increase from net dealership acquisitions during the year. The same-store increase is due primarily to the 8.6% increase in new retail unit sales, which increased gross profit by $44.9 million, somewhat offset by a $75, or 2.5%, decrease in average gross profit per new vehicle retailed, which decreased gross profit by $13.3 million.

The increase from 2011 to 2012 is due to a $41.5 million, or 9.3%, increase in same-store gross profit, coupled with a $39.1 million increase from net dealership acquisitions during the year. The same-store increase is due primarily to a 13.0% increase in retail unit sales, which increased gross profit by $56.5 million, somewhat offset by a $104, or 3.3%, decrease in average gross profit per new vehicle retailed, which decreased gross profit by $15.0 million. We believe that the changes in gross profit per unit and gross margin in 2012 and 2011 were driven in part by inventory availability of Japanese brands as a result of the March 2011 tsunami.

Automotive Retail Used Vehicle Data

(in millions, except unit and per unit amounts)

Used Vehicle Data	2013	2012	2013 vs. 2012 Change	2013 vs. 2012 % Change	2012	2011	2012 vs. 2011 Change	2012 vs. 2011 % Change
Used retail unit sales	166,419	145,087	21,332	14.7%	145,087	121,213	23,874	19.7%
Same-store used retail unit sales	159,336	142,033	17,303	12.2%	131,494	118,007	13,487	11.4%
Used retail sales revenue	$ 4,239.2	$ 3,700.4	$ 538.8	14.6%	$ 3,700.4	$ 3,190.0	$ 510.4	16.0%
Same-store used retail sales revenue	$ 4,089.8	$ 3,646.2	$ 443.6	12.2%	$ 3,374.6	$ 3,113.2	$ 261.4	8.4%
Used retail sales revenue per unit	$ 25,473	$ 25,505	$ (32)	(0.1)%	$ 25,505	$ 26,317	$ (812)	(3.1)%
Same-store used retail sales revenue per unit	$ 25,668	$ 25,672	$ (4)	(0.0)%	$ 25,664	$ 26,381	$ (717)	(2.7)%
Gross profit—used	$ 311.1	$ 282.9	$ 28.2	10.0%	$ 282.9	$ 252.0	$ 30.9	12.3%
Same-store gross profit—used	$ 299.8	$ 278.6	$ 21.2	7.6%	$ 259.5	$ 246.0	$ 13.5	5.5%
Average gross profit per used vehicle retailed	$ 1,869	$ 1,950	$ (81)	(4.2)%	$ 1,950	$ 2,079	$ (129)	(6.2)%
Same-store average gross profit per used vehicle retailed	$ 1,882	$ 1,962	$ (80)	(4.1)%	$ 1,973	$ 2,084	$ (111)	(5.3)%
Gross margin %—used	7.3%	7.6%	(0.3)%	(3.9)%	7.6%	7.9%	(0.3)%	(3.8)%
Same-store gross margin %—used	7.3%	7.6%	(0.3)%	(3.9)%	7.7%	7.9%	(0.2)%	(2.5)%

Units

Retail unit sales of used vehicles increased 21,332 units, or 14.7%, from 2012 to 2013 and increased 23,874 units, or 19.7%, from 2011 to 2012. The increase from 2012 to 2013 is due to a 17,303 unit, or 12.2%, increase in same-store retail unit sales, coupled with a 4,029 unit increase from net dealership acquisitions. Same-store units increased 13.6% in the U.S. and 9.3% internationally. The same-store increases were driven by an 11.2% increase in our premium brands, a 14.6% increase in our volume foreign brands and a 6.7% increase in our domestic brands. We believe that overall our same-store used vehicle sales are being positively impacted by our retail first initiative which focuses on reducing the number of vehicles we wholesale to third parties by offering and promoting these vehicles for retail sale in our dealerships, improved market conditions including increased credit availability, pent-up demand, an increase in trade-in units due to an increase in new unit sales and an increase in certified pre-owned activity from lease turn ins.

The increase from 2011 to 2012 is due to a 13,487 unit or 11.4%, increase in same-store used retail unit sales, coupled with a 10,387 unit increase from net dealership acquisitions. The same-store increase was due primarily to unit sales increases in premium and volume foreign brand stores in the U.S. and premium brands in the U.K.

Revenues

Used vehicle retail sales revenue increased $538.8 million, or 14.6%, from 2012 to 2013 and increased $510.4 million, or 16.0%, from 2011 to 2012. The increase from 2012 to 2013 is due to a $443.6 million, or 12.2%, increase in same-store revenues, coupled with a $95.2 million increase from net dealership acquisitions. The same-store revenue increase is due to the 12.2% increase in same-store retail unit sales, which increased revenue by $444.2 million, somewhat offset by a $4 decrease in comparative average selling prices per unit, which decreased revenue by $0.6 million.

The increase from 2011 to 2012 is due to a $261.4 million, or 8.4%, increase in same-store revenues, coupled with a $249.0 million increase from net dealership acquisitions during the year. The same-store revenue increase is due to the 11.4% increase in same-store retail unit sales, which increased revenue by $346.1 million, somewhat offset by a $717, or 2.7%, decrease in comparative average selling price per unit, which decreased revenue by $84.7 million.

Gross Profit

Retail gross profit from used vehicle sales increased $28.2 million, or 10.0%, from 2012 to 2013 and increased $30.9 million, or 12.3%, from 2011 to 2012. The increase from 2012 to 2013 is due to a $21.2 million, or 7.6%, increase in same-store gross profit, coupled with a $7.0 million increase from net dealership acquisitions. The increase in same-store gross profit is due to the 12.2% increase in used retail unit sales, which increased gross profit by $32.6 million, somewhat offset by an $80, or 4.1%, decrease in average gross profit per used vehicle retailed, which decreased gross profit by $11.4 million.

The increase from 2011 to 2012 is due to a $13.5 million, or 5.5%, increase in same-store gross profit, coupled with a $17.4 million increase from net dealership acquisitions during the year. The increase in same-store gross profit is primarily due to the 11.4% increase in used retail unit sales, which increased gross profit by $26.6 million, somewhat offset by a $111, or 5.3%, decrease in average gross profit per used vehicle retailed, which decreased gross profit by $13.1 million.

Automotive Retail Finance and Insurance Data

(in millions, except unit and per unit amounts)

			2013 vs. 2012				2012 vs. 2011	
Finance and Insurance Data	**2013**	**2012**	**Change**	**% Change**	**2012**	**2011**	**Change**	**% Change**
Total retail unit sales	366,214	326,036	40,178	12.3%	326,036	270,291	55,745	20.6%
Total same-store retail unit sales	351,769	319,204	32,565	10.2%	294,580	262,306	32,274	12.3%
Finance and insurance revenue	$ 375.7	$ 322.3	$ 53.4	16.6%	$ 322.3	$ 270.2	$ 52.1	19.3%
Same-store finance and insurance revenue	$ 365.7	$ 318.8	$ 46.9	14.7%	$ 298.6	$ 263.2	$ 35.4	13.4%
Finance and insurance revenue per unit	$ 1,026	$ 989	$ 37	3.7%	$ 989	$ 1,000	$ (11)	(1.1)%
Same-store finance and insurance revenue per unit	$ 1,040	$ 999	$ 41	4.1%	$ 1,014	$ 1,003	$ 11	1.1%

Finance and insurance revenue increased $53.4 million, or 16.6%, from 2012 to 2013 and increased $52.1 million, or 19.3%, from 2011 to 2012. The increase from 2012 to 2013 is due to a $46.9 million, or 14.7%, increase in same-store revenues during the period, coupled with a $6.5 million increase from net dealership acquisitions. The same-store revenue increase is due to a 10.2% increase in same-store retail unit sales, which increased revenue by $33.8 million, coupled with a $41, or 4.1%, increase in comparative average finance and insurance revenue per unit, which increased revenue by $13.1 million. Finance and insurance revenue per unit increased 9.4% to $999 per unit in the U.S. and decreased 6.1% to $1,089 per unit internationally. We believe the increases in the U.S are due to our efforts to increase finance and insurance revenue, which include adding resources to drive additional training, product penetration and targeting underperforming locations. We believe the decreases in international are due to increased use of subvented rate customer financing by captive lenders in the U.K., which results in lower finance commissions.

The increase from 2011 to 2012 is due to a $35.4 million, or 13.4%, increase in same-store revenues, coupled with a $16.7 million increase from net dealership acquisitions during the year. The same-store revenue increase is due to a 12.3% increase in retail unit sales, which increased revenue by $32.6 million, coupled with an $11, or 1.1%, increase in comparative average finance and insurance revenue per unit, which increased revenue by $2.8 million.

Automotive Retail Service and Parts Data

(in millions)

			2013 vs. 2012				2012 vs. 2011	
Service and Parts Data	**2013**	**2012**	**Change**	**% Change**	**2012**	**2011**	**Change**	**% Change**
Service and parts revenue	$ 1,550.6	$ 1,444.3	$ 106.3	7.4%	$ 1,444.3	$ 1,326.0	$ 118.3	8.9%
Same-store service and parts revenue	$ 1,490.4	$ 1,415.7	$ 74.7	5.3%	$ 1,313.5	$ 1,286.7	$ 26.8	2.1%
Gross profit	$ 920.3	$ 841.2	$ 79.1	9.4%	$ 841.2	$ 760.1	$ 81.1	10.7%
Same-store gross profit	$ 887.0	$ 827.9	$ 59.1	7.1%	$ 766.8	$ 738.6	$ 28.2	3.8%
Gross margin	59.4%	58.2%	1.2%	2.1%	58.2%	57.3%	0.9%	1.6%
Same-store gross margin	59.5%	58.5%	1.0%	1.7%	58.4%	57.4%	1.0%	1.7%

Revenues

Service and parts revenue increased $106.3 million, or 7.4%, from 2012 to 2013 and increased $118.3 million, or 8.9%, from 2011 to 2012. The increase from 2012 to 2013 is due to a $74.7 million, or 5.3%, increase in same-store revenues during the year, coupled with a $31.6 million increase from net dealership acquisitions. The increase in same-store revenue is due to a $39.7 million, or 3.9%, increase in customer pay revenue, a $29.0 million, or 9.8%, increase in warranty revenue, a $4.5 million, or 4.9%, increase in body shop revenue, and a $1.5 million, or 7.9%, increase in vehicle preparation revenue.

The increase from 2011 to 2012 is due to a $26.8 million, or 2.1%, increase in same-store revenues during the year, coupled with a $91.5 million increase from net dealership acquisitions. The increase in same-store revenue is due to a $17.4 million, or 1.9%, increase in customer pay revenue, a $5.4 million, or 2.1%, increase in warranty revenue, and a $4.4 million, or 29.1%, increase in vehicle preparation revenue. These same store revenue increases are somewhat offset by a $0.4 million, or 0.4%, decrease in body shop revenue. We believe that our service and parts business is being positively impacted by increasing units in operation due to increasing new vehicle sales in recent years.

Gross Profit

Service and parts gross profit increased $79.1 million, or 9.4%, from 2012 to 2013 and increased $81.1 million, or 10.7%, from 2011 to 2012. The increase from 2012 to 2013 is due to a $59.1 million, or 7.1%, increase in same-store gross profit during the year, coupled with a $20.0 million increase from net dealership acquisitions. The same-store gross profit increase is due to the $74.7 million, or 5.3%, increase in same-store revenues, which increased gross profit by $44.5 million, coupled with a 1.7% increase in gross margin percentage, which increased gross profit by $14.6 million. The same-store gross profit increase is composed of a $19.2 million, or 12.9%, increase in warranty gross profit, a $19.0 million, or 14.7%, increase in vehicle preparation gross profit, a $16.3 million, or 3.3%, increase in customer pay gross profit, and a $4.6 million, or 8.2%, increase in body shop gross profit.

The increase from 2011 to 2012 is due to a $28.2 million, or 3.8%, increase in same-store gross profit, coupled with a $52.9 million increase from net dealership acquisitions during the year. The same-store gross profit increase is due to the $26.8 million, or 2.1%, increase in same-store revenues, which increased gross profit by $15.6 million, coupled with a 1.7% increase in gross margin percentage, which increased gross profit by $12.6 million. The same-store gross profit increase is composed of an $18.4 million, or 17.3%, increase in vehicle preparation gross profit, a $9.5 million, or 2.1%, increase in customer pay gross profit, a $0.2 million, or 0.2%, increase in warranty gross profit, and a $0.1 million, or 0.2%, increase in body shop gross profit.

Commercial Vehicle Data

We acquired our commercial vehicle business on August 30, 2013. From our acquisition date through December 31, 2013, this business generated $152.5 million of revenue and $24.0 million of gross profit through the distribution and retail sale of 756 vehicles and parts to a network of more than 70 dealership locations.

Car Rental Data

Car Rental revenue increased $48.6 million to $52.6 million from 2012 to 2013. Car rental gross profit increased $29.9 million to $32.7 million from 2012 to 2013. The significant increases are primarily due to the expansion of our Hertz car rental operations into certain markets in Indiana in March 2013.

Selling, General and Administrative

(in millions)

			2013 vs. 2012				2012 vs. 2011	
Selling, General and Administrative Data	**2013**	**2012**	**Change**	**% Change**	**2012**	**2011**	**Change**	**% Change**
Personnel expense	$ 979.7	$ 882.5	$ 97.2	11.0%	$ 882.5	$ 779.3	$ 103.2	13.2%
Advertising expense	$ 82.9	$ 81.4	$ 1.5	1.8%	$ 81.4	$ 69.2	$ 12.2	17.6%
Rent & related expense	$ 256.0	$ 244.5	$ 11.5	4.7%	$ 244.5	$ 228.8	$ 15.7	6.9%
Other expense	$ 443.3	$ 378.4	$ 64.9	17.2%	$ 378.4	$ 333.2	$ 45.2	13.6%
Total SG&A expenses	$1,761.9	$1,586.8	$ 175.1	11.0%	$1,586.8	$1,410.5	$ 176.3	12.5%
Same store SG&A expenses	$1,658.8	$1,553.4	$ 105.4	6.8%	$1,439.9	$1,369.7	$ 70.2	5.1%
Personnel expense as % of gross profit	43.4%	44.0%	(0.6)%	(1.4)%	44.0%	44.5%	(0.5)%	(1.1)%
Advertising expense as % of gross profit	3.7%	4.0%	(0.3)%	(7.5)%	4.0%	3.9%	0.1%	2.6%
Rent & related expense as % of gross profit	11.3%	12.2%	(0.9)%	(7.4)%	12.2%	13.1%	(0.9)%	(6.9)%
Other expense as % of gross profit	19.6%	18.9%	0.7%	3.7%	18.9%	19.0%	(0.1)%	(0.5)%
Total SG&A expenses as % of gross profit	78.0%	79.1%	(1.1)%	(1.4)%	79.1%	80.5%	(1.4)%	(1.7)%
Same store SG&A expenses as % of gross profit	77.9%	78.8%	(0.9)%	(1.1)%	79.0%	80.5%	(1.5)%	(1.9)%

Selling, general and administrative ("SG&A") expenses increased $175.1 million, or 11.0%, from 2012 to 2013 and increased $176.3 million, or 12.5%, from 2011 to 2012. The aggregate increase from 2012 to 2013 is due to a $105.4 million, or 6.8%, increase in same-store SG&A, coupled with a $69.7 million increase from net dealership acquisitions. The increase in same-store SG&A is due primarily to a net increase in variable personnel expenses, as a result of the 8.1% increase in same-store retail gross profit versus the prior year. The increase from 2012 to 2013 includes $1.9 million of acquisition related costs associated with the acquisition of our commercial vehicle business.

The aggregate increase from 2011 to 2012 is due primarily to a $70.2 million, or 5.1%, increase in same-store SG&A expenses, coupled with a $106.1 million increase from net dealership acquisitions during the year. The increase in same-store SG&A expenses from 2011 to 2012 is due to a net increase in variable personnel expenses, as a result of the 7.0% increase in same-store retail gross profit versus the prior year.

SG&A expenses as a percentage of total revenue were 12.0%, 12.1% and 12.8% in 2013, 2012, and 2011, respectively, and as a percentage of gross profit were 78.0%, 79.1%, and 80.5% in 2013, 2012, and 2011, respectively.

Depreciation

Depreciation increased $8.2 million, or 15.3%, from 2012 to 2013 and increased $7.1 million, or 15.3%, from 2011 to 2012. The increase from 2012 to 2013 is due to a $6.0 million, or 11.5%, increase in same-store depreciation, coupled with a $2.2 million increase from net dealership acquisitions during the year. The increase from 2011 to 2012 is due to a $3.3 million, or 7.1%, increase in same-store depreciation, coupled with a $3.8 million increase from net dealership acquisitions during the year. The same-store increases are primarily related to our ongoing facility improvement and expansion programs.

Floor Plan Interest Expense

Floor plan interest expense, including the impact of swap transactions, increased $5.3 million, or 13.8%, from 2012 to 2013 and increased $11.5 million, or 42.9%, from 2011 to 2012. The increase from 2012 to 2013 is due primarily to a $4.1 million, or 10.8%, increase in same-store floor plan interest expense and a $1.2 million increase from net dealership acquisitions. The increase from 2011 to 2012 is due primarily to a $10.4 million, or 40.4%, increase in same-store floor plan interest expense and a $1.1 million increase from net dealership acquisitions. The same-store increases are due primarily to increases in the amounts outstanding under floor plan arrangements.

Other Interest Expense

Other interest expense increased $1.1 million, or 2.4%, from 2012 to 2013 and increased $2.7 million, or 6.1%, from 2011 to 2012. The increase from 2012 to 2013 is due primarily to an increased level of borrowing in 2013 relating to the issuance of our $550.0 million 5.75% senior subordinated notes in August 2012 and borrowings to acquire the commercial vehicle business partially offset by lower interest rates on these notes compared to our refinanced indebtedness. The increase from 2011 to 2012 is due primarily to incremental borrowings made during 2012 relating to acquisitions.

Equity in Earnings of Affiliates

Equity in earnings of affiliates increased $3.1 million, or 11.2%, from 2012 to 2013, and increased $2.2 million, or 8.7%, from 2011 to 2012. These increases were primarily attributable to an increase in equity in earnings from our investment in PTL and increases in earnings at our foreign automotive joint ventures.

Debt Redemption Costs

We incurred a $17.8 million pre-tax charge in connection with the redemption of our 7.75% senior subordinated notes during 2012, consisting of a $15.8 million redemption premium and the write-off of $2.0 million of unamortized deferred financing costs.

Income Taxes

Income taxes increased $30.0 million, or 31.8%, from 2012 to 2013, and increased $22.5 million, or 31.3%, from 2011 to 2012. The increase from 2012 to 2013 is primarily due to an $85.3 million increase in our pre-tax income versus the prior year and a higher mix of U.S. income, which is taxed at higher rates.

The increase from 2011 to 2012 is due to an overall increase in our pre-tax income versus the prior year despite the $17.8 million of debt redemption costs in 2012; however, the 2011 results include a net benefit of $11.0 million from the resolution of certain tax items in the U.K., offset by reductions in U.K. deferred tax assets. Adjusting for the $11.0 million net tax benefit, income taxes increased $11.5 million, or 13.9%, from 2011 to 2012, due primarily to an increase in our pre-tax income versus prior year.

Liquidity and Capital Resources

Our cash requirements are primarily for working capital, inventory financing, the acquisition of new businesses, the improvement and expansion of existing facilities, the purchase or construction of new facilities, debt service and repayments, dividends and potentially repurchases of our outstanding securities under the program discussed below. Historically, these cash requirements have been met through cash flow from operations, borrowings under our credit agreements and floor plan arrangements, the issuance of debt securities, sale-leaseback transactions, mortgages, dividends and distributions from joint venture investments or the issuance of equity securities.

We have historically expanded our operations through organic growth and the acquisition of dealerships and other businesses. We believe that cash flow from operations, dividends and distributions from our joint venture investments and our existing capital resources, including the liquidity provided by our credit agreements and floor plan financing arrangements, will be sufficient to fund our operations and commitments for at least the next twelve months. In the event we pursue significant other acquisitions, other expansion opportunities, significant repurchases of our outstanding securities; or refinance or repay existing debt, we may need to raise additional capital either through the public or private issuance of equity or debt securities or through additional borrowings, which sources of funds may not necessarily be available on terms acceptable to us, if at all. In addition, our liquidity could be negatively impacted in the event we fail to comply with the covenants under our various financing and operating agreements or in the event our floor plan financing is withdrawn.

As of December 31, 2013, we had working capital of $14.8 million, including $49.8 million of cash, available to fund our operations and capital commitments. In addition, we had $285.0 million, £46.0 million ($76.2 million), and AU $28.0 million ($25.0 million) available for borrowing under our U.S. credit agreement, U.K. credit agreement, and Australian working capital loan agreement, respectively.

Securities Repurchases

From time to time, our Board of Directors has authorized securities repurchase programs pursuant to which we may, as market conditions warrant, purchase our outstanding common stock or debt on the open market, in privately negotiated transactions, via a tender offer, or through a pre-arranged trading plan. We have historically funded any such repurchases using cash flow from operations, borrowings under our U.S. credit facility and borrowings under our U.S. floor plan arrangements. The decision to make repurchases will be based on factors such as the market price of the relevant security versus our view of its intrinsic value, the potential impact of such repurchases on our capital structure, and our consideration of any alternative uses of our capital, such as acquisitions and strategic investments in our current businesses, in addition to any then-existing limits imposed by our finance agreements and securities trading policy.

During 2013, we acquired 97,818 shares of our common stock for $3.1 million, or an average of $32.13 per share, from employees in connection with a net share settlement feature of employee equity awards. During 2013, we also repurchased 410,000 shares of our outstanding common stock on the open market for a total of $12.7 million, or an average of $30.93 per share, under our existing securities repurchase program. As of December 31, 2013, we have $85.6 million in repurchase authorization under the existing securities repurchase program.

Dividends

We paid the following cash dividends on our common stock in 2012 and 2013:

Per Share Dividends

2012	
First Quarter	$ 0.10
Second Quarter	0.11
Third Quarter	0.12
Fourth Quarter	0.13
2013	
First Quarter	$ 0.14
Second Quarter	0.15
Third Quarter	0.16
Fourth Quarter	0.17

We also have announced a cash dividend of $0.18 per share payable on March 3, 2014 to shareholders of record on February 10, 2014. Future quarterly or other cash dividends will depend upon a variety of factors considered relevant by our Board of Directors which may include our earnings, capital requirements, restrictions relating to any then-existing indebtedness, financial condition and other factors.

Vehicle Financing

We finance substantially all of the commercial vehicles we purchase for distribution, new vehicles for retail sale and a portion of our used vehicle inventories for retail sale under revolving floor plan arrangements with various lenders, including the captive finance companies associated with automotive manufacturers. In the U.S., the floor plan arrangements are due on demand; however, we have not historically been required to repay floor plan advances prior to the sale of the vehicles that have been financed. We typically make monthly interest payments on the amount financed. Outside of the U.S., substantially all of our floor plan arrangements are payable on demand or have an original maturity of 90 days or less, and we are generally required to repay floor plan advances at the earlier of the sale of the vehicles that have been financed or the stated maturity.

The floor plan agreements typically grant a security interest in substantially all of the assets of our dealership subsidiaries, and in the U.S., Australia and New Zealand are guaranteed by us. Interest rates under the floor plan arrangements are variable and increase or decrease based on changes in the prime rate, defined LIBOR, Finance House Base Rate, the Euro Interbank Offered Rate, or the Australian or New Zealand Bank Bill Swap Rate. To date, we have not experienced any material limitation with respect to the amount or availability of financing from any institution providing us vehicle financing. We also receive non-refundable credits from certain of our vehicle manufacturers, which are treated as a reduction of cost of sales as vehicles are sold.

U.S. Credit Agreement

We are party to a credit agreement with Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as amended (the "U.S. credit agreement"), which provides for up to $375.0 million in revolving loans for working capital, acquisitions, capital expenditures, investments and other general corporate purposes, a non-amortizing term loan with a remaining balance of $98.0 million, and for an additional $10.0 million of availability for letters of credit, through September 2016. The revolving loans bear interest at a defined LIBOR plus 2.25%, subject to an incremental 1.25% for uncollateralized borrowings in excess of a defined borrowing base. The term loan, which bears interest at defined LIBOR plus 2.25%, may be prepaid at any time, but then may not be re-borrowed.

The U.S. credit agreement is fully and unconditionally guaranteed on a joint and several basis by our domestic subsidiaries and contains a number of significant covenants that, among other things, restrict our ability to dispose of assets, incur additional indebtedness, repay other indebtedness, pay dividends, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. We are also required to comply with specified financial and other tests and ratios, each as defined in the U.S. credit agreement, including: a ratio of current assets to current liabilities, a fixed charge coverage ratio, a ratio of debt to stockholders' equity and a ratio of debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"). A breach of these requirements would give rise to certain remedies under the agreement, the most severe of which is the termination of the agreement and acceleration of the amounts owed. As of December 31, 2013, we were in compliance with all covenants under the U.S. credit agreement, and we believe we will remain in compliance with such covenants for the next twelve months. In making such determination, we considered the current margin of compliance with the covenants and our expected future results of operations, working capital requirements, acquisitions, capital expenditures and investments. See Item 1A. "Risk Factors" and "Forward-Looking Statements" below.

The U.S. credit agreement also contains typical events of default, including change of control, non-payment of obligations and cross-defaults to our other material indebtedness. Substantially all of our domestic assets are subject to security interests granted to lenders under the U.S. credit agreement. As of December 31, 2013, $90.0 million of revolver borrowings, $98.0 million of term loans, and no letters of credit were outstanding under the U.S. credit agreement. We repaid $12.0 million and $17.0 million under the term loan in 2013 and 2012, respectively.

U.K. Credit Agreement

Our subsidiaries in the U.K. (the "U.K. subsidiaries") are party to a £100.0 million revolving credit agreement with the Royal Bank of Scotland plc (RBS) and BMW Financial Services (GB) Limited, and an additional £10.0 million demand overdraft line of credit with RBS (collectively, the "U.K. credit agreement") to be used for working capital, acquisitions, capital expenditures, investments and general corporate purposes through November 2015. The revolving loans bear interest between defined LIBOR plus 1.35% and defined LIBOR plus 3.0% and the demand overdraft line of credit bears interest at the Bank of England Base Rate plus 1.75%. As of December 31, 2013, £64.0 million ($106.0 million) was outstanding under the U.K. credit agreement.

The U.K. credit agreement is fully and unconditionally guaranteed on a joint and several basis by our U.K. subsidiaries, and contains a number of significant covenants that, among other things, restrict the ability of our U.K. subsidiaries to pay dividends, dispose of assets, incur additional indebtedness, repay other indebtedness, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. In addition, our U.K. subsidiaries are required to comply with defined ratios and tests, including: a ratio of earnings before interest, taxes, amortization, and rental payments ("EBITAR") to interest plus rental payments, a measurement of maximum capital expenditures, and a debt to EBITDA ratio. A breach of these requirements would give rise to certain remedies under the agreement, the most severe of which is the termination of the agreement and acceleration of any amounts owed. As of December 31, 2013, our U.K. subsidiaries were in compliance with all covenants under the U.K. credit agreement, and we believe they will remain in compliance with such covenants for the next twelve months. In making such determination, we considered the current margin of compliance with the covenants and our expected future results of operations, working capital requirements, acquisitions, capital expenditures and investments in the U.K. See Item 1A. "Risk Factors" and "Forward-Looking Statements" below.

The U.K. credit agreement also contains typical events of default, including change of control and non-payment of obligations and cross-defaults to other material indebtedness of our U.K. subsidiaries. Substantially all of our U.K. subsidiaries' assets are subject to security interests granted to lenders under the U.K. credit agreement. In July 2013, we amended the U.K. credit agreement and U.K. term loan to provide the U.K. subsidiaries with covenant flexibility to fund the purchase of our commercial vehicle business and operate the subsidiaries acquired.

In January 2012, our U.K. subsidiaries entered into a separate agreement with RBS, as agent for National Westminster Bank plc, providing for a £30.0 million term loan which was used for working capital and an acquisition. The term loan is repayable in £1.5 million quarterly installments through 2015 with a final payment of £7.5 million due on December 31, 2015. The term loan bears interest between 2.675% and 4.325%, depending on the U.K. subsidiaries' ratio of net borrowings to earnings before interest, taxes, depreciation and amortization (as defined). As of December 31, 2013, the amount outstanding under the U.K. term loan was £18.0 million ($29.8 million).

5.75% Senior Subordinated Notes

In August 2012, we issued $550.0 million in aggregate principal amount of 5.75% Senior Subordinated Notes due 2022 (the "5.75% Notes").

Interest on the 5.75% Notes is payable semi-annually on April 1 and October 1 of each year, beginning on April 1, 2013. The 5.75% Notes mature on October 1, 2022, unless earlier redeemed or purchased by us. The 5.75% Notes are our unsecured senior subordinated obligations and are guaranteed on an unsecured senior subordinated basis by our existing 100% owned domestic subsidiaries. The 5.75% Notes also contain customary negative covenants and events of default. As of December 31, 2013, we were in compliance with all negative covenants, and there were no events of default.

On or after October 1, 2017, we may redeem the 5.75% Notes for cash at the redemption prices noted in the indenture, plus any accrued and unpaid interest. We may also redeem up to 40% of the 5.75% Notes using the proceeds of specified equity offerings at any time prior to October 1, 2015 at a price specified in the indenture.

If we experience certain "change of control" events specified in the indenture, holders of the 5.75% Notes will have the option to require us to purchase for cash all or a portion of their notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest. In addition, if we make certain asset sales and do not reinvest the proceeds thereof or use such proceeds to repay certain debt, we will be required to use the proceeds of such asset sales to make an offer to purchase the notes at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest.

Car Rental Revolver

We are party to a credit agreement with Toyota Motor Credit Corporation that currently provides us with up to $200.0 million in revolving loans for the acquisition of rental vehicles. The revolving loans bear interest at three-month LIBOR plus 2.50%. This agreement provides the lender with a secured interest in the vehicles and our car rental operations' other assets, requires us to make monthly curtailment payments (prepayments of principal) and expires in October 2015. Vehicle principal balances must be paid in full within twelve to twenty-four months, depending on the year, make and model of the vehicle. As of December 31, 2013, outstanding loans under the car rental revolver amounted to $86.9 million.

Working Capital Loan Agreement

In December 2013 we entered into a working capital loan agreement with Mercedes-Benz Financial Services Australia Pty Ltd that provides us with up to AU $28.0 million ($25.0 million) of working capital availability. This agreement provides the lender with a secured interest in certain inventory and receivables of our commercial vehicle business. The loan bears interest at the Australian BBSW 30-day Bill Rate plus 2.35%. As of December 31, 2013, no loans were outstanding under the working capital loan agreement.

Mortgage Facilities

We are party to several mortgages which bear interest at defined rates and require monthly principal and interest payments. These mortgage facilities also contain typical events of default, including non-payment of obligations, cross-defaults to our other material indebtedness, certain change of control events, and the loss or sale of certain franchises operated at the properties. Substantially all of the buildings and improvements on the properties financed pursuant to the mortgage facilities are subject to security interests granted to the lender. As of December 31, 2013, we owed $118.6 million of principal under our mortgage facilities.

Short-term Borrowings

We have four principal sources of short-term borrowings: the revolving portion of the U.S. credit agreement, the revolving portion of the U.K. credit agreement, our Australian working capital loan agreement and the floor plan agreements and car rental revolver that we utilize to finance our vehicle inventories. Over time, we are able to access availability under the floor plan agreements to fund our cash needs, including payments made relating to our higher interest rate revolving credit agreements.

During 2013, outstanding revolving commitments varied between $10.0 million and $202.0 million under the U.S. credit agreement and between £0 and £100.0 million ($165.6 million) under the U.K. credit agreement's revolving credit line (excluding the overdraft facility), and the amounts outstanding under our floor plan agreements varied based on the timing of the receipt and expenditure of cash in our operations, driven principally by the levels of our vehicle inventories.

Interest Rate Swaps

We periodically use interest rate swaps to manage interest rate risk associated with our variable rate floor plan debt. We are party to interest rate swap agreements through December 2014 pursuant to which the LIBOR portion of $300.0 million of our floating rate floor plan debt is fixed at 2.135% and $100.0 million of our floating rate floor plan debt is fixed at 1.55%. We may terminate these agreements at any time, subject to the settlement of the then current fair value of the swap arrangements. During 2013, the swaps increased the weighted average interest rate on our floor plan borrowings by 31 basis points.

PTL Dividends

We hold a 9.0% ownership interest in Penske Truck Leasing. During 2013, 2012, and 2011 we received $9.9 million, $18.5 million, and $7.8 million, respectively, of pro rata cash distributions relating to this investment. The decrease in dividends from 2012 to 2013 is due primarily to PTL's change in policy to deliver quarterly in lieu of annual dividends, which resulted in additional dividends in 2012. We currently expect to continue to receive future distributions from PTL quarterly, subject to its financial performance.

Operating Leases

We have historically structured our operations so as to minimize our ownership of real property. As a result, we lease or sublease a majority of our facilities. These leases are generally for a period between five and 20 years, and are typically structured to include renewal options at our election. We estimate our total rent obligations under these leases, including any extension periods we may exercise at our discretion and assuming constant consumer price indices, to be $4.9 billion. Pursuant to the leases for some of our larger facilities, we are required to comply with specified financial ratios, including a "rent coverage" ratio and a debt to EBITDA ratio, each as defined. For these leases, non-compliance with the ratios may require us to post collateral in the form of a letter of credit. A breach of our other lease covenants give rise to certain remedies by the landlord, the most severe of which include the termination of the applicable lease and acceleration of the total rent payments due under the lease. As of December 31, 2013, we were in compliance with all covenants under these leases, and we believe we will remain in compliance with such covenants for the next twelve months.

Sale/Leaseback Arrangements

We have in the past and may in the future enter into sale-leaseback transactions to finance certain property acquisitions and capital expenditures, pursuant to which we sell property and/or leasehold improvements to third parties and agree to lease those assets back for a certain period of time. Such sales generate proceeds which vary from period to period.

Off-Balance Sheet Arrangements

We have sold a number of dealerships to third parties and, as a condition to certain of those sales, remain liable for the lease payments relating to the properties on which those businesses operate in the event of non-payment by the buyer. We are also party to lease agreements on properties that we no longer use in our retail operations that we have sublet to third parties. We rely on subtenants to pay the rent and maintain the property at these locations. In the event a subtenant does not perform as expected, we may not be able to recover amounts owed to us and we could be required to fulfill these obligations. We believe we have made appropriate reserves relating to these locations. The aggregate rent paid by the tenants on those properties in 2013 was approximately $24.4 million, and, in aggregate, we guarantee or are otherwise liable for approximately $266.4 million of third-party lease payments, including lease payments during available renewal periods.

We hold a 9.0% ownership interest in PTL. Historically GECC has provided PTL with a majority of its financing. PTL has refinanced all of its GECC indebtedness. As part of that refinancing, we and the other PTL partners created a new company ("Holdings"), which, together with GECC, co-issued $700.0 million of 3.8% senior unsecured notes due 2019 (the "Holdings Bonds"). GECC agreed to be a co-obligor of the Holdings Bonds in order to achieve lower interest rates on the Holdings Bonds. Additional capital contributions from the members may be required to fund interest and principal payments on the Holdings Bonds. In addition, we have agreed to indemnify GECC for 9.0% of any principal or interest that GECC is required to pay as co-obligor, and pay GECC an annual fee of approximately $0.95 million for acting as co-obligor. The maximum amount of our potential obligations to GECC under this agreement are 9.0% of the required principal repayment due in 2019 (which is expected to be $63.1 million) and 9.0% of interest payments under the Holdings Bonds, plus fees and default interest, if any. Although we do not currently expect to make material payments to GECC under this agreement, this outcome cannot be predicted with certainty.

We have a vehicle fleet of approximately 5,300 vehicles in our car rental business. When we acquire these cars, we make certain assumptions regarding their value at the time we expect to dispose of them. If the ultimate market value of a significant number of the cars at the time of disposition is less than our estimated residual values, our car rental operations could incur significant losses. Because our fleet is principally comprised of Toyota vehicles and to a lesser extent Honda and General Motors vehicles, we are more at risk for a decrease in perceived value for these brands, and any events that negatively affect these manufacturers could exacerbate this risk.

Our floor plan credit agreement with Mercedes-Benz Financial Service Australia ("MBA") provides us revolving loans for the acquisition of commercial vehicles for distribution to our retail network. This facility includes a limited parent guarantee and a commitment to repurchase dealer vehicles in the event the dealer's floor plan agreement with MBA is terminated.

Cash Flows

Cash and cash equivalents increased by $6.3 million, $16.7 million, and $8.9 million during 2013, 2012, and 2011, respectively. The major components of these changes are discussed below.

Cash Flows from Continuing Operating Activities

Cash provided by continuing operating activities was $314.8 million, $324.6 million, and $136.8 million during 2013, 2012, and 2011, respectively. Cash flows from continuing operating activities includes net income, as adjusted for non-cash items and the effects of changes in working capital.

We finance substantially all of the commercial vehicles we purchase for distribution, new vehicles for retail sale, and a portion of our used vehicle inventories for retail sale under revolving floor plan arrangements with various lenders, including the captive finance companies associated with automotive manufacturers. We retain the right to select which, if any, financing source to utilize in connection with the procurement of vehicle inventories. Many vehicle manufacturers provide vehicle financing for the dealers representing their brands; however, it is not a requirement that we utilize this financing. Historically, our floor plan finance source has been based on aggregate pricing considerations.

In accordance with generally accepted accounting principles relating to the statement of cash flows, we report all cash flows arising in connection with floor plan notes payable with the manufacturer of a particular new vehicle as an operating activity in our statement of cash flows, and all cash flows arising in connection with floor plan notes payable to a party other than the manufacturer of a particular new vehicle, all floor plan notes payable relating to pre-owned vehicles, and all floor plan notes payable related to our commercial vehicles as a financing activity in our statement of cash flows. Currently, the majority of our non-trade vehicle financing is with other manufacturer captive lenders. To date, we have not experienced any material limitation with respect to the amount or availability of financing from any institution providing us vehicle financing.

We believe that changes in aggregate floor plan liabilities are typically linked to changes in vehicle inventory and, therefore, are an integral part of understanding changes in our working capital and operating cash flow. As a result, we prepare the following reconciliation to highlight our operating cash flows with all changes in vehicle floor plan being classified as an operating activity for informational purposes:

	Year Ended December 31,		
	2013	2012	2011
Net cash from continuing operating activities as reported	$ 314.8	$ 324.6	$ 136.8
Floor plan notes payable—non-trade as reported	191.8	71.6	197.0
Net cash from continuing operating activities including all floor plan notes payable	$ 506.6	$ 396.2	$ 333.8

Cash Flows from Continuing Investing Activities

Cash used in continuing investing activities was $587.6 million, $402.0 million, and $360.9 million during 2013, 2012, and 2011, respectively. Cash flows from continuing investing activities consist primarily of cash used for capital expenditures, net expenditures for acquisitions and other investments, and proceeds from sale-leaseback transactions. Capital expenditures were $256.3 million, $162.2 million, and $131.7 million during 2013, 2012, and 2011, respectively. Included in capital expenditures is $86.4 million and $9.9 million relating to vehicle purchases for our car rental business during 2013 and 2012, respectively. Capital expenditures relate primarily to improvements to our existing dealership facilities, the construction of new facilities, the acquisition of the property or buildings associated with existing leased facilities, and vehicle purchases for our car rental business. We currently expect to finance our retail automotive segment capital expenditures with operating cash flows or borrowings under our U.S. or U.K. credit facilities and our car rental revolver for Hertz capital expenditures. Cash used in acquisitions and other investments, net of cash acquired, was $338.1 million, $250.2 million, and $232.1 million during 2013, 2012, and 2011, respectively, and included cash used to repay sellers floor plan liabilities in such business acquisitions of $29.6 million, $74.9 million, and $54.5 million, respectively. Proceeds from sale-leaseback transactions were $1.6 million during 2012. Additionally, cash provided by other investing activities was $6.8 million, $8.8 million and $2.9 million during 2013, 2012, and 2011, respectively.

Cash Flows from Continuing Financing Activities

Cash provided by continuing financing activities was $265.0 million, $78.6 million, and $202.0 million during 2013, 2012, and 2011, respectively. Cash flows from continuing financing activities include net borrowings or repayments of long-term debt, issuance and repurchases of long-term debt, repurchases of common stock, net borrowings or repayments of floor plan notes payable non-trade, payment of deferred financing costs, proceeds from exercise of stock options and dividends.

We had net borrowings of long-term debt of $144.8 million and $155.2 million during 2013 and 2011, respectively, and net repayments of long-term debt of $28.5 million during 2012. During 2012 and 2011, we used $62.7 million and $87.3 million to repurchase $63.3 million and $87.3 million aggregate principal amount, respectively, of our 3.5% Convertible Notes. We had net borrowings of floor plan notes payable non-trade of $191.8 million, $71.6 million, and $197.0 million during 2013, 2012, and 2011, respectively. In 2013, 2012, and 2011, we repurchased 0.5 million, 0.4 million, and 2.4 million shares of common stock for $15.8 million, $9.8 million, and $44.3 million, respectively. We also paid $56.0 million, $41.5 million, and $22.0 million of cash dividends to our stockholders during 2013, 2012, and 2011, respectively.

Cash Flows from Discontinued Operations

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

Contractual Payment Obligations

The table below sets forth our best estimates as to the amounts and timing of future payments relating to our most significant contractual obligations as of December 31, 2013, except as otherwise noted. The information in the table reflects future unconditional payments and is based upon, among other things, the terms of any relevant agreements. Future events, including acquisitions, divestitures, new or revised operating lease agreements, borrowings or repayments under our credit agreements and our floor plan arrangements, and purchases or refinancing of our securities, could cause actual payments to differ significantly from these amounts. Potential payments noted above under "Off-Balance Sheet Arrangements" are excluded from this table.

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Floorplan notes payable(A)	$ 2,607.6	$ 2,607.6	$ —	$ —	$ —
Long-term debt obligations	1,083.2	50.0	381.6	49.5	602.1
Operating lease commitments	4,939.2	193.6	388.2	385.2	3,972.2
Scheduled interest payments(B)	306.0	36.6	72.1	68.7	128.6
Other obligations(C)	25.8	2.6	4.7	18.5	—
	$ 8,961.8	$ 2,890.4	$ 846.6	$ 521.9	$ 4,702.9

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

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

(C) Includes minimum annual concession payments due to airport and other authorities and uncertain tax positions. Due to the subjective nature of our uncertain tax positions, we are unable to make reasonably reliable estimates of the timing of payments arising in connection with the unrecognized tax benefits; however, as a result of the statute of limitations, we do not expect any of these payments to occur in more than 5 years. We have thus classified these as "3 to 5 years."

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

Related Party Transactions

Stockholders Agreement

Several of our directors and officers are affiliated with Penske Corporation or related entities. Roger S. Penske, our Chairman of the Board and Chief Executive Officer, is also Chairman of the

Board and Chief Executive Officer of Penske Corporation, and through entities affiliated with Penske Corporation, is our largest stockholder owning approximately 35% of our outstanding common stock. Mitsui & Co., Ltd. and Mitsui & Co. (USA), Inc. (collectively, "Mitsui") own approximately 17% of our outstanding common stock. Mitsui, Penske Corporation, and certain other affiliates of Penske Corporation are parties to a stockholders agreement pursuant to which the Penske affiliated companies agreed to vote their shares for up to two directors who are representatives of Mitsui. In turn, Mitsui agreed to vote their shares for up to fourteen directors voted for by the Penske affiliated companies. This agreement terminates in March 2014, upon the mutual consent of the parties, or when either party no longer owns any of our common stock.

Other Related Party Interests and Transactions

Roger S. Penske is also a managing member of Transportation Resource Partners, an organization that invests in transportation-related industries. Richard J. Peters, one of our directors, is a managing director of Transportation Resource Partners and is a director of Penske Corporation. Robert H. Kurnick, Jr., our President and a director, is also the President and a director of Penske Corporation. Yoshimi Namba, one of our directors and officers, is also an employee of Mitsui & Co.

We sometimes pay to and/or receive fees from Penske Corporation, its subsidiaries, and its affiliates for services rendered in the ordinary course of business, or to reimburse payments made to third parties on each other's behalf. These transactions are reviewed periodically by our Audit Committee and reflect the provider's cost or an amount mutually agreed upon by both parties.

As discussed above, we hold a 9.0% ownership interest in PTL, a leading provider of transportation services and supply chain management. PTL is owned 41.1% by Penske Corporation, 9.0% by us and the remaining 49.9% is owned by direct and indirect subsidiaries of GECC. Among other things, the relevant agreements provide us with specified distribution and governance rights and restrict our ability to transfer our interests.

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

Joint Venture Relationships

We are party to a number of joint ventures pursuant to which we own and operate automotive dealerships together with other investors. We may provide these dealerships with working capital and other debt financing at costs that are based on our incremental borrowing rate. As of December 31, 2013, our retail automotive joint venture relationships included:

Location	Dealerships	Ownership Interest
Fairfield, Connecticut	Audi, Mercedes-Benz, Sprinter, Porsche, smart	83.57%(A)(C)
Greenwich, Connecticut	Mercedes-Benz	80.00%(B)(C)
Las Vegas, Nevada	Ferrari, Maserati	50.00%(D)
Frankfurt, Germany	Lexus, Toyota	50.00%(D)
Aachen, Germany	Audi, Lexus, Skoda, Toyota, Volkswagen, Citroën	50.00%(D)
Northern Italy	BMW, MINI	70.00%(C)

(A) An entity controlled by one of our directors, Lucio A. Noto (the "Investor"), owns a 16.43% interest in this joint venture which entitles the Investor to 20% of the joint venture's operating profits. In addition, the Investor has an option to purchase up to a total 20% interest in the joint venture for specified amounts.

(B) An entity controlled by one of our directors, Lucio A. Noto (the "Investor"), owns a 20% interest in this joint venture which entitles the Investor to 20% of the joint venture's operating profits.

(C) Entity is consolidated in our financial statements.

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

Cyclicality

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

Seasonality

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

Commercial Vehicle. Our commercial vehicle business generally experiences higher sales volumes during the second quarter of the year which is primarily attributable to commercial vehicle customers completing annual capital expenditures before their fiscal year-end, which is typically June 30 in Australia and New Zealand.

Car Rental. The seasonality of our car rental business follows the seasonality of business and leisure travel in our markets. We therefore experience decreased levels of car rental business in the winter months and increased levels in the spring and summer months.

Effects of Inflation

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

Forward-Looking Statements

Certain statements and information set forth herein, as well as other written or oral statements made from time to time by us or by our authorized officers on our behalf, constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "goal," "plan," "seek," "project," "continue," "will," "would," and variations of such words and similar expressions are intended to identify such forward-looking statements. We intend for our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we set forth this statement in order to comply with such safe harbor provisions. You should note that our forward-looking statements speak only as of the date of this Annual Report on Form 10-K or when made and we undertake no duty of obligation to update or revise our forward-looking statements, whether as a result of new information, future events, or otherwise. Forward-looking statements include, without limitation, statements with respect to:

- our future financial and operating performance;
- future acquisitions and dispositions;
- future potential capital expenditures and securities repurchases;
- our ability to realize cost savings and synergies;
- our ability to respond to economic cycles;
- trends in the automotive retail industry and in the general economy in the various countries in which we operate;
- our ability to access the remaining availability under our credit agreements;
- our liquidity;
- performance of joint ventures, including PTL;
- future foreign exchange rates;
- the outcome of various legal proceedings;
- results of self insurance plans;
- trends affecting our future financial condition or results of operations; and
- our business strategy.

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

- our business and the automotive retail industry in general are susceptible to adverse economic conditions, including changes in interest rates, the number of new and used vehicles sold in our markets, foreign exchange rates, consumer demand, consumer confidence, fuel prices, unemployment rates and credit availability;
- automobile manufacturers exercise significant control over our operations, and we depend on them, and continuation of our franchise agreements, in order to operate our business;
- we depend on the success, popularity, and availability of the brands we sell, and adverse conditions affecting one or more automobile manufacturers, including the adverse impact on the vehicle and parts supply chain due to natural disasters or other disruptions that interrupt the supply of vehicles and parts to us, may negatively impact our revenue and profitability;
- the success of our commercial vehicle distribution operations depends upon continued availability of the vehicles we distribute, demand for those vehicles, and general economic conditions in those markets;
- a restructuring of any significant automotive manufacturers or automotive suppliers;
- our operations may be affected by severe weather or other periodic business interruptions;

- we have substantial risk of loss not entirely covered by insurance;
- we may not be able to satisfy our capital requirements for acquisitions, dealership renovation projects, financing the purchase of our inventory, or refinancing of our debt when it becomes due;
- our level of indebtedness may limit our ability to obtain financing generally and may require that a significant portion of our cash flow be used for debt service;
- non-compliance with the financial ratios and other covenants under our credit agreements and operating leases;
- higher interest rates may significantly increase our variable rate interest costs and, because many customers finance their vehicle purchases, decrease vehicle sales;
- our operations outside of the U.S. subject our profitability to fluctuations relating to changes in foreign currency valuations;
- import product restrictions and foreign trade risks that may impair our ability to sell foreign vehicles profitably;
- with respect to PTL, changes in the financial health of its customers, labor strikes or work stoppages by its employees, a reduction in PTL's asset utilization rates, and industry competition which could impact distributions to us;
- we are dependent on continued availability of our information technology systems;
- with respect to our car rental operations, we are subject to residual risk on the rental cars and the risk that a substantial number of the rental cars may be unavailable due to recall or other reasons;
- if we lose key personnel, especially our Chief Executive Officer, or are unable to attract additional qualified personnel;
- new or enhanced regulations relating to automobile dealerships including those that may be issued by the Consumer Finance Protection Bureau restricting automotive financing;
- changes in tax, financial or regulatory rules or requirements;
- we could be subject to legal and administrative proceedings which, if the outcomes are adverse to us, could have a material adverse effect on our business;
- if state dealer laws in the U.S. are repealed or weakened, our automotive dealerships may be subject to increased competition and may be more susceptible to termination, non-renewal or renegotiation of their franchise agreements; and
- some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests.

In addition:

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

We urge you to carefully consider these risk factors and further information under Item 1A. "Risk Factors" in evaluating all forward-looking statements regarding our business. Readers of this report are cautioned not to place undue reliance on the forward-looking statements contained in this report. All forward-looking statements attributable to us are qualified in their entirety by this cautionary statement. Except to the extent required by the federal securities laws and the Securities and Exchange

Commission's rules and regulations, we have no intention or obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise.

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

Interest Rates. We are exposed to market risk from changes in the interest rates on a significant portion of our outstanding debt. Outstanding revolving balances under our credit agreements bear interest at variable rates based on a margin over defined LIBOR or the Bank of England Base Rate. Based on the amount outstanding under these facilities as of December 31, 2013, a 100 basis point change in interest rates would result in an approximate $2.9 million change to our annual other interest expense. Similarly, amounts outstanding under floor plan financing arrangements bear interest at a variable rate based on a margin over the prime rate, defined LIBOR, the Finance House Base Rate, the Euro Interbank Offered Rate, or the Australian or New Zealand Bank Bill Swap Rate (BBSW).

In 2011, we entered into forward-starting interest rate swap agreements beginning January 2012 and maturing December 2014 pursuant to which the LIBOR portion of $300.0 million of our floating rate floor plan debt is fixed at a rate of 2.135% and $100.0 million of our floating rate floor plan debt is fixed at a rate of 1.55%. Based on an average of the aggregate amounts outstanding under our floor plan financing arrangements subject to variable interest payments during the year ended December 31, 2013, including consideration of the notional value of the swap agreements, a 100 basis point change in interest rates would result in an approximate $18.0 million change to our annual floor plan interest expense.

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

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

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

Foreign Currency Exchange Rates. As of December 31, 2013, we had operations in the U.K., Germany, Italy, Australia and New Zealand. In each of these markets, the local currency is the functional currency. In the event we change our intent with respect to the investment in any of our international operations, we would expect to implement strategies designed to manage those risks in an effort to mitigate the effect of foreign currency fluctuations on our earnings and cash flows. A ten percent change in average exchange rates versus the U.S. Dollar would have resulted in an approximate $523.9 million change to our revenues for the year ended December 31, 2013.

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

Item 8. ***Financial Statements and Supplementary Data***

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

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

None.

Item 9A. ***Controls and Procedures***

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

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

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

Item 9B. ***Other Information***

Not applicable.

PART III

The information required by Items 10 through 14 is included in our definitive proxy statement under the captions "Election of Directors," "Executive Officers," "Compensation Committee Report," "Compensation Discussion and Analysis," "Executive Compensation," "Director Compensation," "Security Ownership of Certain Beneficial Owners and Management," "Independent Auditing Firms," "Related Party Transactions," "Other Matters" and "Our Corporate Governance." Such information is incorporated herein by reference.

Securities Authorized for Issuance Under Equity Compensation Plans.

The following table provides details regarding the shares of common stock issuable upon the exercise of outstanding options, warrants and rights granted under our equity compensation plans (including individual equity compensation arrangements) as of December 31, 2013. Our equity plan is described in more detail in footnote 13 to our consolidated financial statements appearing below in this report.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (A)	Weighted-average exercise price of outstanding options, warrants and rights (B)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) (C)
Equity compensation plans approved by security holders	—	$ —	1,510,463
Equity compensation plans not approved by security holders	—	—	—
Total	—	—	1,510,463

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(1) Financial Statements

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

(2) Financial Statement Schedule

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

(3) Exhibits

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 3, 2014.

PENSKE AUTOMOTIVE GROUP, INC.

By: /s/ ROGER S. PENSKE

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

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

Signature	Title	Date
/s/ ROGER S. PENSKE Roger S. Penske	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 3, 2014
/s/ DAVID K. JONES David K. Jones	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 3, 2014
/s/ J.D. CARLSON J.D. Carlson	Senior Vice President and Corporate Controller (Principal Accounting Officer)	March 3, 2014
/s/ JOHN D. BARR John D. Barr	Director	March 3, 2014
/s/ MICHAEL R. EISENSON Michael R. Eisenson	Director	March 3, 2014
/s/ ROBERT H. KURNICK, JR. Robert H. Kurnick, Jr.	Director	March 3, 2014
/s/ WILLIAM J. LOVEJOY William J. Lovejoy	Director	March 3, 2014

Signature	Title	Date
/s/ KIMBERLY J. MCWATERS Kimberly J. McWaters	Director	March 3, 2014
/s/ YOSHIMI NAMBA Yoshimi Namba	Director	March 3, 2014
/s/ LUCIO A. NOTO Lucio A. Noto	Director	March 3, 2014
/s/ RICHARD J. PETERS Richard J. Peters	Director	March 3, 2014
/s/ SANDRA E. PIERCE Sandra E. Pierce	Director	March 3, 2014
/s/ RONALD G. STEINHART Ronald G. Steinhart	Director	March 3, 2014
/s/ H. BRIAN THOMPSON H. Brian Thompson	Director	March 3, 2014

INDEX OF EXHIBITS

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

3.1	Certificate of Incorporation (incorporated by reference to exhibit 3.2 to our Form 8-K filed on July 2, 2007).
3.2	Amended and Restated By-Laws of Penske Automotive Group, Inc. (incorporated by reference to exhibit 3.1 to our October 23, 2013 From 8-K).
4.1.1	Indenture, regarding our 5.75% senior subordinated notes due 2022, dated as of August 28, 2012, by and among us, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.1 to our Form 8-K filed August 28, 2012).
4.1.2	Form of 5.75% senior subordinated notes due 2022 (included within the Indenture filed as Exhibit 4.1.1).
4.1.3	Supplemental Indenture dated February 25, 2014, regarding our 5.75% senior subordinated notes due 2022, dated as of August 28, 2012, by and among us, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee.
4.2.1	Third Amended and Restated Credit Agreement, dated as of October 30, 2008, among us, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation (the "U.S. Credit Agreement") (incorporated by reference to exhibit 4.4 to our Form 10-Q filed November 5, 2008).
4.2.2	First Amendment dated October 30, 2009 to the U.S. Credit Agreement (incorporated by reference to exhibit 4.1 to the quarterly report on Form 10-Q filed November 4, 2009).
4.2.3	Second Amendment dated July 27, 2010 to the U.S. Credit Agreement (incorporated by reference to Exhibit 4.1 to the quarterly report on Form 10-Q filed July 10, 2010).
4.2.4	Third Amendment dated December 14, 2010 to the U.S. Credit Agreement (incorporated by reference to Exhibit 4.3.4 to our 2010 annual report on Form 10-K filed February 28, 2011).
4.2.5	Fourth Amendment dated September 30, 2011 to the U.S. Credit Agreement (incorporated by reference to exhibit 4.1 to the Form 8-K filed September 30, 2011).
4.2.6	Fifth Amendment dated December 1, 2011 to the U.S. Credit Agreement (incorporated by reference to exhibit 4.1 to the Form 8-K filed December 6, 2011).
4.2.7	Sixth Amendment dated April 30, 2012 to the U.S. Credit Agreement (incorporated by reference to exhibit 4.1 to the Form 8-K filed December 6, 2011) which also amends the Second Amended and Restated Security Agreement dated as of September 4, 2004 among these same parties (incorporated by reference to exhibit 4.1 to the Form 10-Q filed on May 4, 2012.
4.2.8	Seventh Amendment dated September 28, 2012 to the U.S. Credit Agreement (incorporated by reference to Exhibit 4.1 to our Form 8-K filed on October 1, 2012).
4.2.9	Eighth Amendment dated January 14, 2013 to the U.S. Credit Agreement (incorporated by reference to Exhibit 4.1 to our Form 8-K filed on January 14, 2013).
4.2.10	Ninth Amendment dated November 8, 2013 to the U.S. Credit Agreement.

4.2.11	Second Amended and Restated Security Agreement dated as of September 8, 2004 among us, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation (incorporated by reference to Exhibit 10.2 to our September 8, 2004 Form 8-K).
4.3.1	Credit Agreement, dated as of December 16, 2011, by and among the Company's U.K. Subsidiaries, Royal Bank of Scotland plc, and BMW Financial Services (GB) Limited (incorporated by reference to exhibit 4.1 to our Form 8-K filed December 22, 2011).
4.3.2	Amendment No. 1 dated January 10, 2012 to Credit Agreement, dated as of December 16, 2011, by and among the Company's U.K. Subsidiaries, Royal Bank of Scotland plc, Westminster Bank and BMW Financial Services (GB) Limited (incorporated by reference to exhibit 4.1 to the Form 8-K filed January 10, 2012).
4.3.3	Seasonally Adjusted Overdraft Agreement dated as of August 31, 2006 between Sytner Group Limited and RBS (incorporated by reference to exhibit 4.3 to our Form 8-K filed on September 5, 2006).
4.3.4	Amendment dated September 29, 2008 to Seasonally Adjusted Overdraft Agreement dated as of August 31, 2006 between Sytner Group Limited and RBS (incorporated by reference to exhibit 4.4 of our October 1, 2008 Form 8-K).
4.3.5	Consent and Amendment Letter—Amendment No. 2 dated July 26, 2013 to U.K. Credit Agreement (incorporated by reference to exhibit 4.1 to our July 29, 2013 Form 8-K).
10.1	Form of Dealer Agreement with Acura Automobile Division, American Honda Motor Co., Inc. (incorporated by reference to exhibit 10.2.15 to our 2001 Form 10-K).
10.2	Form of Dealer Agreement with Audi of America, Inc., a division of Volkswagen of America, Inc. (incorporated by reference to exhibit10.2.14 to our 2001 Form 10-K).
10.3	Form of Car Center Agreement with BMW of North America, Inc. (incorporated by reference to exhibit 10.2.5 to our 2001 Form 10-K).
10.4	Form of SAV Center Agreement with BMW of North America, Inc. (incorporated by reference to exhibit 10.2.6 to our 2001 Form 10-K).
10.5	Form of Dealership Agreement with BMW (GB) Limited (incorporated by reference to exhibit 10.4 to our 2007 Form 10-K).
10.6	Form of Dealer Agreement with Honda Automobile Division, American Honda Motor Co. (incorporated by reference to exhibit 10.2.3 to our 2001 Form 10-K).
10.7	Form of Dealer Agreement with Lexus, a division of Toyota Motor Sales U.S.A., Inc. (incorporated by reference to exhibit 10.2.4 to our 2001 Form 10-K).
10.8	Form of Mercedes-Benz USA, Inc. Passenger and Car Retailer Agreement (incorporated by reference to exhibit 10.2.11 to our Form 10-Q for the quarter ended March 31, 2000).
10.9	Form of Mercedes-Benz USA, Inc. Light Truck Retailer Agreement (incorporated by reference to exhibit 10.2.12 to our Form 10-Q for the quarter ended March 31, 2000).
10.10	Form of Dealer Agreement with MINI Division of BMW of North America, LLC (incorporated by reference to exhibit 10.10 to our 2009 Form 10-K filed February 24, 2010).
10.11	Form of Dealer Agreement with Toyota Motor Sales, U.S.A., Inc. (incorporated by reference to exhibit 10.2.7 to our 2001 Form 10-K).
*10.12	Relocation Agreement with respect to David K. Jones dated August 1, 2011 (incorporated by reference to exhibit 10.1 to the Form 10-Q filed August 2, 2011).

*10.13	Amended and Restated Penske Automotive Group, Inc. 2002 Equity Compensation Plan (incorporated by reference to exhibit 10.9 to our 2007 Form 10-K).
*10.14	Penske Automotive Group, Inc. 2012 Equity Incentive Plan (incorporated by reference to exhibit 4.3 to our Form S-8 filed November 2, 2012).
*10.15	Form of Restricted Stock Agreement (incorporated by reference to exhibit 10.4 to our Form 10-Q filed May 4, 2012).
*10.16	Form of Restricted Stock Agreement (incorporated by reference to exhibit 10.16 to our 2012 annual report on Form 10-K filed February 28, 2013).
*10.17	Form of Restricted Stock Unit Agreement (incorporated by reference to exhibit 10.1 to our Form 10-Q filed October 30, 2013).
*10.18	Amended and Restated Penske Automotive Group, Inc. Non-Employee Director Compensation Plan (incorporated by reference to Exhibit 10.16 to our 2010 Form 10-K filed February 28, 2011).
*10.19	Penske Automotive Group, Inc. Amended and Restated Management Incentive Plan (incorporated by reference to exhibit 10.12 to our January 21, 2010 Form S-1).
10.20.1	First Amended and Restated Limited Liability Company Agreement dated April 1, 2003 between UAG Connecticut I, LLC and Noto Holdings, LLC (incorporated by reference to exhibit 10.3 to our Form 10-Q filed May 15, 2003).
10.20.2	Letter Agreement dated April 1, 2003 between UAG Connecticut I, LLC and Noto Holdings, LLC (incorporated by reference to exhibit 10.5 to our Form 10-Q filed May 15, 2003).
10.21	First Amended and Restated Limited Liability Company Agreement dated November 15, 2013 between PAG Greenwich Holdings, LLC and Noto Automotive LLC.
10.22	Registration Rights Agreement among us and Penske Automotive Holdings Corp. dated as of December 22, 2000 (incorporated by reference to exhibit 10.26.1 to our Form 10-K filed March 29, 2001).
10.23	Second Amended and Restated Registration Rights Agreement among us, Mitsui & Co., Ltd. And Mitsui & Co. (U.S.A.), Inc. dated as of March 26, 2004 (incorporated by reference to the exhibit 10.2 to our March 26, 2004 Form 8-K).
10.24	Stockholders Agreement by and among Mitsui & Co., Ltd., Mitsui & Co (U.S.A.), Inc., Penske Corporation and Penske Automotive Holdings Corp. dated as of July 20, 2013 (incorporated by reference to exhibit 46 to Amendment No. 26 to Schedule 13D filed on July 30, 2013).
10.25	VMC Holding Corporation Stockholders' Agreement dated November 5, 2013 among VMC Holding Corporation, Penske Automotive Group, Inc., Penske Truck Leasing Co., L.P., PCP Holdings, Inc., and other investors.
10.26.1	Amended and Restated Limited Liability Company Agreement of ATC Holdco, LLC dated June 10, 2013 by and among TRP III (ATC)I, LP, TRP (ATC) II, LP, PAG Investments LLC, and other investors (incorporated by reference to exhibit 10.1 to our Form 10-Q filed August 1, 2013).

10.26.2	Amendment dated September 25, 2013 to Amended and Restated Limited Liability Company Agreement of ATC Holdco, LLC dated June 10, 2013 by and among TRP III (ATC) I, LP, TRP III (ATC) II, LP, PAG Investments, LLC and other investors (incorporated by reference to exhibit 10.2 to our Form 10-Q filed October 30, 2013).
10.27	Joint Insurance Agreement dated August 7, 2006 between us and Penske Corporation (incorporated by reference to exhibit 10.1 to our Form 10-Q filed August 9, 2006).
10.28	Trade name and Trademark Agreement dated May 6, 2008 between us and Penske System, Inc. (incorporated by reference to exhibit 10 to our Form 10-Q filed May 8, 2008).
10.29	Fourth Amended and Restated Agreement of Limited Partnership of Penske Truck Leasing Co., L.P. dated April 30, 2012 by and among Penske Truck Leasing Corporation, LJ VP LLC, GE Capital Truck Leasing Holding Corp., Logistics Holding Corp., General Electric Credit Corporation of Tennessee, and us (incorporated by reference to Exhibit 10.3 to quarterly report on Form 10-Q filed May 4, 2012).
10.30	Amended and Restated Rights Agreement dated June 4, 2012 by and between Penske Automotive Group, Inc. and Penske Truck Leasing Corporation (incorporated by reference to exhibit 10.1 to the quarterly report on Form 10-Q filed August 3, 2012).
10.31	Amended And Restated Limited Liability Company Agreement of LJ VP Holdings LLC dated April 30, 2012 by and among Penske Truck Leasing Corporation, GE Capital Truck Leasing Holding Corp., Logistics Holding Corp., General Electric Credit Corporation of Tennessee, and us (incorporated by reference to Exhibit 10.2 to the quarterly report on Form 10-Q filed May 4, 2012).
10.32	Co-obligation Fee, Indemnity and Security Agreement dated April 30, 2012 between General Electric Capital Corporation and us (incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q filed May 4, 2012).
10.33.1	Amended and Restated Penske Automotive Group 401(k) Savings and Retirement Plan dated as of March 3, 2009 (incorporated by reference to exhibit 10.26 to our Form 10-K filed March 11, 2009).
10.33.2	Amendment No. 1 dated December 12, 2009 Amended and Restated Penske Automotive Group 401(k) Savings and Retirement Plan (incorporated by reference to exhibit 10.26 to our January 21, 2010 Form S-1).
10.33.3	Amendment No. 2 dated September 20, 2010 to the Amended and Restated Penske Automotive Group 401(k) Savings and Retirement Plan (incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q filed November 4, 2010).
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiary List.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of KPMG Audit Plc.
31.1	Rule 13(a)-14(a)/15(d)-14(a) Certification.
31.2	Rule 13(a)-14(a)/15(d)-14(a) Certification.
32	Section 1350 Certification.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.

101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

* Compensatory plans or contracts

In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, copies of certain instruments defining the rights of holders of long-term debt of the Company or its subsidiaries are not filed herewith. We hereby agree to furnish a copy of any such instrument to the Commission upon request.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
PENSKE AUTOMOTIVE GROUP, INC
As of December 31, 2013 and 2012 and For the Years Ended
December 31, 2013, 2012 and 2011

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (1992)*. Based on our assessment we believe that, as of December 31, 2013, the Company's internal control over financial reporting is effective based on those criteria.

The Company acquired Western Star Trucks Australia in August 2013. Management has excluded from its assessment of effectiveness of the Company's internal control over financial reporting as of December 31, 2013, Western Star Trucks Australia's internal control over financial reporting which represents total assets constituting 4.5% of the Company's consolidated total assets as of December 31, 2013.

The Company's independent registered public accounting firm that audited the consolidated financial statements included in the Company's Annual Report on Form 10-K has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page F-4.

Penske Automotive Group, Inc.
March 3, 2014

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (1992).* Based on our assessment we believe that, as of December 31, 2013, the Company's internal control over financial reporting is effective based on those criteria.

The Company acquired Western Star Trucks Australia in August 2013. Management has excluded from its assessment of effectiveness of the Company's internal control over financial reporting as of December 31, 2013, Western Star Trucks Australia's internal control over financial reporting which represents total assets constituting 12.3% of the Company's total assets as of December 31, 2013.

The Company's independent registered public accounting firm that audited the consolidated financial statements of the Company (not included herein) has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page F-6.

UAG UK Holdings Limited
March 3, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Penske Automotive Group, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. We also have audited the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits. We did not audit the financial statements or the effectiveness of internal control over financial reporting of UAG UK Holdings Limited and subsidiaries (a consolidated subsidiary), which statements reflect total assets constituting 39% and 35% of consolidated total assets as of December 31, 2013 and 2012, respectively, and total revenues constituting 36%, 36%, and 35% of consolidated total revenues for the years ended December 31, 2013, 2012 and 2011, respectively. Those financial statements and the effectiveness of UAG UK Holdings Limited and subsidiaries' internal control over financial reporting were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for UAG UK Holdings Limited and subsidiaries and to the effectiveness of UAG UK Holdings Limited and subsidiaries' internal control over financial reporting, is based solely on the report of the other auditors.

As described in the accompanying Management Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Western Star Trucks Australia (a subsidiary of UAG UK Holdings Limited), which was acquired in August 2013 and which represents total assets constituting 4.5% of the Company's consolidated total assets as of December 31, 2013. Accordingly, the audit of the other auditors did not include the internal control over financial reporting at Western Star Trucks Australia.

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

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

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

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, based on our audits and (as to the amounts included for UAG UK Holdings Limited and subsidiaries) the report of the other auditors, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, based on our audit and the report of the other auditors, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

Detroit, Michigan
March 3, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
UAG UK Holdings Limited:

We have audited the consolidated balance sheets of UAG UK Holdings Limited and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the years in the three-year period ended December 31, 2013. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement schedule. We also have audited the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. In addition, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired Western Star Trucks Australia in August 2013. Management has excluded from its assessment of effectiveness of the Company's internal control over financial reporting as of December 31, 2013, Western Star Trucks Australia's internal control over financial reporting which represents total assets constituting 12.3% of the Company's total assets as of December 31, 2013. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Western Star Trucks Australia.

/s/ KPMG Audit Plc

Birmingham, United Kingdom
March 3, 2014

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
	(In millions, except share and per share amounts)	
ASSETS		
Cash and cash equivalents	$ 49.8	$ 43.5
Accounts receivable, net of allowance for doubtful accounts of $3.4 and $2.9	606.2	550.9
Inventories	2,538.3	1,975.7
Other current assets	88.5	90.4
Assets held for sale	63.8	123.4
Total current assets	3,346.6	2,783.9
Property and equipment, net	1,241.0	1,022.9
Goodwill	1,148.7	971.7
Franchise value	300.3	276.6
Equity method investments	346.9	303.2
Other long-term assets	32.0	20.7
Total assets	$ 6,415.5	$ 5,379.0
LIABILITIES AND EQUITY		
Floor plan notes payable	$ 1,704.4	$ 1,404.9
Floor plan notes payable—non-trade	903.2	711.4
Accounts payable	374.7	261.1
Accrued expenses	264.0	222.6
Current portion of long-term debt	50.0	19.5
Liabilities held for sale	35.5	75.6
Total current liabilities	3,331.8	2,695.1
Long-term debt	1,033.2	917.1
Deferred tax liabilities	361.4	287.8
Other long-term liabilities	167.0	162.7
Total liabilities	4,893.4	4,062.7
Commitments and contingent liabilities		
Equity		
Penske Automotive Group stockholders' equity:		
Preferred Stock, $0.0001 par value; 100,000 shares authorized; none issued and outstanding	—	—
Common Stock, $0.0001 par value, 240,000,000 shares authorized; 90,243,731 shares issued and outstanding at December 31, 2013; 90,294,765 shares issued and outstanding at December 31, 2012	—	—
Non-voting Common Stock, $0.0001 par value, 7,125,000 shares authorized; none issued and outstanding	—	—
Class C Common Stock, $0.0001 par value, 20,000,000 shares authorized; none issued and outstanding	—	—
Additional paid-in-capital	693.6	700.0
Retained earnings	799.2	611.0
Accumulated other comprehensive income (loss)	11.6	(6.8)
Total Penske Automotive Group stockholders' equity	1,504.4	1,304.2
Non-controlling interest	17.7	12.1
Total equity	1,522.1	1,316.3
Total liabilities and equity	$ 6,415.5	$ 5,379.0

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2013	2012	2011
	(In millions, except share and per share amounts)		
Revenue:			
New vehicle	$ 7,619.5	$ 6,753.4	$ 5,605.8
Used vehicle	4,239.2	3,700.4	3,190.0
Finance and insurance, net	375.7	322.3	270.2
Service and parts	1,550.6	1,444.3	1,326.0
Fleet and wholesale	715.3	859.9	647.4
Commercial vehicle and car rental	205.1	4.0	—
Total revenues	$ 14,705.4	$ 13,084.3	$ 11,039.4
Cost of sales:			
New vehicle	7,034.7	6,208.0	5,141.2
Used vehicle	3,928.1	3,417.5	2,938.0
Service and parts	630.2	603.1	565.9
Fleet and wholesale	704.2	848.8	642.2
Commercial vehicle and car rental	148.4	1.2	—
Total cost of sales	12,445.6	11,078.6	9,287.3
Gross profit	2,259.8	2,005.7	1,752.1
Selling, general and administrative expenses	1,761.9	1,586.8	1,410.5
Depreciation	61.7	53.5	46.4
Operating income	436.2	365.4	295.2
Floor plan interest expense	(43.6)	(38.3)	(26.8)
Other interest expense	(47.9)	(46.8)	(44.1)
Debt discount amortization	—	—	(1.7)
Equity in earnings of affiliates	30.7	27.6	25.4
Debt redemption costs	—	(17.8)	—
Income from continuing operations before income taxes	375.4	290.1	248.0
Income taxes	(124.3)	(94.3)	(71.8)
Income from continuing operations	251.1	195.8	176.2
Income (Loss) from discontinued operations, net of tax	(5.4)	(8.6)	2.1
Net income	245.7	187.2	178.3
Less: Income attributable to non-controlling interests	1.5	1.7	1.4
Net income attributable to Penske Automotive Group common stockholders	$ 244.2	$ 185.5	$ 176.9
Basic earnings per share attributable to Penske Automotive Group common stockholders:			
Continuing operations	$ 2.76	$ 2.15	$ 1.92
Discontinued operations	(0.06)	(0.10)	0.02
Net income attributable to Penske Automotive Group common stockholders	$ 2.71	$ 2.05	$ 1.94
Shares used in determining basic earnings per share	90,273,747	90,318,315	91,153,620
Diluted earnings per share attributable to Penske Automotive Group common stockholders:			
Continuing operations	$ 2.76	$ 2.15	$ 1.92
Discontinued operations	(0.06)	(0.10)	0.02
Net income attributable to Penske Automotive Group common stockholders	$ 2.70	$ 2.05	$ 1.94
Shares used in determining diluted earnings per share	90,330,621	90,342,315	91,274,132
Amounts attributable to Penske Automotive Group common stockholders:			
Income from continuing operations	$ 251.1	$ 195.8	$ 176.2
Less: Income attributable to non-controlling interests	1.5	1.7	1.4
Income from continuing operations, net of tax	249.6	194.1	174.8
Income (loss) from discontinued operations, net of tax	(5.4)	(8.6)	2.1
Net income attributable to Penske Automotive Group common stockholders	$ 244.2	$ 185.5	$ 176.9

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Net Income	$ 245.7	$ 187.2	$ 178.3
Other Comprehensive Income:			
Foreign currency translation adjustment	11.5	18.5	(5.8)
Unrealized gain (loss) on interest rate swaps:			
Unrealized gain (loss) arising during the period, net of tax benefit of $0.3, $2.1, and $6.3, respectively	(0.4)	(3.2)	(9.7)
Reclassification adjustment for loss included in floor plan interest expense, net of tax provision of $2.9, $2.8, and $0.0, respectively	4.4	4.2	0.1
Unrealized gain (loss) on interest rate swaps, net of tax	4.0	1.0	(9.6)
Other adjustments to Comprehensive Income, net	3.4	(1.9)	(8.7)
Other Comprehensive Income (Loss), Net of Taxes	18.9	17.6	(24.1)
Comprehensive Income	264.6	204.8	154.2
Less: Comprehensive income attributable to non-controlling interests	2.0	1.9	1.4
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 262.6	$ 202.9	$ 152.8

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2013	2012	2011
	(In millions)		
Operating Activities:			
Net income	$ 245.7	$ 187.2	$ 178.3
Adjustments to reconcile net income to net cash from continuing operating activities:			
Depreciation	61.7	53.5	46.4
Debt discount amortization	—	—	1.7
Earnings of equity method investments	(23.0)	(18.6)	(25.4)
(Income) loss from discontinued operations, net of tax	5.4	8.6	(2.1)
Deferred income taxes	77.6	83.8	47.2
Debt redemption costs	—	17.8	—
Changes in operating assets and liabilities:			
Accounts receivable	(38.7)	(90.3)	(60.8)
Inventories	(396.3)	(328.8)	(87.6)
Floor plan notes payable	297.1	417.9	78.9
Accounts payable and accrued expenses	79.3	14.3	(30.1)
Other	6.0	(20.8)	(9.7)
Net cash from (used in) continuing operating activities	314.8	324.6	136.8
Investing Activities:			
Purchase of equipment and improvements	(169.9)	(152.3)	(131.7)
Purchase of car rental vehicles	(86.4)	(9.9)	—
Proceeds from sale-leaseback transactions	—	1.6	—
Acquisitions net, including repayment of sellers' floor plan notes payable of $29.6, $74.9 and $54.5, respectively	(338.1)	(250.2)	(232.1)
Other	6.8	8.8	2.9
Net cash from (used in) continuing investing activities	(587.6)	(402.0)	(360.9)
Financing Activities:			
Proceeds from borrowings under U.S. credit agreement revolving credit line	1,102.8	761.3	663.4
Repayments under U.S. credit agreement revolving credit line	(1,062.8)	(843.3)	(531.4)
Repayments under U.S. credit agreement term loan	(12.0)	(17.0)	(7.0)
Issuance of 5.75% senior subordinated notes	—	550.0	—
Repurchase of 7.75% senior subordinated notes	—	(390.8)	—
Repurchase of 3.5% senior subordinated convertible notes	—	(62.7)	(87.3)
Net borrowings (repayments) of other long-term debt	53.1	47.3	30.2
Net borrowings (repayments) of floor plan notes payable—non-trade	191.8	71.6	197.0
Proceeds from borrowings under car rental revolver	109.0	23.2	—
Repayments under car rental revolver	(45.3)	—	—
Payment of deferred financing fees	—	(8.6)	—
Proceeds from exercises of options, including excess tax benefit	—	—	3.4
Repurchases of common stock	(15.8)	(9.8)	(44.3)
Dividends	(56.0)	(41.5)	(22.0)
Other	0.2	(1.1)	—
Net cash from (used in) continuing financing activities	265.0	78.6	202.0
Discontinued operations:			
Net cash from (used in) discontinued operating activities	5.3	(1.1)	(74.2)
Net cash from (used in) discontinued investing activities	29.1	33.5	89.9
Net cash from (used in) discontinued financing activities	(20.3)	(16.9)	15.3
Net cash from (used in) discontinued operations	14.1	15.5	31.0
Net change in cash and cash equivalents	6.3	16.7	8.9
Cash and cash equivalents, beginning of period	43.5	26.8	17.9
Cash and cash equivalents, end of period	$ 49.8	$ 43.5	$ 26.8
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	$ 92.2	$ 76.3	$ 73.1
Income taxes	33.5	41.9	53.1
Seller financed/assumed debt	—	—	4.9

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED STATEMENT OF EQUITY

	Voting and Non-voting Common Stock							
	Issued Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity Attributable to Penske Automotive Group	Non-controlling Interest	Total Equity
Balance, January 1, 2011	92,099,552	$ —	$ 738.7	$ 312.1	$ (0.1)	$ 1,050.7	$ 4.3	$ 1,055.0
Equity compensation	391,904	—	5.1	—	—	5.1	—	5.1
Exercise of options, including tax benefit of $0.2	235,668	—	3.4	—	—	3.4	—	3.4
Repurchase of common stock	(2,449,768)	—	(44.3)	—	—	(44.3)	—	(44.3)
Dividends ($0.24 per share)	—	—	—	(22.0)	—	(22.0)	—	(22.0)
Distributions to non-controlling interests	—	—	—	—	—	—	(1.4)	(1.4)
Purchase of subsidiary shares from non-controlling interest	—	—	(0.8)	—	—	(0.8)	—	(0.8)
Sale of subsidiary shares to non-controlling interest	—	—	0.2	—	—	0.2	0.1	0.3
Foreign currency translation	—	—	—	—	(5.8)	(5.8)	—	(5.8)
Interest rate swaps	—	—	—	—	(9.6)	(9.6)	—	(9.6)
Other	—	—	—	—	(8.7)	(8.7)	—	(8.7)
Net income	—	—	—	176.9	—	176.9	1.4	178.3
Balance, December 31, 2011	90,277,356	—	702.3	467.0	(24.2)	1,145.1	4.4	1,149.5
Equity compensation	423,040	—	6.6	—	—	6.6	—	6.6
Repurchase of common stock	(405,631)	—	(9.8)	—	—	(9.8)	—	(9.8)
Dividends ($0.46 per share)	—	—	—	(41.5)	—	(41.5)	—	(41.5)
Repurchase of 3.5% senior subordinated convertible notes	—	—	0.6	—	—	0.6	—	0.6
Distributions to non-controlling interests	—	—	—	—	—	—	(1.4)	(1.4)
Sale of subsidiary shares to non-controlling interest	—	—	0.3	—	—	0.3	7.2	7.5
Foreign currency translation	—	—	—	—	18.3	18.3	0.2	18.5
Interest rate swaps	—	—	—	—	1.0	1.0	—	1.0
Other	—	—	—	—	(1.9)	(1.9)	—	(1.9)

Net income	—	—	—	185.5	—	185.5	1.7	187.2
Balance, December 31, 2012	90,294,765	—	700.0	611.0	(6.8)	1,304.2	12.1	1,316.3
Equity compensation	456,784	—	9.2	—	—	9.2	—	9.2
Repurchase of common stock	(507,818)	—	(15.8)	—	—	(15.8)	—	(15.8)
Dividends ($0.62 per share)	—	—	—	(56.0)	—	(56.0)	—	(56.0)
Distributions to non-controlling interests	—	—	—	—	—	—	(1.3)	(1.3)
Sale of subsidiary shares to non-controlling interest	—	—	0.2	—	—	0.2	4.3	4.5
Deconsolidation of Italian investment	—	—	—	—	—	—	(8.3)	(8.3)
Reconsolidation of Italian investment	—	—	—	—	—	—	8.9	8.9
Foreign currency translation	—	—	—	—	11.0	11.0	0.5	11.5
Interest rate swaps	—	—	—	—	4.0	4.0	—	4.0
Other	—	—	—	—	3.4	3.4	—	3.4
Net income	—	—	—	244.2	—	244.2	1.5	245.7
Balance, December 31, 2013	90,243,731	$ —	$ 693.6	$ 799.2	$ 11.6	$ 1,504.4	$ 17.7	$ 1,522.1

See Notes to Consolidated Financial Statements.

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions, except share and per share amounts)

1. Organization and Summary of Significant Accounting Policies

Unless the context otherwise requires, the use of the terms "PAG," "we," "us," and "our" in these Notes to the Consolidated Financial Statements refers to Penske Automotive Group, Inc. and its consolidated subsidiaries.

Business Overview and Concentrations

We are an international transportation services company, operating retail automotive dealerships, commercial vehicle distribution and car rental franchises.

Automotive Dealership. We are the second largest automotive retailer headquartered in the U.S. as measured by the $14.7 billion in total revenue we generated in 2013. As of December 31, 2013, we operated 324 automotive retail franchises, of which 176 franchises are located in the U.S. and 148 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K.

We are engaged in the sale of new and used motor vehicles and related products and services, including vehicle service, collision repair, and placement of finance and lease contracts, third-party insurance products and other aftermarket products. We operate dealerships under franchise agreements with a number of automotive manufacturers and distributors. In accordance with individual franchise agreements, each dealership is subject to certain rights and restrictions typical of the industry. The ability of the manufacturers to influence the operations of the dealerships, or the loss of a significant number of franchise agreements, could have a material impact on our results of operations, financial position and cash flows.

For the year ended December 31, 2013, BMW/MINI franchises accounted for 25% of our total automotive dealership revenues, Audi/Volkswagen/Porsche/Bentley franchises accounted for 21%, Toyota/Lexus/Scion franchises accounted for 15%, Honda/Acura franchises accounted for 12%, and Mercedes-Benz/Sprinter/smart accounted for 11%. No other manufacturers' franchises accounted for more than 10% of our total automotive dealership revenues. At December 31, 2013 and 2012, we had receivables from manufacturers of $145.3 million and $125.0 million, respectively. In addition, a large portion of our contracts in transit, which are included in accounts receivable, are due from manufacturers' captive finance subsidiaries.

During the year ended December 31, 2013, we acquired nine franchises. We were also awarded one franchise. We disposed of 30 franchises representing ten different brands, principally consisting of ten Toyota/Lexus and fifteen Chrysler/Jeep/Dodge franchises in the U.K.

Commercial Vehicle. On August 30, 2013, we completed the acquisition of Western Star Trucks Australia, the exclusive importer and distributor of Western Star heavy duty trucks (a Daimler brand), MAN heavy and medium duty trucks and buses (a VW Group brand), and Dennis Eagle refuse collection vehicles, together with associated parts across Australia, New Zealand and portions of Southeast Asia. The business also includes three retail commercial vehicle dealerships. From our acquisition of this business on August 30, 2013 through December 31, 2013, this business generated $152.5 million of revenue through the distribution and retail sale of vehicles and parts to a network of more than 70 dealership locations.

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

Car Rental. We are the Hertz car rental franchisee in the Memphis, Tennessee market and certain Indiana markets. We currently manage more than fifty on- and off-airport Hertz car rental locations. Our car rental business generated $52.6 million of revenue during the year ended December 31, 2013 and complements our existing U.S. automotive dealership operations.

Penske Truck Leasing. We hold a 9.0% limited partnership interest in Penske Truck Leasing Co., L.P. ("PTL"), a leading provider of transportation services and supply chain management.

Basis of Presentation

Results for 2012 include $17.8 million of pre-tax costs associated with the repurchase and redemption of our previously outstanding $375.0 million of 7.75% senior subordinated notes. Results for 2011 include an $11.0 million net income tax benefit. The components of the net benefit include (a) a $17.0 million positive adjustment primarily from the release of amounts previously recorded in the U.K. as uncertain tax positions as such positions were accepted by the U.K. tax authorities and (b) a negative adjustment relating to a valuation allowance against certain U.K. deferred tax assets of $6.0 million as evidence supporting the future realizability of such assets was no longer available.

The consolidated financial statements include all majority-owned subsidiaries. Investments in affiliated companies, representing an ownership interest in the voting stock of the affiliate of between 20% and 50% or an investment in a limited partnership or a limited liability corporation for which our investment is more than minor, are stated at the cost of acquisition plus our equity in undistributed net earnings since acquisition. All intercompany accounts and transactions have been eliminated in consolidation. We evaluated subsequent events through March 3, 2014, the date the consolidated financial statements were filed with the SEC.

The consolidated financial statements, including the comparative periods presented, have been adjusted for entities that have been treated as discontinued operations through December 31, 2013 in accordance with generally accepted accounting principles.

Estimates

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

Cash and Cash Equivalents

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

Contracts in Transit

Contracts in transit represent receivables from unaffiliated finance companies relating to the sale of customers' installment sales and lease contracts arising in connection with the sale of a vehicle by us.

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

Contracts in transit, included in accounts receivable, net in our consolidated balance sheets, amounted to $255.9 million and $236.2 million as of December 31, 2013 and 2012, respectively.

Inventory Valuation

Inventories are stated at the lower of cost or market. Cost for new and used vehicle inventories includes acquisition, reconditioning, dealer installed accessories, and transportation expenses and is determined using the specific identification method. Inventories of automotive dealership parts and accessories are accounted for using the "first-in, first-out" ("FIFO") method of inventory accounting and the cost is based on factory list prices.

Property and Equipment

Property and equipment are recorded at cost and depreciated over estimated useful lives using the straight-line method. Useful lives for purposes of computing depreciation for assets, other than leasehold improvements, range between 3 and 15 years. Car rental fleet vehicles are depreciated to estimated fair market value over a period between 12 and 24 months, which is the average length of time a vehicle remains in our car rental fleet. Leasehold improvements and equipment under capital lease are depreciated over the shorter of the term of the lease or the estimated useful life of the asset, not to exceed 40 years.

Expenditures relating to recurring repair and maintenance are expensed as incurred. Expenditures that increase the useful life or substantially increase the serviceability of an existing asset are capitalized. When equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance sheet, with any resulting gain or loss being reflected in income.

Income Taxes

Tax regulations may require items to be included in our tax return at different times than those items are reflected in our financial statements. Some of the differences are permanent, such as expenses that are not deductible on our tax return, and some are temporary differences, such as the timing of depreciation expense. Temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that will be used as a tax deduction or credit in our tax return in future years which we have already recorded in our financial statements. Deferred tax liabilities generally represent deductions taken on our tax return that have not yet been recognized as an expense in our financial statements. We establish valuation allowances for our deferred tax assets if the amount of expected future taxable income is not more likely than not to allow for the use of the deduction or credit.

Intangible Assets

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

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

We also believe the franchise values of our car rental market areas have an indefinite useful life because car rental is a mature industry for which the franchise environment is relatively static. Also, we do not anticipate difficulty renewing our long-term franchise agreements.

Impairment Testing

Franchise value impairment is assessed during the fourth quarter every year and upon the occurrence of an indicator of impairment through a comparison of its carrying amount and estimated fair value. An indicator of impairment exists if the carrying value of a franchise exceeds its estimated fair value and an impairment loss may be recognized up to that excess. The fair value of franchise value is determined using a discounted cash flow approach, which includes assumptions about revenue and profitability growth, franchise profit margins, and the cost of capital. We also evaluate our franchise agreements in connection with the annual impairment testing to determine whether events and circumstances continue to support our assessment that the franchise agreements have an indefinite life.

Goodwill impairment is assessed at the reporting unit level during the fourth quarter every year and upon the occurrence of an indicator of impairment. Our operations are organized by management into operating segments by line of business and geography. We have determined that we have two reportable segments as defined in generally accepted accounting principles for segment reporting: (i) Retail, consisting of our automotive retail operations, and (ii) Other, consisting of our commercial vehicle operating segment, our car rental business operating segment, and our investments in non-automotive retail operations. We have determined that the dealerships in each of our operating segments within the Retail reportable segment are components that are aggregated into four geographical reporting units for the purpose of goodwill impairment testing, as they (A) have similar economic characteristics (all are automotive dealerships having similar margins), (B) offer similar products and services (all sell new and used vehicles, service, parts and third-party finance and insurance products), (C) have similar target markets and customers (generally individuals) and (D) have similar distribution and marketing practices (all distribute products and services through dealership facilities that market to customers in similar fashions). The geographic reporting units are Eastern, Central, and Western United States and International. The goodwill included in our Other reportable segment relates to our commercial vehicle operating segment and our car rental business operating segment. The car rental business operating segment has been identified as its own reporting unit. Our commercial vehicle operating segment has two geographic reporting units.

For our retail operations reporting unit, we prepare a qualitative assessment of the carrying value of goodwill using the criteria in ASC 350-20-35-3 to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying value. If it were determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, additional analysis would be unnecessary. During 2013, we concluded that it was not more likely than not that any of the retail operations reporting units' fair values were less than their carrying amount. If the additional impairment testing was necessary, we would have estimated the fair value of our reporting units using an "income" valuation approach. The "income" valuation approach estimates our enterprise value using a net present value model, which discounts projected free cash flows of our business using the weighted average cost of capital as the discount rate. In connection with this process, we also reconcile the estimated aggregate fair values of our reporting units to our market capitalization. We believe that this reconciliation process is consistent with a market participant perspective. This consideration would also include a control premium that represents the estimated amount an investor would pay for our equity securities to obtain a controlling interest and other significant assumptions including revenue and profitability growth, franchise profit margins, residual values and the cost of capital.

For our car rental business reporting unit, we performed our initial impairment test by comparing the estimated fair value of the reporting unit with its carrying value. We estimated the fair value of our reporting unit using an "income" valuation approach. We concluded that the fair value of the reporting unit exceeded its carrying value.

Investments

We account for each of our investments under the equity method, pursuant to which we record our proportionate share of the investee's income each period. The net book value of our investments was $346.9 million and $303.2 million as of December 31, 2013 and 2012, respectively. Investments for which there is not a liquid, actively traded market are reviewed periodically by management for indicators of impairment. If an indicator of impairment is identified, management estimates the fair value of the investment using a discounted cash flow approach, which includes assumptions relating to revenue and profitability growth, profit margins, residual values and the cost of capital. Declines in investment values that are deemed to be other than temporary may result in an impairment charge reducing the investments' carrying value to fair value.

Foreign Currency Translation

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

(In millions, except share and per share amounts)

Fair Value of Financial Instruments

Accounting standards define fair value as the price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and also establishes the following three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted market prices in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Our financial instruments consist of cash and cash equivalents, debt, floor plan notes payable, forward exchange contracts and interest rate swaps used to hedge future cash flows. Other than our fixed rate debt, the carrying amount of all significant financial instruments approximates fair value due either to length of maturity, the existence of variable interest rates that approximate prevailing market rates, or as a result of mark to market accounting.

Our fixed rate debt consists of amounts outstanding under our senior subordinated notes and mortgage facilities. We estimate the fair value of our senior unsecured notes using quoted prices for the identical liability (Level 2), and we estimate the fair value of our mortgage facilities using a present value technique based on our current market interest rates for similar types of financial instruments (Level 2). A summary of the carrying values and fair values of our 5.75% senior subordinated notes and our fixed rate mortgage facilities are as follows:

	December 31, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
5.75% senior subordinated notes due 2022	$ 550.0	$ 565.1	$ 550.0	$ 563.8
Mortgage facilities	118.6	117.0	104.0	105.5

Revenue Recognition

Vehicle, Parts and Service Sales

We record revenue when vehicles are delivered and title has passed to the customer, when vehicle service or repair work is completed and when parts are delivered to our customers. Sales promotions that we offer to customers are accounted for as a reduction of revenues at the time of sale. Rebates and other incentives offered directly to us by manufacturers are recognized as a reduction of cost of sales. Reimbursements of qualified advertising expenses are treated as a reduction of selling, general and administrative expenses. The amounts received under certain manufacturer rebate and incentive programs are based on the attainment of program objectives, and such earnings are recognized either upon the sale of the vehicle for which the award was received, or upon attainment of the particular program goals if not associated with individual vehicles. Taxes collected from customers and remitted to governmental authorities are recorded on a net basis (excluded from revenue).

Finance and Insurance Sales

Subsequent to the sale of a vehicle to a customer, we sell installment sale contracts to various financial institutions on a non-recourse basis (with specified exceptions) to mitigate the risk of default. We receive a commission from the lender equal to either the difference between the interest rate charged to the customer and the interest rate set by the financing institution or a flat fee. We also receive commissions for facilitating the sale of various products to customers, including guaranteed auto protection insurance, vehicle theft protection and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts and other insurance products, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions we received may be charged back based on the terms of the contracts. The revenue we record relating to these transactions is net of an estimate of the amount of chargebacks we will be required to pay. Our estimate is based upon our historical experience with similar contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on extended service contracts and other insurance products. Aggregate reserves relating to chargeback activity were $23.3 million and $23.4 million as of December 31, 2013 and 2012, respectively.

Commercial Vehicle Revenue

Revenue from the distribution of goods is recognized at the time of delivery of goods to the retailer.

Car Rental Revenue

Rental and rental related revenues are recognized over the period the vehicles and accessories are rented based on the terms of the rental contract. Taxes collected from customers and remitted to the governmental authorities are recorded on a net basis (excluded from revenue).

Defined Contribution Plans

We sponsor a number of defined contribution plans covering a significant majority of our employees. Our contributions to such plans are discretionary and are based on the level of compensation and contributions by plan participants. We incurred expense of $15.1 million, $13.7 million, and $11.8 million relating to such plans during the years ended December 31, 2013, 2012, and 2011, respectively.

Advertising

Advertising costs are expensed as incurred or when such advertising takes place. We incurred net advertising costs of $82.9 million, $81.4 million, and $68.7 million during the years ended December 31, 2013, 2012, and 2011, respectively. Qualified advertising expenditures reimbursed by manufacturers, which are treated as a reduction of advertising expense, were $13.1 million, $12.1 million, and $10.5 million during the years ended December 31, 2013, 2012, and 2011, respectively.

(In millions, except share and per share amounts)

Self Insurance

We retain risk relating to certain of our general liability insurance, workers' compensation insurance, auto physical damage insurance, property insurance, employment practices liability insurance, directors and officers insurance, and employee medical benefits in the U.S. As a result, we are likely to be responsible for a significant portion of the claims and losses incurred under these programs. The amount of risk we retain varies by program, and, for certain exposures, we have pre-determined maximum loss limits for certain individual claims and/or insurance periods. Losses, if any, above such pre-determined loss limits are paid by third-party insurance carriers. Certain insurers have limited available property coverage in response to the natural catastrophes experienced in recent years. Our estimate of future losses is prepared by management using our historical loss experience and industry-based development factors. Aggregate reserves relating to retained risk were $21.1 million and $20.1 million as of December 31, 2013 and 2012, respectively. Changes in the reserve estimate during 2013 relate primarily to our general liability and workers compensation programs.

Earnings Per Share

Basic earnings per share is computed using net income attributable to Penske Automotive Group common stockholders and the number of weighted average shares of voting common stock outstanding, including outstanding unvested restricted stock awards which contain rights to non-forfeitable dividends. Diluted earnings per share is computed using net income attributable to Penske Automotive Group common stockholders and the number of weighted average shares of voting common stock outstanding, adjusted for the dilutive effect of stock options. A reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the years ended December 31, 2013, 2012, and 2011 follows:

	Year Ended December 31,		
	2013	2012	2011
Weighted average number of common shares outstanding	90,273,747	90,318,315	91,153,620
Effect of non-participatory equity compensation	56,874	24,000	120,512
Weighted average number of common shares outstanding, including effect of dilutive securities	90,330,621	90,342,315	91,274,132

Hedging

Generally accepted accounting principles relating to derivative instruments and hedging activities require all derivatives, whether designated in hedging relationships or not, to be recorded on the balance sheet at fair value. These accounting principles also define requirements for designation and documentation of hedging relationships, as well as ongoing effectiveness assessments, which must be met in order to qualify for hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recorded in earnings immediately. If the derivative is designated in a fair-value hedge, the changes in the fair value of the derivative and the hedged item are recorded in earnings. If the derivative is designated as a cash-flow hedge, effective changes in the fair value of the derivative are recorded in accumulated other comprehensive income (loss), a separate component of equity, and recorded in the income statement only when the hedged item affects earnings. Changes in the fair value of the derivative attributable to hedge ineffectiveness are recorded in earnings immediately.

Stock-Based Compensation

Generally accepted accounting principles relating to share-based payments require us to record compensation expense for all awards based on their grant-date fair value. Our share-based payments have generally been in the form of "non-vested shares," the fair value of which are measured as if they were vested and issued on the grant date.

New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued ASU No. 2013-02, "Comprehensive Income (Topic 220)—Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU No. 2013-02 requires disclosure of amounts reclassified out of accumulated other comprehensive income by component. In addition, we are required to present either on the face of the statement of income or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts not reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. We complied with the disclosure requirements of this ASU as shown in Note 15.

In March 2013, the FASB issued ASU No. 2013-05, "Foreign Currency Matters (Topic 830)—Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." ASU No. 2013-05 resolves the diversity in practice about whether Subtopic 810-10, Consolidation—Overall, or Subtopic 830-30, Foreign Currency Matters—Translation of Financial Statements, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. This ASU is effective prospectively for the first annual period beginning after December 15, 2013. We do not expect adoption of ASU No. 2013-05 to affect our consolidated financial position, results of operations, or cash flows.

In July 2013, the FASB issued ASU No. 2013-10, "Derivatives and Hedging (Topic 815)—Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes." The amendments in ASU No. 2013-10 permit the Fed Funds Effective Swap Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to UST and LIBOR. This ASU is effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. We do not expect the adoption of ASU No. 2013-10 to affect our consolidated financial position, results of operations, or cash flows.

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes (Topic 740)—Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU No. 2013-11 resolves the diversity in practice regarding the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This ASU is effective for the first annual period beginning after December 15, 2013. We do not expect adoption of ASU No. 2013-11 to affect our consolidated financial position, results of operations, or cash flows.

(In millions, except share and per share amounts)

2. Equity Method Investees

As of December 31, 2013, we have investments in the following companies that are accounted for under the equity method: the Jacobs Group (50%), the Nix Group (50%), Penske Wynn Ferrari Maserati (50%), Max Cycles (50%), Innovative Media (45%), QEK Global Solutions (31%), Around-The Clock Freightliner (27%), Fleetwash, LLC (7%), and National Powersport Auctions (7%). Jacobs Group, Nix Group, and Penske Wynn Ferrari Maserati are engaged in the sale and servicing of automobiles. Max Cycles is engaged in the sale and servicing of BMW motorcycles, Innovative Media provides dealership graphics, QEK is an automotive fleet management company, Around-The Clock Freightliner is a retailer of Daimler branded medium, heavy and light-duty trucks in Texas and Oklahoma, Fleetwash provides vehicle fleet washing services, and National Powersport Auctions is an auctioneer of powersport vehicles. These investments in entities accounted for under the equity method amounted to $78.1 million and $60.4 million at December 31, 2013 and 2012, respectively.

We also have a 9.0% limited partnership interest in PTL, a leading provider of transportation services and supply chain management. Our investment in PTL, which is accounted for under the equity method, amounted to $268.8 and $242.8 million at December 31, 2013 and 2012, respectively.

The combined results of operations and financial position of our equity method investees are summarized as follows:

Condensed income statement information:

	Year Ended December 31,		
	2013	2012	2011
Revenues	$ 6,177.0	$ 6,043.4	$ 5,970.6
Gross margin	2,043.5	1,897.3	1,802.3
Net income	304.0	284.2	255.1
Equity in net income of affiliates	30.7	27.6	25.4

Condensed balance sheet information:

	December 31,	
	2013	2012
Current assets	$ 1,194.2	$ 1,129.7
Noncurrent assets	8,377.8	8,139.1
Total assets	$ 9,572.0	$ 9,268.8
Current liabilities	$ 888.8	$ 866.2
Noncurrent liabilities	6,517.5	6,475.5
Equity	2,165.7	1,927.1
Total liabilities and equity	$ 9,572.0	$ 9,268.8

3. Business Combinations

During 2013 we acquired our commercial vehicle business, one Hertz car rental franchise market area and nine automotive retail franchises. These 2013 acquirees generated $229.1 million of revenue and $9.7 million of pre-tax income from our date of acquisition through December 31, 2013. During

(In millions, except share and per share amounts)

2012 we acquired 26 franchises in our automotive retail operations. Our financial statements include the results of operations of the acquired entities from the date of acquisition. The fair value of the assets acquired and liabilities assumed have been recorded in our consolidated financial statements, and may be subject to adjustment pending completion of final valuation. A summary of the aggregate consideration paid and the aggregate amounts of the assets acquired and liabilities assumed for the years ended December 31, 2013 and 2012 follows:

	December 31,	
	2013	2012
Accounts receivable	$ 20.1	$ 28.9
Inventory	161.6	123.7
Other current assets	2.7	0.6
Property and equipment	34.1	64.2
Indefinite-lived intangibles	191.4	115.1
Other non-current assets	9.0	0.7
Current liabilities	(79.5)	(59.7)
Non-current liabilities	(1.3)	(23.3)
Total cash used in acquisitions	338.1	250.2

The following unaudited consolidated pro forma results of operations of PAG for the years ended December 31, 2013 and 2012 give effect to acquisitions consummated during 2013 and 2012 as if they had occurred on January 1, 2012:

	Year Ended December 31,	
	2013	2012
Revenues	$ 15,277.7	$ 14,153.4
Income from continuing operations	267.5	225.0
Net income	260.5	214.8
Income from continuing operations per diluted common share	$ 2.94	$ 2.47
Net income per diluted common share	$ 2.88	$ 2.38

4. Discontinued Operations

We account for dispositions in our retail operations as discontinued operations when it is evident that the operations and cash flows of a franchise being disposed of will be eliminated from on-going operations and that we will not have any significant continuing involvement in its operations.

In evaluating whether the cash flows of a dealership in our Retail reportable segment will be eliminated from ongoing operations, we consider whether it is likely that customers will migrate to similar franchises that we own in the same geographic market. Our consideration includes an evaluation of the brands sold at other dealerships we operate in the market and their proximity to the disposed dealership. When we dispose of franchises, we typically do not have continuing brand representation in that market. If the franchise being disposed of is located in a complex of PAG owned dealerships, we do not treat the disposition as a discontinued operation if we believe that the cash flows previously generated by the disposed franchise will be replaced by expanded operations of the remaining or replacement franchises.

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

Combined financial information regarding entities accounted for as discontinued operations follows:

	Year Ended December 31,		
	2013	2012	2011
Revenues	$ 263.2	$ 508.8	$ 830.1
Pre-tax income (loss)	(7.4)	(17.5)	0.3
Gain (loss) on disposal	0.8	8.1	3.3

	2013	2012
Inventory	$ 35.8	$ 69.2
Other assets	28.0	54.2
Total assets	63.8	123.4
Floor plan notes payable (including non-trade)	22.7	54.3
Other liabilities	12.8	21.3
Total liabilities	35.5	75.6

5. Inventories

Inventories consisted of the following:

	December 31,	
	2013	2012
New vehicles	$ 1,725.7	$ 1,410.5
Used vehicles	588.5	479.7
Commercial vehicles	126.9	—
Parts, accessories and other	97.2	85.5
Total inventories	$ 2,538.3	$ 1,975.7

We receive credits from certain vehicle manufacturers that reduce cost of sales when the vehicles are sold. Such credits amounted to $35.5 million, $31.6 million, and $27.8 million during the years ended December 31, 2013, 2012, and 2011, respectively.

(In millions, except share and per share amounts)

6. Property and Equipment

Property and equipment consisted of the following:

	December 31, 2013	December 31, 2012
Buildings and leasehold improvements	$ 1,096.7	$ 941.0
Furniture, fixtures and equipment	574.5	428.5
Total	1,671.2	1,369.5
Less: Accumulated depreciation	(430.2)	(346.6)
Property and equipment, net	$ 1,241.0	$ 1,022.9

As of December 31, 2013 and 2012, approximately $27.8 million and $27.3 million, respectively, of capitalized interest is included in buildings and leasehold improvements and is being depreciated over the useful life of the related assets.

7. Intangible Assets

Following is a summary of the changes in the carrying amount of goodwill and franchise value during the years ended December 31, 2013 and 2012, net of accumulated impairment losses recorded prior to December 31, 2011 of $606.3 million and $37.1 million, respectively:

	Goodwill	Franchise Value
Balance—December 31, 2011	$ 894.3	$ 219.3
Additions	61.7	53.4
Foreign currency translation	15.7	3.9
Balance—December 31, 2012	971.7	276.6
Additions	169.3	22.1
Deconsolidation of Italian investment	(7.2)	(2.9)
Reconsolidation of Italian investment	7.4	3.1
Foreign currency translation	7.5	1.4
Balance—December 31, 2013	$ 1,148.7	$ 300.3

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(In millions, except share and per share amounts)

Following is a summary of the changes in the carrying amount of goodwill by reportable segment during the years ended December 31, 2013 and 2012:

	Retail	Other	Total
Balance—December 31, 2011	$ 894.3	$ —	$ 894.3
Additions	57.8	3.9	61.7
Foreign currency translation	15.7	—	15.7
Balance—December 31, 2012	967.8	3.9	971.7
Additions	49.6	119.7	169.3
Deconsolidation of Italian investment	(7.2)	—	(7.2)
Reconsolidation of Italian investment	7.4	—	7.4
Foreign currency translation	9.0	(1.5)	7.5
Balance—December 31, 2013	$ 1,026.6	$ 122.1	$ 1,148.7

We test for impairment in our intangible assets at least annually. We did not record any impairment charges relating to our intangibles in 2013, 2012 or 2011.

8. Vehicle Financing

We finance substantially all of the commercial vehicles we purchase for distribution, new vehicles for retail sale and a portion of our used vehicle inventories for retail sale under revolving floor plan arrangements with various lenders, including the captive finance companies associated with automotive manufacturers. In the U.S., the floor plan arrangements are due on demand; however, we have not historically been required to repay floor plan advances prior to the sale of the vehicles that have been financed. We typically make monthly interest payments on the amount financed. Outside of the U.S., substantially all of the floor plan arrangements are payable on demand or have an original maturity of 90 days or less, and we are generally required to repay floor plan advances at the earlier of the sale of the vehicles that have been financed or the stated maturity.

The floor plan agreements typically grant a security interest in substantially all of the assets of our dealership subsidiaries, and in the U.S., Australia and New Zealand are guaranteed by us. Interest rates under the floor plan arrangements are variable and increase or decrease based on changes in the prime rate, defined London Interbank Offered Rate ("LIBOR"), the Finance House Bank Rate, the Euro Interbank Offered Rate or Australian or New Zealand Bank Bill Swap Rate ("BBSW"). The weighted average interest rate on floor plan borrowings, including the effect of the interest rate swap discussed in Note 10, was 1.8%, 2.1%, and 1.8% for 2013, 2012, and 2011, respectively. We classify floor plan notes payable to a party other than the manufacturer of a particular new vehicle, and all floor plan notes payable relating to pre-owned vehicles, as floor plan notes payable—non-trade on our consolidated balance sheets and classify related cash flows as a financing activity on our consolidated statements of cash flows.

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

9. Long-Term Debt

Long-term debt consisted of the following:

	December 31, 2013	December 31, 2012
U.S. credit agreement—revolving credit line	$ 90.0	$ 50.0
U.S. credit agreement—term loan	98.0	110.0
U.K. credit agreement—revolving credit line	106.0	48.7
U.K. credit agreement—term loan	29.8	39.0
U.K. credit agreement—overdraft line of credit	—	6.8
5.75% senior subordinated notes due 2022	550.0	550.0
Car rental revolver	86.9	23.2
Working capital loan agreement	—	—
Mortgage facilities	118.6	104.0
Other	3.9	4.8
Total long-term debt	$ 1,083.2	$ 936.6
Less: current portion	(50.0)	(19.5)
Net long-term debt	$ 1,033.2	$ 917.1

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

2014	$ 50.0
2015	186.7
2016	194.9
2017	46.6
2018	2.9
2019 and thereafter	602.1
Total long-term debt reported	$ 1,083.2

U.S. Credit Agreement

We are party to a credit agreement with Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as amended (the "U.S. credit agreement"), which provides for up to $375.0 million in revolving loans for working capital, acquisitions, capital expenditures, investments and other general corporate purposes, a non-amortizing term loan with a remaining balance of $98.0 million and for an additional $10.0 million of availability for letters of credit, through September 2016. The revolving loans bear interest at a defined LIBOR plus 2.25%, subject to an incremental 1.25% for uncollateralized borrowings in excess of a defined borrowing base. The term loan, which bears interest at defined LIBOR plus 2.25%, may be prepaid at any time, but then may not be re-borrowed.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

The U.S. credit agreement is fully and unconditionally guaranteed on a joint and several basis by our domestic subsidiaries and contains a number of significant covenants that, among other things, restrict our ability to dispose of assets, incur additional indebtedness, repay other indebtedness, pay dividends, create liens on assets, make investments or acquisitions and engage in mergers or consolidations. We are also required to comply with specified financial and other tests and ratios, each as defined in the U.S. credit agreement, including: a ratio of current assets to current liabilities, a fixed charge coverage ratio, a ratio of debt to stockholders' equity and a ratio of debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"). A breach of these requirements would give rise to certain remedies under the agreement, the most severe of which is the termination of the agreement and acceleration of the amounts owed.

The U.S. credit agreement also contains typical events of default, including change of control, non-payment of obligations and cross-defaults to our other material indebtedness. Substantially all of our domestic assets are subject to security interests granted to lenders under the U.S. credit agreement. As of December 31, 2013, $98.0 million of term loans, $90.0 million of revolving loans, and no letters of credit were outstanding under the U.S. credit agreement. We repaid $12.0 million and $17.0 under the term loan in 2013 and 2012, respectively.

U.K. Credit Agreement

Our subsidiaries in the U.K. (the "U.K. subsidiaries") are party to a £100.0 million revolving credit agreement with the Royal Bank of Scotland plc (RBS) and BMW Financial Services (GB) Limited, and an additional £10.0 million demand overdraft line of credit with RBS (collectively, the "U.K. credit agreement") to be used for working capital, acquisitions, capital expenditures, investments and general corporate purposes through November 2015. The revolving loans bear interest between defined LIBOR plus 1.35% and defined LIBOR plus 3.0% and the demand overdraft line of credit bears interest at the Bank of England Base Rate plus 1.75%. As of December 31, 2013, outstanding loans under the U.K. credit agreement amounted to £64.0 million ($106.0 million).

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

The U.K. credit agreement also contains typical events of default, including change of control and non-payment of obligations and cross-defaults to other material indebtedness of our U.K. subsidiaries. Substantially all of our U.K. subsidiaries' assets are subject to security interests granted to lenders under the U.K. credit agreement. In July 2013, we amended the U.K. credit agreement and U.K. term loan to provide the U.K. subsidiaries with covenant flexibility to fund the purchase of our commercial vehicle business and operate the subsidiaries acquired.

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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In 2012, our U.K. subsidiaries entered into a separate agreement with RBS, as agent for National Westminster Bank plc, providing for a £30.0 million term loan which was used for working capital and an acquisition. The term loan is repayable in £1.5 million quarterly installments through 2015 with a final payment of £7.5 million due on December 31, 2015. The term loan bears interest between 2.675% and 4.325%, depending on the U.K. subsidiaries' ratio of net borrowings to earnings before interest, taxes, depreciation and amortization (as defined). As of December 31, 2013, the amount outstanding under the U.K. term loan was £18.0 million ($29.8 million).

5.75% Senior Subordinated Notes

In August 2012, we issued $550.0 million in aggregate principal amount of 5.75% Senior Subordinated Notes due 2022 (the "5.75% Notes").

Interest on the 5.75% Notes is payable semi-annually on April 1 and October 1 of each year. The 5.75% Notes mature on October 1, 2022, unless earlier redeemed or purchased by us. The 5.75% Notes are our unsecured senior subordinated obligations and are guaranteed on an unsecured senior subordinated basis by our existing 100% owned domestic subsidiaries. The 5.75% Notes also contain customary negative covenants and events of default.

On or after October 1, 2017, we may redeem the 5.75% Notes for cash at the redemption prices noted in the indenture, plus any accrued and unpaid interest. We may also redeem up to 40% of the 5.75% Notes using the proceeds of specified equity offerings at any time prior to October 1, 2015 at a price specified in the indenture.

If we experience certain "change of control" events specified in the indenture, holders of the 5.75% Notes will have the option to require us to purchase for cash all or a portion of their notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest. In addition, if we make certain asset sales and do not reinvest the proceeds thereof or use such proceeds to repay certain debt, we will be required to use the proceeds of such asset sales to make an offer to purchase the notes at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest.

Car Rental Revolver

We are party to a credit agreement with Toyota Motor Credit Corporation that currently provides us with up to $200.0 million in revolving loans for the acquisition of rental vehicles. The revolving loans bear interest at three-month LIBOR plus 2.50%. This agreement provides the lender with a secured interest in the vehicles and our car rental operations' other assets, requires us to make monthly curtailment payments (prepayments of principal) and expires in October 2015. Vehicle principal balances must be paid in full within twelve to twenty-four months, depending on the year, make and model of the vehicle. As of December 31, 2013, outstanding loans under the car rental revolver amounted to $86.9 million.

Working Capital Loan Agreement

In December 2013 we entered into a working capital loan agreement with Mercedes-Benz Financial Services Australia Pty Ltd that provides us with up to AU $28.0 million ($25.0 million) of working capital availability. This agreement provides the lender with a secured interest in certain inventory and receivables of our commercial vehicle business. The loan bears interest at the Australian BBSW 30-day Bill Rate plus 2.35%. As of December 31, 2013, no loans were outstanding under the working capital loan agreement.

Mortgage Facilities

We are party to several mortgages which bear interest at defined rates and require monthly principal and interest payments. These mortgage facilities also contain typical events of default, including non-payment of obligations, cross-defaults to our other material indebtedness, certain change of control events, and the loss or sale of certain franchises operated at the properties. Substantially all of the buildings and improvements on the properties financed pursuant to the mortgage facilities are subject to security interests granted to the lender. As of December 31, 2013, we owed $118.6 million of principal under our mortgage facilities.

10. Derivatives and Hedging

We periodically use interest rate swaps to manage interest rate risk associated with our variable rate floor plan debt. We are party to interest rate swap agreements through December 2014 pursuant to which the LIBOR portion of $300.0 million of our floating rate floor plan debt is fixed at a rate of 2.135% and $100.0 million of our floating rate floor plan debt is fixed at a rate of 1.55%. We may terminate these agreements at any time, subject to the settlement of the then current fair value of the swap arrangements.

We used Level 2 inputs to estimate the fair value of the interest rate swap agreements. As of December 31, 2013 and 2012, the fair value of the swaps designated as hedging instruments was estimated to be a liability of $7.7 million and $14.3 million, respectively. During 2013 and 2012, there was no hedge ineffectiveness recorded in our income statement. During the year ended December 31, 2013, the swaps increased the weighted average interest rate on our floor plan borrowings by approximately 31 basis points.

Our commercial vehicle business sells vehicles and parts purchased from manufacturers in the U.S., Germany, and the U.K. In order to protect against exchange rate movements, we enter into forward foreign exchange contracts against anticipated cash flows. The contracts are timed to mature when major shipments are scheduled to arrive in Australia and when receipt of payment from customers is expected. We classify our forward foreign exchange contracts as cash flow hedges and state them at fair value. We used Level 2 inputs to estimate the fair value of the forward foreign exchange contracts. The fair value of the contracts designated as hedging instruments was estimated to be an asset of $2.2 million as of December 31, 2013.

11. Commitments and Contingent Liabilities

We are involved in litigation which may relate to claims brought by governmental authorities, issues with customers, and employment related matters, including class action claims and purported class action claims. As of December 31, 2013, we were not party to any legal proceedings, including class action lawsuits, that, individually or in the aggregate, are reasonably expected to have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material effect on our results of operations, financial condition or cash flows.

(In millions, except share and per share amounts)

We have historically structured our operations so as to minimize ownership of real property. As a result, we lease or sublease substantially all of our facilities. These leases are generally for a period of between five and 20 years, and are typically structured to include renewal options at our election. We estimate the total rent obligations under these leases, including any extension periods we may exercise at our discretion and assuming constant consumer price indices, to be $4.9 billion. Pursuant to the leases for some of our larger facilities, we are required to comply with specified financial ratios, including a "rent coverage" ratio and a debt to EBITDA ratio, each as defined. For these leases, non-compliance with the ratios may require us to post collateral in the form of a letter of credit. A breach of the other lease covenants gives rise to certain remedies by the landlord, the most severe of which include the termination of the applicable lease and acceleration of the total rent payments due under the lease. As of December 31, 2013, we were in compliance with all covenants under these leases.

Minimum future rental payments required under operating leases in effect as of December 31, 2013 are as follows:

2014	$ 193.6
2015	194.7
2016	193.5
2017	193.3
2018	191.9
2019 and thereafter	3,972.2
	$ 4,939.2

Rent expense for the years ended December 31, 2013, 2012, and 2011 amounted to $181.2 million, $171.2 million, and $163.2 million, respectively. Of the total rental payments, $0.1 million, $0.2 million, and $0.4 million, respectively, were made to related parties during 2013, 2012, and 2011, respectively (See Note 12).

We have sold a number of dealerships to third parties and, as a condition to certain of those sales, remain liable for the lease payments relating to the properties on which those businesses operate in the event of non-payment by the buyer. We are also party to lease agreements on properties that we no longer use in our retail operations that we have sublet to third parties. We rely on subtenants to pay the rent and maintain the property at these locations. In the event the subtenant does not perform as expected, we may not be able to recover amounts owed to us and we could be required to fulfill these obligations. The aggregate rent paid by the tenants on those properties in 2013 was approximately $24.4 million, and, in aggregate, we currently guarantee or are otherwise liable for approximately $266.4 million of these lease payments, including lease payments during available renewal periods.

We hold a 9.0% limited partnership interest in PTL. Historically General Electric Credit Corporation ("GECC") has provided PTL with a majority of its financing. PTL has refinanced all of its GECC indebtedness. As part of that refinancing, we and the other PTL partners created a new company ("Holdings"), which, together with GECC, co-issued $700.0 million of 3.8% senior unsecured notes due 2019 (the "Holdings Bonds"). GECC agreed to be a co-obligor of the Holdings Bonds in

PENSKE AUTOMOTIVE GROUP, INC.

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order to achieve lower interest rates on the Holdings Bonds. Additional capital contributions from the members may be required to fund interest and principal payments on the Holdings Bonds. In addition, we have agreed to indemnify GECC for 9.0% of any principal or interest that GECC is required to pay as co-obligor, and pay GECC an annual fee of approximately $0.95 million for acting as co-obligor. The maximum amount of our potential obligations to GECC under this agreement are 9.0% of the required principal repayment due in 2019 (which is expected to be $63.1 million) and 9.0% of interest payments under the Holdings Bonds, plus fees and default interest, if any.

Our floor plan credit agreement with Mercedes Benz Financial Services Australia ("MBA") provides us revolving loans for the acquisition of commercial vehicles for distribution to our retail network. This facility includes a limited parent guarantee and a commitment to repurchase dealer vehicles in the event the dealer's floor plan agreement with MBA is terminated.

We have $18.6 million of letters of credit outstanding as of December 31, 2013, and have posted $9.4 million of surety bonds in the ordinary course of business.

12. Related Party Transactions

We are currently a tenant under a number of non-cancelable lease agreements with Automotive Group Realty, LLC and its subsidiaries (together "AGR"), which are subsidiaries of Penske Corporation. During 2013, 2012, and 2011, we paid $0.1 million, $0.2 million, and $0.4 million, respectively, to AGR under these lease agreements. From time to time, we may sell AGR real property and improvements that are subsequently leased by AGR to us. In addition, we may purchase real property or improvements from AGR. Any such transaction is valued at a price that is independently confirmed.

We sometimes pay to and/or receive fees from Penske Corporation and its affiliates for services rendered in the normal course of business, or to reimburse payments made to third parties on each other's behalf. These transactions are reviewed periodically by our Audit Committee and reflect the provider's cost or an amount mutually agreed upon by both parties. During 2013, 2012, and 2011, Penske Corporation and its affiliates billed us $6.3 million, $5.3 million, and $4.9 million, respectively, and we billed Penske Corporation and its affiliates $24 thousand, $31 thousand, and $72 thousand, respectively, for such services. As of December 31, 2013 and 2012, we had $0 and $2 thousand of receivables from and $0.6 million and $0.5 million of payables to Penske Corporation and its subsidiaries, respectively.

PAG, Penske Corporation and certain affiliates have entered into a joint insurance agreement which provides that, with respect to any joint insurance (such as our joint commercial crime insurance policy), available coverage with respect to a loss shall be paid to each party per occurrence as stipulated in the policies. In the event of losses by us and Penske Corporation that exceed the limit of liability for any policy or policy period, the total policy proceeds will be allocated based on the ratio of premiums paid.

We are a 9.0% limited partner of PTL, a leading provider of transportation services and supply chain management. PTL is owned 41.1% by Penske Corporation, 9.0% by us and the remaining 49.1% is owned by direct and indirect subsidiaries of GECC. We are party to agreements among the other partners which, among other things, provide us with specified distribution and governance rights and restricts our ability to transfer our interests. In 2013, 2012, and 2011, we received $9.9 million, $18.5 million, and $7.8 million, respectively, from PTL in pro rata cash dividends.

(In millions, except share and per share amounts)

We are also party to an agreement pursuant to which PTL subleases a portion of our dealership location in New Jersey for $60 thousand per year plus its pro rata share of certain property expenses. In 2009, PTL began hosting our disaster recovery site. Annual fees paid to PTL for this service are $46 thousand.

From time to time we enter into joint venture relationships in the ordinary course of business, pursuant to which we own and operate automotive dealerships together with other investors. We may also provide these dealerships with working capital and other debt financing at costs that are based on our incremental borrowing rate. As of December 31, 2013, our automotive joint venture relationships were as follows:

Location	Dealerships	Ownership Interest
Fairfield, Connecticut	Audi, Mercedes-Benz, Sprinter, Porsche, smart	83.57%(A)(C)
Greenwich, Connecticut	Mercedes-Benz	80.00%(B)(C)
Las Vegas, Nevada	Ferrari, Maserati	50.00%(D)
Frankfurt, Germany	Lexus, Toyota	50.00%(D)
Aachen, Germany	Audi, Lexus, Skoda, Toyota, Volkswagen, Citroën	50.00%(D)
Northern Italy	BMW, MINI	70.00%(C)

(A) An entity controlled by one of our directors, Lucio A. Noto (the "Investor"), owns a 16.43% interest in this joint venture which entitles the Investor to 20% of the joint venture's operating profits. In addition, the Investor has an option to purchase up to a total 20% interest in the joint venture for specified amounts.

(B) An entity controlled by one of our directors, Lucio A. Noto (the "Investor"), owns a 20% interest in this joint venture which entitles the Investor to 20% of the joint venture's operating profits.

(C) Entity is consolidated in our financial statements.

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

13. Stock-Based Compensation

Key employees, outside directors, consultants and advisors of PAG are eligible to receive stock-based compensation pursuant to the terms of our 2012 Equity Incentive Plan. This plan allows for the issuance of shares for stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and other awards. The plan is a three year plan which originally allowed for 2,000,000 awards of which, as of December 31, 2013, 1,510,463 shares of common stock were available for grant. Compensation expense related to these plans was $9.8 million, $6.8 million, and $6.0 million during the 2013, 2012, and 2011, respectively.

(In millions, except share and per share amounts)

Restricted Stock

During 2013, 2012, and 2011, we granted 448,026, 431,339, and 392,283 shares, respectively, of restricted common stock at no cost to participants under the plan. The restricted stock provides the holder voting and forfeitable dividend rights prior to vesting. The shares are subject to forfeiture and are non-transferable, which restrictions generally lapse over a four year period from the grant date at a rate of 15%, 15%, 20% and 50% per year. We have determined that the grant date quoted market price of the underlying common stock is the appropriate measure of compensation cost. This cost is amortized as expense over the restriction period. As of December 31, 2013, there was $16.9 million of unrecognized compensation cost related to the restricted stock, which is expected to be recognized over the next four years.

Presented below is a summary of the status of our restricted stock as of December 31, 2012 and 2013, and changes during the year ended December 31, 2013:

	Shares	Weighted Average Grant-Date Fair Value	Aggregate Intrinsic Value
December 31, 2012	979,022	$ 15.28	
Granted	448,026	31.41	
Vested	(244,059)	15.74	
Forfeited	(14,789)	23.29	
December 31, 2013	1,168,200	$ 23.75	$ 55.1

14. Equity

During 2013, we acquired 410,000 shares of our outstanding common stock for $12.7 million, or an average of $30.93 per share, under our existing securities repurchase program. Also during 2013, we acquired 97,818 shares of our common stock for $3.1 million, or an average of $32.13 per share, from employees in connection with a net share settlement feature of employee equity awards. During 2012, we acquired 405,631 shares of our outstanding common stock for $9.8 million, or an average of $24.23 per share. During 2011, we acquired 2,449,768 shares of our outstanding common stock for $44.3 million, or an average of $18.07 per share. As of December 31, 2013, we have $85.6 million in authorization under the repurchase program.

15. Accumulated Other Comprehensive Income / (Loss)

Changes in accumulated other comprehensive income / (loss) by component and the reclassifications out of accumulated other comprehensive income / (loss) during the years ended

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(In millions, except share and per share amounts)

December 31, 2013, 2012, and 2011 attributable to Penske Automotive Group common stockholders follows:

	Foreign Currency Translation	Interest Rate Swaps	Other	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2011	$ (12.1)	$ 2.5	$ 9.5	$ (0.1)
Other comprehensive income before reclassifications	(5.8)	(9.7)	(8.7)	(24.2)
Amounts reclassified from accumulated other comprehensive income—net of tax provision of $0.0	—	0.1	—	0.1
Net current-period other comprehensive income	(5.8)	(9.6)	(8.7)	(24.1)
Balance at December 31, 2011	(17.9)	(7.1)	0.8	(24.2)
Other comprehensive income before reclassifications	18.3	(3.2)	(1.9)	13.2
Amounts reclassified from accumulated other comprehensive income—net of tax provision of $2.8	—	4.2	—	4.2
Net current-period other comprehensive income	18.3	1.0	(1.9)	17.4
Balance at December 31, 2012	0.4	(6.1)	(1.1)	(6.8)
Other comprehensive income before reclassifications	11.9	(0.4)	3.4	14.9
Amounts reclassified from accumulated other comprehensive income—net of tax provision(benefit) of ($0.5) and $2.9, respectively	(0.9)	4.4	—	3.5
Net current-period other comprehensive income	11.0	4.0	3.4	18.4
Balance at December 31, 2013	$ 11.4	$ (2.1)	$ 2.3	$ 11.6

Within the amounts reclassified from accumulated other comprehensive income, the amounts associated with interest rate swaps are included in floor plan interest expense, and the amounts associated with foreign currency translation are included in selling, general, and administrative expenses.

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16. Income Taxes

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

	Year Ended December 31, 2013	2012	2011
Current:			
Federal	$ 7.8	$ (16.7)	$ 16.0
State and local	5.1	1.2	3.7
Foreign	33.8	26.5	4.9
Total current	46.7	11.0	24.6
Deferred:			
Federal	71.3	70.1	34.2
State and local	9.5	11.8	0.9
Foreign	(3.2)	1.4	12.1
Total deferred	77.6	83.3	47.2
Income taxes relating to continuing operations	$ 124.3	$ 94.3	$ 71.8

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

	Year Ended December 31, 2013	2012	2011
Income taxes relating to continuing operations at federal statutory rate of 35%	$ 131.4	$ 101.5	$ 86.8
State and local income taxes, net of federal taxes	8.6	7.1	1.9
Foreign	(15.7)	(12.2)	(0.9)
Uncertain tax positions	(0.2)	(1.4)	(16.1)
Other	0.2	(0.7)	0.1
Income taxes relating to continuing operations	$ 124.3	$ 94.3	$ 71.8

In 2011, a settlement was reached with the U.K. tax authorities in relation to tax enquiries for the years 2004 to 2009 in relation to one of the U.K. companies, which represented approximately $16.0 million of the net uncertain tax position provision adjustment.

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The components of deferred tax assets and liabilities at December 31, 2013 and 2012 were as follows:

	2013	2012
Deferred Tax Assets		
Accrued liabilities	$ 61.8	$ 51.2
Net operating loss carryforwards	13.7	14.1
Interest rate swap	3.1	5.7
Other	12.4	3.4
Total deferred tax assets	91.0	74.4
Valuation allowance	(14.6)	(14.6)
Net deferred tax assets	76.4	59.8
Deferred Tax Liabilities		
Depreciation and amortization	(175.9)	(136.5)
Partnership investments	(219.0)	(178.6)
Convertible notes	(12.5)	(12.5)
Other	(1.3)	(0.5)
Total deferred tax liabilities	(408.7)	(328.1)
Net deferred tax liabilities	$ (332.3)	$ (268.3)

We do not provide for U.S. taxes relating to undistributed earnings or losses of our foreign subsidiaries. Income from continuing operations before income taxes of foreign subsidiaries (which subsidiaries are predominately in the U.K.) was $134.7 million, $117.0 million, and $98.4 million during 2013, 2012, and 2011, respectively. It is our belief that such earnings will be indefinitely reinvested in the companies that produced them. At December 31, 2013, we have not provided U.S. federal income taxes on a total temporary difference of $664.3 million related to the excess of financial reporting basis over tax basis in the foreign subsidiaries.

At December 31, 2013, we have $160.3 million of state net operating loss carryforwards in the U.S. that expire at various dates beginning in 2014 through 2033, U.S. federal and state credit carryforwards of $2.4 million that will not expire, U.K. net operating loss carryforwards of $0.3 million that will not expire, U.K. capital loss carryforwards of $5.5 million that will not expire, German net operating loss carryforwards of $11.6 million that will not expire and Italian net operating loss carryforwards of $0.4 million that will not expire. We utilized $39.1 million of federal net operating loss carryforwards and $48.0 million of state net operating loss carryforwards in the U.S in 2013.

A valuation allowance of $3.1 million has been recorded against the state net operating loss carryforwards in the U.S. and a valuation allowance of $29 thousand has been recorded against the state credit carryforwards in the U.S. A valuation allowance of $3.6 million has been recorded as of December 31, 2013 against German net operating losses A valuation allowance of $7.9 million has been recorded as of December 31, 2013 against U.K. deferred tax assets related to buildings.

Generally accepted accounting principles relating to uncertain income tax positions prescribe a minimum recognition threshold a tax position is required to meet before being recognized, and provides guidance on the derecognition, measurement, classification, and disclosure relating to income taxes. The movement in uncertain tax positions for the years ended December 31, 2013, 2012, and 2011 were as follows:

(In millions, except share and per share amounts)

	2013	2012	2011
Uncertain tax positions—January 1	$ 14.7	$ 14.9	$ 36.1
Gross increase—tax position in prior periods	0.3	1.3	0.7
Gross decrease—tax position in prior periods	(0.8)	(0.8)	(19.1)
Gross increase—current period tax position	0.1	—	—
Settlements	(0.4)	(0.9)	(2.2)
Lapse in statute of limitations	(0.1)	(0.3)	(0.5)
Foreign exchange	0.2	0.5	(0.1)
Uncertain tax positions—December 31	$ 14.0	$ 14.7	$ 14.9

We have elected to include interest and penalties in our income tax expense. The total interest and penalties included within uncertain tax positions at December 31, 2013 was $2.7 million. We do not expect a significant change to the amount of uncertain tax positions within the next twelve months. Our U.S. federal returns remain open to examination for 2012 and various foreign and U.S. state jurisdictions are open for periods ranging from 2002 through 2012. The portion of the total amount of uncertain tax positions as of December 31, 2013 that would, if recognized, impact the effective tax rate was $14.0 million.

We have classified our tax reserves as a long-term obligation on the basis that management does not expect to make payments relating to those reserves within the next twelve months.

17. Segment Information

Our operations are organized by management into operating segments by line of business and geography. We have determined that we have two reportable segments as defined in generally accepted accounting principles for segment reporting: (i) Retail, consisting of our automotive retail operations, and (ii) Other, consisting of our commercial vehicle operating segment, our car rental business operating segment, and our investments in non-automotive retail operations. The Retail reportable segment includes all automotive dealerships and all departments relevant to the operation of the dealerships and the retail automotive joint ventures. The individual dealership operations included in the Retail reportable segment have been grouped into four geographic operating segments: Eastern, Central, and Western United States and International. The geographic operating segments have been aggregated into one reportable segment as their operations (A) have similar economic characteristics (all are automotive dealerships having similar margins), (B) offer similar products and services (all sell new and used vehicles, service, parts and third-party finance and insurance products), (C) have similar target markets and customers (generally individuals) and (D) have similar distribution and marketing practices (all distribute products and services through dealership facilities that market to customers in similar fashions). The accounting policies of the segments are the same and are described in Note 1.

(In millions, except share and per share amounts)

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

	Retail	Other	Intersegment Elimination	Total
Revenues				
2013	$ 14,532.2	$ 205.5	$ (32.3)	$ 14,705.4
2012	13,084.9	4.0	(4.6)	13,084.3
2011	11,039.4	—	—	11,039.4
Floor plan interest expense				
2013	$ 43.0	$ 0.6	$ —	$ 43.6
2012	38.3	—	—	38.3
2011	26.8	—	—	26.8
Other interest expense				
2013	$ 44.5	$ 3.4	$ —	$ 47.9
2012	46.7	0.1	—	46.8
2011	44.1	—	—	44.1
Debt discount amortization				
2013	$ —	$ —	$ —	$ —
2012	—	—	—	—
2011	1.7	—	—	1.7
Depreciation				
2013	$ 60.4	$ 1.3	$ —	$ 61.7
2012	53.5	—	—	53.5
2011	46.4	—	—	46.4
Equity in earnings of affiliates				
2013	$ 4.9	$ 25.8	$ —	$ 30.7
2012	3.3	24.3	—	27.6
2011	2.1	23.3	—	25.4
Adjusted segment income				
2013	$ 341.1	$ 34.6	$ (0.3)	$ 375.4
2012	284.3	23.7	(0.1)	307.9
2011	224.7	23.3	—	248.0

(In millions, except share and per share amounts)

The following table reconciles total adjusted segment income to consolidated income from continuing operations before income taxes.

	Year Ended December 31, 2013	2012	2011
Adjusted segment income	$ 375.4	$ 307.9	$ 248.0
Debt redemption costs	—	(17.8)	—
Income (loss) from continuing operations before income taxes	$ 375.4	$ 290.1	$ 248.0

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

	Retail	Other	Intersegment Elimination	Total
Total assets				
2013	$ 5,747.6	$ 668.2	$ (0.3)	$ 6,415.5
2012	5,101.3	277.8	(0.1)	5,379.0
Equity method investments				
2013	$ 81.6	$ 265.3	$ —	$ 346.9
2012	53.3	249.9	—	303.2
Capital expenditures				
2013	$ 169.9	$ 86.4	$ —	$ 256.3
2012	152.3	9.9	—	162.2
2011	131.7	—	—	131.7

The following table presents certain data by geographic area:

	Year Ended December 31, 2013	2012	2011
Sales to external customers:			
U.S.	$ 9,466.3	$ 8,438.8	$ 7,174.3
Foreign	5,239.1	4,645.5	3,865.1
Total sales to external customers	$ 14,705.4	$ 13,084.3	$ 11,039.4
Long-lived assets, net:			
U.S.	$ 1,172.1	$ 964.9	
Foreign	447.8	381.9	
Total long-lived assets	$ 1,619.9	$ 1,346.8	

The Company's foreign operations are predominantly based in the U.K.

(In millions, except share and per share amounts)

18. Summary of Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2013(1)(2)				
Total revenues	$ 3,381.6	$ 3,669.9	$ 3,798.9	$ 3,855.0
Gross profit	531.5	565.1	576.8	586.4
Net income	58.0	62.5	65.5	59.7
Net income attributable to Penske Automotive Group common stockholders	57.7	62.0	65.3	59.2
Diluted earnings per share attributable to Penske Automotive Group common stockholders	$ 0.64	$ 0.69	$ 0.72	$ 0.66
2012(1)(2)				
Total revenues	$ 3,136.1	$ 3,286.7	$ 3,310.7	$ 3,350.8
Gross profit	491.9	501.6	498.9	513.3
Net income	47.0	49.6	41.3	49.3
Net income attributable to Penske Automotive Group common stockholders	46.8	49.1	41.0	48.6
Diluted earnings per share attributable to Penske Automotive Group common stockholders	$ 0.52	$ 0.54	$ 0.45	$ 0.54

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

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

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

19. Condensed Consolidating Financial Information

The following tables include condensed consolidating financial information as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012, and 2011 for Penske Automotive Group, Inc. (as the issuer of the 5.75% Notes), guarantor subsidiaries and non-guarantor subsidiaries (primarily representing foreign entities). Guarantor subsidiaries are directly or indirectly 100% owned by PAG, and the guarantees are full and unconditional, and joint and several. The condensed consolidating financial information includes certain allocations of balance sheet, income statement and cash flow items which are not necessarily indicative of the financial position, results of operations and cash flows of these entities on a stand-alone basis.

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2013

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Cash and cash equivalents	$ 49.8	$ —	$ —	$ 12.6	$ 37.2
Accounts receivable, net	606.2	(392.5)	392.5	387.5	218.7
Inventories	2,538.3	—	—	1,436.1	1,102.2
Other current assets	88.5	—	2.9	43.5	42.1
Assets held for sale	63.8	—	—	15.6	48.2
Total current assets	3,346.6	(392.5)	395.4	1,895.3	1,448.4
Property and equipment, net	1,241.0	—	4.0	808.8	428.2
Intangible assets	1,449.0	—	—	782.7	666.3
Equity method investments	346.9	—	295.0	—	51.9
Other long-term assets	32.0	(1,686.0)	1,697.4	5.3	15.3
Total assets	$ 6,415.5	$ (2,078.5)	$ 2,391.8	$ 3,492.1	$ 2,610.1
Floor plan notes payable	$ 1,704.4	$ —	$ —	$ 1,028.7	$ 675.7
Floor plan notes payable—non-trade	903.2	—	128.2	447.3	327.7
Accounts payable	374.7	—	3.4	143.2	228.1
Accrued expenses	264.0	(392.5)	0.1	123.6	532.8
Current portion of long-term debt	50.0	—	—	39.5	10.5
Liabilities held for sale	35.5	—	—	6.8	28.7
Total current liabilities	3,331.8	(392.5)	131.7	1,789.1	1,803.5
Long-term debt	1,033.2	(123.5)	738.0	158.3	260.4
Deferred tax liabilities	361.4	—	—	337.6	23.8
Other long-term liabilities	167.0	—	—	69.3	97.7
Total liabilities	4,893.4	(516.0)	869.7	2,354.3	2,185.4
Total equity	1,522.1	(1,562.5)	1,522.1	1,137.8	424.7
Total liabilities and equity	$ 6,415.5	$ (2,078.5)	$ 2,391.8	$ 3,492.1	$ 2,610.1

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2012

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Cash and cash equivalents	$ 43.5	$ —	$ —	$ 34.4	$ 9.1
Accounts receivable, net	550.9	(345.5)	345.5	366.2	184.7
Inventories	1,975.7	—	—	1,193.6	782.1
Other current assets	90.4	—	3.5	55.8	31.1
Assets held for sale	123.4	—	—	42.1	81.3
Total current assets	2,783.9	(345.5)	349.0	1,692.1	1,088.3
Property and equipment, net	1,022.9	—	4.5	640.8	377.6
Intangible assets	1,248.3	—	—	720.8	527.5
Equity method investments	303.2	—	252.8	—	50.4
Other long-term assets	20.7	(1,522.6)	1,535.9	5.0	2.4
Total assets	$ 5,379.0	$ (1,868.1)	$ 2,142.2	$ 3,058.7	$ 2,046.2
Floor plan notes payable	$ 1,404.9	$ —	$ —	$ 893.8	$ 511.1
Floor plan notes payable—non-trade	711.4	—	112.1	344.8	254.5
Accounts payable	261.1	—	3.3	122.5	135.3
Accrued expenses	222.6	(345.5)	0.5	113.5	454.1
Current portion of long-term debt	19.5	—	—	9.8	9.7
Liabilities held for sale	75.6	—	—	21.8	53.8
Total current liabilities	2,695.1	(345.5)	115.9	1,506.2	1,418.5
Long-term debt	917.1	(76.0)	710.0	121.6	161.5
Deferred tax liabilities	287.8	—	—	260.4	27.4
Other long-term liabilities	162.7	—	—	85.1	77.6
Total liabilities	4,062.7	(421.5)	825.9	1,973.3	1,685.0
Total equity	1,316.3	(1,446.6)	1,316.3	1,085.4	361.2
Total liabilities and equity	$ 5,379.0	$ (1,868.1)	$ 2,142.2	$ 3,058.7	$ 2,046.2

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 2013

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Revenues	$ 14,705.4	$ —	$ —	$ 8,761.6	$ 5,943.8
Cost of sales	12,445.6	—	—	7,348.4	5,097.2
Gross profit	2,259.8	—	—	1,413.2	846.6
Selling, general, and administrative expenses	1,761.9	—	21.4	1,077.4	663.1
Depreciation	61.7	—	1.8	35.8	24.1
Operating income (loss)	436.2	—	(23.2)	300.0	159.4
Floor plan interest expense	(43.6)	—	(9.6)	(20.0)	(14.0)
Other interest expense	(47.9)	—	(26.1)	(4.5)	(17.3)
Equity in earnings of affiliates	30.7	—	25.5	—	5.2
Equity in earnings of subsidiaries	—	(407.3)	407.3	—	—
Income from continuing operations before income taxes	375.4	(407.3)	373.9	275.5	133.3
Income taxes	(124.3)	135.4	(124.3)	(100.8)	(34.6)
Income from continuing operations	251.1	(271.9)	249.6	174.7	98.7
Loss from discontinued operations, net of tax	(5.4)	5.4	(5.4)	0.4	(5.8)
Net income	245.7	(266.5)	244.2	175.1	92.9
Other comprehensive income (loss), net of tax	18.9	(9.8)	18.9	4.0	5.8
Comprehensive income	264.6	(276.3)	263.1	179.1	98.7
Less: Comprehensive income attributable to the non-controlling interests	2.0	(0.5)	0.5	—	2.0
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 262.6	$ (275.8)	$ 262.6	$ 179.1	$ 96.7

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 2012

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Revenues	$ 13,084.3	$ —	$ —	$ 7,783.6	$ 5,300.7
Cost of sales	11,078.6	—	—	6,551.9	4,526.7
Gross profit	2,005.7	—	—	1,231.7	774.0
Selling, general, and administrative expenses	1,586.8	—	19.4	954.8	612.6
Depreciation	53.5	—	1.3	29.2	23.0
Operating income (loss)	365.4	—	(20.7)	247.7	138.4
Floor plan interest expense	(38.3)	—	(8.6)	(16.7)	(13.0)
Other interest expense	(46.8)	—	(29.5)	(0.6)	(16.7)
Equity in earnings of affiliates	27.6	—	24.0	—	3.6
Debt redemption costs	(17.8)	—	(17.8)	—	—
Equity in earnings of subsidiaries	—	(341.1)	341.1	—	—
Income from continuing operations before income taxes	290.1	(341.1)	288.5	230.4	112.3
Income taxes	(94.3)	111.6	(94.3)	(87.3)	(24.3)
Income from continuing operations	195.8	(229.5)	194.2	143.1	88.0
Loss from discontinued operations, net of tax	(8.6)	8.6	(8.6)	—	(8.6)
Net income	187.2	(220.9)	185.6	143.1	79.4
Other comprehensive income (loss), net of tax	17.6	(16.6)	17.6	1.0	15.6
Comprehensive income	204.8	(237.5)	203.2	144.1	95.0
Less: Comprehensive income attributable to non-controlling interests	1.9	(0.3)	0.3	—	1.9
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 202.9	$ (237.2)	$ 202.9	$ 144.1	$ 93.1

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 2011

	Total Company	Eliminations	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Revenues	$ 11,039.4	$ —	$ —	$ 6,609.3	$ 4,430.1
Cost of sales	9,287.3	—	—	5,507.8	3,779.5
Gross profit	1,752.1	—	—	1,101.5	650.6
Selling, general, and administrative expenses	1,410.5	—	19.0	879.2	512.3
Depreciation	46.4	—	1.3	25.7	19.4
Operating income (loss)	295.2	—	(20.3)	196.6	118.9
Floor plan interest expense	(26.8)	—	(1.4)	(13.8)	(11.6)
Other interest expense	(44.1)	—	(25.4)	(1.0)	(17.7)
Debt discount amortization	(1.7)	—	(1.7)	—	—
Equity in earnings of affiliates	25.4	—	23.0	—	2.4
Equity in earnings of subsidiaries	—	(272.4)	272.4	—	—
Income from continuing operations before income taxes	248.0	(272.4)	246.6	181.8	92.0
Income taxes	(71.8)	79.3	(71.8)	(53.0)	(26.3)
Income from continuing operations	176.2	(193.1)	174.8	128.8	65.7
Loss from discontinued operations, net of tax	2.1	(2.0)	2.1	3.1	(1.1)
Net income	178.3	(195.1)	176.9	131.9	64.6
Other comprehensive income (loss), net of tax	(24.1)	21.2	(24.1)	(9.6)	(11.6)
Comprehensive income	154.2	(173.9)	152.8	122.3	53.0
Less: Comprehensive income attributable to the non-controlling interests	1.4	—	—	—	1.4
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 152.8	$ (173.9)	$ 152.8	$ 122.3	$ 51.6

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2013

	Total Company	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net cash from (used in) continuing operating activities	$ 314.8	$ 46.6	$ 31.4	$ 236.8
Investing activities:				
Purchase of property and equipment	(169.9)	(1.4)	(111.7)	(56.8)
Purchase of car rental vehicles	(86.4)	—	(86.4)	—
Acquisitions, net	(338.1)	—	(127.5)	(210.6)
Other	6.8	(17.5)	20.0	4.3
Net cash from (used in) continuing investing activities	(587.6)	(18.9)	(305.6)	(263.1)
Financing activities:				
Net borrowings (repayments) of long-term debt	144.8	28.0	66.4	50.4
Net (repayments) borrowings of floor plan notes payable—non-trade	191.8	16.1	181.8	(6.1)
Repurchase of common stock	(15.8)	(15.8)	—	—
Dividends	(56.0)	(56.0)	—	—
Distributions from (to) parent	—	—	0.9	(0.9)
Other	0.2	—	—	0.2
Net cash from (used in) continuing financing activities	265.0	(27.7)	249.1	43.6
Net cash from discontinued operations	14.1	—	3.3	10.8
Net change in cash and cash equivalents	6.3	—	(21.8)	28.1
Cash and cash equivalents, beginning of period	43.5	—	34.4	9.1
Cash and cash equivalents, end of period	$ 49.8	$ —	$ 12.6	$ 37.2

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2012

	Total Company	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net cash from (used in) continuing operating activities	$ 324.6	$ 45.5	$ 126.9	$ 152.2
Investing activities:				
Purchase of equipment and improvements	(152.3)	(1.1)	(101.7)	(49.5)
Purchase of car rental vehicles	(9.9)	—	(9.9)	—
Proceeds from sale-leaseback transactions	1.6	—	—	1.6
Acquisitions, net	(250.2)	—	(115.8)	(134.4)
Other	8.8	(3.3)	4.8	7.3
Net cash from (used in) continuing investing activities	(402.0)	(4.4)	(222.6)	(175.0)
Financing activities:				
Repurchase of 3.5% senior subordinated convertible notes	(62.7)	(62.7)	—	—
Issuance of 5.75% senior subordinated notes	550.0	550.0	—	—
Repurchase of 7.75% senior subordinated notes	(390.8)	(390.8)	—	—
Net borrowings (repayments) of long-term debt	(28.5)	(98.9)	50.9	19.5
Net borrowings (repayments) of floor plan notes payable—non-trade	71.6	21.2	42.7	7.7
Repurchases of common stock	(9.8)	(9.8)	—	—
Dividends	(41.5)	(41.5)	—	—
Payment of deferred financing fees	(8.6)	(8.6)	—	—
Other	(1.1)	—	—	(1.1)
Distributions from (to) parent	—	—	5.2	(5.2)
Net cash from (used in) continuing financing activities	78.6	(41.1)	98.8	20.9
Net cash from (used in) discontinued operations	15.5	—	5.5	10.0
Net change in cash and cash equivalents	16.7	—	8.6	8.1
Cash and cash equivalents, beginning of period	26.8	—	25.8	1.0
Cash and cash equivalents, end of period	$ 43.5	$ —	$ 34.4	$ 9.1

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions, except share and per share amounts)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2011

	Total Company	Penske Automotive Group	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Net cash from (used in) continuing operating activities	$ 136.8	$ (39.4)	$ 188.6	$ (12.4)
Investing activities:				
Purchase of equipment and improvements	(131.7)	(1.3)	(76.1)	(54.3)
Acquisitions, net	(232.1)	—	(194.3)	(37.8)
Other	2.9	—	—	2.9
Net cash from (used in) continuing investing activities	(360.9)	(1.3)	(270.4)	(89.2)
Financing activities:				
Repurchase of 3.5% senior subordinated convertible notes	(87.3)	(87.3)	—	—
Net borrowings (repayments) of long-term debt	155.2	125.0	18.4	11.8
Net borrowings (repayments) of floor plan notes payable—non-trade	197.0	65.9	34.9	96.2
Proceeds from exercises of options, including excess tax benefit	3.4	3.4	—	—
Repurchases of common stock	(44.3)	(44.3)	—	—
Dividends	(22.0)	(22.0)	—	—
Distributions from (to) parent	—	—	6.1	(6.1)
Net cash from (used in) continuing financing activities	202.0	40.7	59.4	101.9
Net cash from discontinued operations	31.0	—	32.6	(1.6)
Net change in cash and cash equivalents	8.9	—	10.2	(1.3)
Cash and cash equivalents, beginning of period	17.9	—	15.6	2.3
Cash and cash equivalents, end of period	$ 26.8	$ —	$ 25.8	$ 1.0

PENSKE AUTOMOTIVE GROUP, INC.
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Year	Additions	Deductions, Recoveries, & Other	Balance at End of Year
Year Ended December 31, 2013				
Allowance for doubtful accounts	$ 2.9	$ 1.0	$ (0.5)	$ 3.4
Tax valuation allowance	14.6	1.6	(1.6)	14.6
Year Ended December 31, 2012				
Allowance for doubtful accounts	$ 2.0	$ 0.9	$ —	$ 2.9
Tax valuation allowance	11.8	3.0	(0.2)	14.6
Year Ended December 31, 2011				
Allowance for doubtful accounts	$ 1.8	$ 1.0	$ (0.8)	$ 2.0
Tax valuation allowance	7.3	8.8	(4.3)	11.8

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Section 2: EX-4.1.3 (EX-4.1.3)

Exhibit 4.1.3

SUPPLEMENTAL INDENTURE

Supplemental Indenture (this "**Supplemental Indenture**"), dated as of February 25, 2014, among Penske Automotive Group, Inc., a Delaware corporation (the "Company"), the guarantors set forth on the signature page hereto (each a "Guarantor" and collectively, the "Guarantors") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture (as defined below).

WHEREAS, the Company and the other Guarantors party thereto have heretofore executed and delivered an Indenture, dated as of August 28, 2012 (as amended, supplemented or otherwise modified from time to time, the "**Indenture**"), providing for the issuance by the Company of its 5.75% Senior Subordinated Notes due 2022 (the "**Securities**");

WHEREAS, the Indenture provides that under certain circumstances a Future Guarantor shall execute and deliver to the Trustee a supplemental indenture pursuant to which such Future Guarantor shall, subject to Article Thirteen of the Indenture, unconditionally guarantee the Securities on the terms and conditions set forth therein (the "**Guarantee**"); and

WHEREAS, pursuant to Section 901 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Company, the Guarantors and the Trustee mutually covenant and agree as follows for the equal and ratable benefit of the Holders.

ARTICLE 1
DEFINITIONS

Section 1.1 Defined Terms. As used in this Supplemental Indenture, terms defined in the Indenture or in the preamble or recitals hereto are used herein as therein defined. The words "herein," "hereof" and "hereby" and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not to any particular section hereof.

ARTICLE 2
AGREEMENT TO GUARANTEE

Section 2.1 Agreement to be Bound. The Guarantors hereby become a party to the Indenture as a Guarantor and as such shall have all of the rights and be subject to all of the obligations and agreements of a Guarantor under the Indenture.

Section 2.2 Guarantee. The Guarantors agree, on a joint and several basis with all the existing Guarantors, to fully, unconditionally and irrevocably Guarantee to each Holder of the Securities and the Trustee the Indenture Obligations pursuant to Article Thirteen of the Indenture.

ARTICLE 3
MISCELLANEOUS

Section 3.1 Execution and Delivery. The Guarantors agree that the Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Security a notation of the Guarantee.

Section 3.2 Benefits Acknowledged. The Guarantors' Guarantee is subject to the terms and conditions set forth in the Indenture. The Guarantors acknowledge that they shall receive direct and indirect benefits from the financing arrangements contemplated by the Indenture and this Supplemental Indenture and that the guarantee and waivers made by it pursuant to this Guarantee and this Supplemental Indenture are knowingly made in contemplation of such benefits.

Section 3.3 Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

Section 3.4 Severability. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

Section 3.5 Guarantors May Consolidate, Etc., on Certain Terms. The Guarantors may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into, any Person other than as set forth Section 801(b)of the Indenture.

Section 3.6 Release. The Guarantors' Guarantee shall be released as set forth in Section 1314 of the Indenture.

Section 3.7 Governing Law. THIS SUPPLEMENTAL INDENTURE, THE INDENTURE, THE SECURITIES AND THE GUARANTEES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

Section 3.8 Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be deemed an original; but all such counterparts shall together constitute but one and the same instrument. The exchange of copies of this Supplemental Indenture and of signature pages by facsimile or .pdf transmission shall constitute effective execution and delivery of this Supplemental Indenture for all purposes and may be used in lieu of the original Indenture. Signatures of parties hereto transmitted by facsimile or .pdf shall be deemed to be their original signatures for all purposes.

Section 3.9 Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 3.10 Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guarantors and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

PENSKE AUTOMOTIVE GROUP, INC.

By: /s/ David K. Jones
Name: David K. Jones
Title: EVP & CFO

AUTOMOTIVE MEDIA, LLC
PAG ANNAPOLIS JL1, LLC
PAG DAVIE P1, LLC
PAG GREENWICH B1, LLC
PAG GREENWICH HOLDINGS, LLC
PAG MCALLEN H1, LLC
PAG MCALLEN T1, LLC

By: /s/ David K. Jones
Name: David K. Jones
Title: Assistant Treasurer

PAG ACQUISITION 43, LLC
PAG ACQUISITION 44, LLC
PAG ACQUISITION 45, LLC
PAG ACQUISITION 46, LLC
PAG ACQUISITION 47, LLC

By: /s/ David K. Jones
Name: David K. Jones
Title: Treasurer

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee

By: /s/ Lawrence M. Kusch
Name: Lawrence M. Kusch
Title: Vice President

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Section 3: EX-4.2.10 (EX-4.2.10)

Exhibit 4.2.10

NINTH AMENDMENT

THIS NINTH AMENDMENT, dated as of November 8, 2013 (this "Amendment"), is to the Third Amended and Restated Credit Agreement (as heretofore amended, the "Credit Agreement") dated as of October 30, 2008 among PENSKE AUTOMOTIVE GROUP, INC. (the "Company"), various financial institutions (the "Lenders") and MERCEDES-BENZ FINANCIAL SERVICES USA LLC (formerly DCFS USA LLC), as agent for the Lenders (the "Agent"). Unless otherwise defined herein, terms defined in the Credit Agreement are used herein as defined in the Credit Agreement (including as amended hereby).

WHEREAS, the parties hereto desire to amend the Credit Agreement in certain respects;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

SECTION 1 AMENDMENTS. Effective on the Amendment Effective Date (defined below), the Credit Agreement shall be amended as follows:

1.1 Section 1.1 of the Credit Agreement shall be amended by amending and restating the last sentence of the definition of "Borrowing Base" to read in its entirety as follows:

Notwithstanding the foregoing, all assets (including daily rental vehicles, goodwill, franchise value and cash on deposit in deposit accounts) of (i) the Hertz Entities and (ii) MB Greenwich shall be excluded from the Borrowing Base for all purposes.

1.2 Section 1.1 of the Credit Agreement shall be amended adding the following definition thereto, in the proper alphabetical position:

MB Greenwich means PAG Greenwich M1, LLC, a Delaware limited liability company.

1.3 Section 9.7 of the Credit Agreement shall be amended (i) by deleting the word "and" at the end of clause (q) thereof, (ii) deleting the period at the end of clause (r) thereof and substituting "; and" therefor, and (iii) adding the following as a new clause (s) at the end thereof:

(s) Debt of MB Greenwich with respect to Floor Plan Financing.

1.4 Section 9.13 of the Credit Agreement shall be amended by amending and restating clause (a) thereof to read as follows:

(a) Take, and cause each Subsidiary (other than MB Greenwich) to take, such actions as are necessary or as the Agent or the Required Lenders may reasonably request from time to time (including the execution and delivery of guaranties, security agreements, pledge agreements, mortgages, deeds of trust, financing statements and other documents, the filing or recording of any of the foregoing, and the delivery of stock certificates and other collateral with respect to which perfection is obtained by possession) to ensure that (a) the obligations of the Company hereunder and under the other Loan Documents (i) are secured by substantially all of the assets (other than property in which the Company is prohibited from granting a security interest, pledge or assignment pursuant to a Permitted Restriction) of the Company and (ii) guaranteed by all of its Subsidiaries (other than MB Greenwich) (including, promptly upon the acquisition or creation thereof, any Subsidiary acquired or created after the date hereof but excluding Foreign Subsidiaries (to the extent that such exclusion is necessary to avoid material adverse tax consequences for the Company)) by execution of a counterpart of the Guaranty and (b) the obligations of each Subsidiary (other than MB Greenwich) under the Guaranty are secured by substantially all of the assets (other than property in which such Subsidiary is prohibited from granting a security interest, pledge or assignment pursuant to a Permitted Restriction) of such Subsidiary (other than Foreign Subsidiaries (to the extent that such exclusion is necessary to avoid material adverse tax consequences for the Company)), provided that (i) the pledge by the Company or any Subsidiary (other than a Foreign Subsidiary) of the stock of any Foreign Subsidiary shall be limited to 65% of the stock of such Foreign Subsidiary to the extent the pledge of a greater percentage would have material adverse tax consequences for the Company and (ii) a pledge of the stock of a Subsidiary shall not be required if and to the extent that such pledge would violate a Permitted Restriction in favor of a Manufacturer.

1.5 Section 9.19 of the Credit Agreement shall be amended by amending and restating clause (a) thereof to read as follows:

(a) contributions by the Company to the capital of any of its Subsidiaries, or by any such Subsidiary to the capital of any of its Subsidiaries; provided that neither the Company nor any Subsidiary shall make any Investment after the date hereof in MB Greenwich in an aggregate amount exceeding $5,000,000 at any one time outstanding except as required to prevent any default under, any automotive framework, franchise or dealer agreement of MB Greenwich;

SECTION 2 REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Agent and the Lenders that: (a) the representations and warranties made in Section 8 of the Credit Agreement are true and correct on and as of the date hereof with the same effect as if made on and as of the date hereof (except to the extent relating solely to an earlier date, in which case they were true and correct as of such earlier date); (b) no Event of Default or Unmatured Event of Default exists or will result from the execution of this Amendment; (c) no event or circumstance has occurred since the Effective Date that has resulted, or would reasonably be expected to result, in a Material Adverse Effect; (d) the execution and delivery by the Company of this Amendment and the performance by the Company of its obligations under the Credit Agreement as amended hereby (as so amended, the "Amended Credit Agreement") (i) are within the corporate powers of the Company, (ii) have been duly authorized by all necessary corporate action, (iii) have received all necessary approval from any governmental authority and (iv) do not and will not contravene or conflict with any provision of any law, rule or regulation or any order, decree, judgment or award which is binding on the Company or any of its Subsidiaries or of any provision of the certificate of incorporation or bylaws or other organizational documents of the Company or of any agreement, indenture, instrument or other document which is binding on the Company or any of its Subsidiaries; and (e) the Amended Credit Agreement is the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms,

except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

SECTION 3 RELEASE. Effective on the Amendment Effective Date (defined below), (a) MB Greenwich is released from its obligations under the Guaranty, the Security Agreement and all other Loan Documents to which MB Greenwich is a party, (b) all guarantees provided by MB Greenwich under the Loan Documents are terminated and (iii) all Liens in all property and assets held by MB Greenwich (collectively, the "Released Liens") are released and of no further force and effect. The Administrative Agent and the Required Lenders also authorize the filing of a UCC-3 termination statement in the form of Exhibit A after the Amendment Effective Date.

SECTION 4 CONDITIONS TO EFFECTIVENESS. The amendments set forth in Section 1 above shall become effective as of November 8, 2013 (the "Amendment Effective Date") when the following conditions precedent have been satisfied, each in form and substance satisfactory to the Agent:

4.1 Amendment. The Agent shall have received a counterpart of this Amendment duly executed by the Company and the Required Lenders (or, in the case of any party other than the Company from which the Agent has not received a counterpart hereof, facsimile confirmation of the execution of a counterpart hereof by such party).

4.2 Reaffirmation. The Agent shall have received a counterpart of the Reaffirmation of Loan Documents, in form and substance satisfactory to the Agent, executed by each Loan Party other than the Company.

4.3 Borrowing Base Certificate. The Agent shall have received a pro forma Borrowing Base Certificate dated as of the Amendment Effective Date.

4.4 No Default. No Event of Default or Unmatured Event of Default shall have occurred and be continuing or would result from the transactions contemplated by this Amendment.

4.5 Representations. The representations and warranties of the Company and each Subsidiary set forth in the Credit Agreement and the other Loan Documents shall be true and correct in all material respects with the same effect as if then made (except to the extent stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date).

4.6 Confirmatory Certificate. The Agent shall have received a certificate dated the Amendment Effective Date and signed by a duly authorized representative of the Company as to the matters set forth in Sections 4.3 and 4.4.

SECTION 5 MISCELLANEOUS.

5.1 Continuing Effectiveness, etc. As hereby amended, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. All references in the Credit Agreement, the Notes, each other Loan Document and any similar document to the "Credit Agreement" or similar terms shall refer to the Amended Credit Agreement.

5.2 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same Amendment.

5.3 Expenses. The Company agrees to pay the reasonable costs and expenses of the Agent and the Lenders in connection with the preparation, execution and delivery of this Amendment.

5.4 Severability of Provisions. In the event that any provision in or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

5.5 Section Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or the Agreement or any provision hereof or thereof.

5.6 Governing Law. This Amendment shall be a contract made under and governed by the laws of the State of New York applicable to contracts made and to be wholly performed within the State of New York.

5.7 Successors and Assigns. This Amendment shall be binding upon the Company, the Lenders and the Agent and their respective successors and assigns, and shall inure to the benefit of the Company, the Lenders and the Agent and the successors and assigns of the Lenders and the Agent.

5.8 Loan Document. This Amendment is a Loan Document.

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Delivered as of the day and year first above written.

PENSKE AUTOMOTIVE GROUP, INC.

By: /s/David K. Jones
Title: Executive Vice President & CFO

MERCEDES-BENZ FINANCIAL SERVICES USA LLC, as Agent, as Issuing Lender and as a Lender

By: /s/ Michele A. Nowak
Title: Credit Director, National Accounts

TOYOTA MOTOR CREDIT CORPORATION, as a Lender

By: /s/ C. Furukuwa
Title: National Accounts Manager

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Section 4: EX-10.21 (EX-10.21)

Exhibit 10.21

FIRST AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF PAG GREENWICH M1, LLC

This First Amended and Restated Limited Liability Company Agreement of **PAG GREENWICH M1, LLC** (the "**Company**") is dated as of

November 15, 2013 by and between **PAG GREENWICH HOLDINGS, LLC,** a Delaware corporation, ("**PAG**") and **NOTO AUTOMOTIVE LLC**, a Connecticut limited liability company, ("**NAL**") (each of the foregoing parties to this Agreement shall be referred to herein collectively as the "**Parties**"), and the Persons who become Members of the Company in accordance with the provisions of this Agreement. Certain capitalized terms used herein without definition have the meanings specified in Section 15.

WHEREAS, the Company operates a factory authorized retail sales and service Mercedes Benz, dealership located at various premises, principally on West Putnam Ave., Greenwich, Connecticut (the "**Business**").

WHEREAS, the Company was formed under the Delaware Act in order to hold the entities that own and operate the Business; and

WHEREAS, the Parties hereto desire to establish their respective rights and obligations as Members of such limited liability company effective as of the date of this Agreement.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Members hereby agree as follows:

SECTION 1

FORMATION OF THE LIMITED LIABILITY COMPANY

1.1 Formation; Filings.

(a) **Generally**. The Parties agree that the limited liability company formed pursuant to the provisions of the Delaware Act and upon its terms, shall be subject to the conditions, and for the purposes set forth in this Agreement. Each of the Members shall execute or cause to be executed from time to time all other instruments, certificates, notices and documents, and shall do or cause to be done all such filing, recording, publishing and other acts, in each case, as may be necessary or appropriate from time to time to comply with all applicable requirements for the formation and/or operation and, when appropriate, termination of a limited liability company in the State of Delaware and all other jurisdictions where the Company shall desire to conduct its business.

(b) **Units; Name; Capital Contributions**. The number of Units, authorized, issued and outstanding are set forth in Schedule A hereto. The name, mailing address, Capital Contribution and Units held by each Member is listed on Schedule A attached hereto.

1.2 Name.

The name of the Company is "**PAG GREENWICH M1, LLC**" and its business shall be carried on in this name with such variations and changes including, but not limited to "**MERCEDES**

BENZ OF GREENWICH," as the Board in its sole judgment deems necessary or appropriate to comply with requirements of the jurisdictions in which the Company's operations are conducted.

1.3 Term.

The term of the Company shall commence on the date of the filing of a Certificate of Formation in the office of the Secretary of State of the State of Delaware and shall continue until dissolved and liquidated in accordance with the provisions of Section 13.

1.4 Registered Agent and Office.

The registered agent and office of the Company in Delaware shall be The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware. The registered agent for service of process on the Company in the State of Delaware shall be The Corporation Trust Company. At any time, the Managers of the Company may designate another registered agent and/or registered office.

1.5 Principal Place of Business.

The principal place of business of the Company shall be at various premises, principally located on West Putnam Ave., Connecticut.

1.6 Qualification in Other Jurisdictions.

The Board shall take and/or authorize the taking of such action necessary to cause the Company to be qualified, formed or registered under assumed or fictitious name statutes or similar laws in any jurisdiction in which the Company transacts business and in which such qualification or registration is required by law or deemed advisable by the Company. The President or any duly qualified officer of the Company, as an authorized person within the meaning of the Delaware Act, shall execute, deliver and file any certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in any jurisdiction in which the Company may wish to conduct business.

SECTION 2

PURPOSE AND POWERS

2.1 **Business Purposes**.

The purpose of the Company is to (i) engage for profit in the Business, (ii) engage for profit in any and all other activities reasonably related to or incidental to the Business, and (iii) engage for profit in any other business for which limited liability companies may be formed under the Delaware Act, whether or not related or incidental to the Business, as may be determined from time to time by the act of the Directors constituting fifty and one-tenth percent (50.1%) or more of the total vote of the Board.

2.2 **Powers of the Company**.

Subject to obtaining any requisite Board approval required by Sections 2.1 or 4.2(e), the Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, incidental or convenient to or for the furtherance of the purposes set forth in Section 2.1, to the extent that the same may be lawfully exercised by limited liability companies under the Delaware Act.

SECTION 3

MEMBERS

3.1 **Powers of Members**.

Except as otherwise expressly provided herein, the Members shall have no power to transact any business in the Company's name nor have the power to sign documents for or otherwise bind the Company. Subject to the provisions of the Delaware Act, the Certificate and this Agreement, the Members hereby delegate any and all such powers to the Board and the officers to carry out the business affairs of the Company on the Members' behalf. Any power not reserved to the Members or delegated to the officers of the Company, if any, shall remain with the Board.

3.2 **No Priority, etc**.

Except as otherwise provided herein, no Member shall have priority over any other Member either as to the return of the amount of its Capital Contribution, if any, to the Company or as to any allocation of Net Profit and Net Loss.

3.3 **Meetings of Members**.

(a) **Annual Meetings**. An annual meeting of the Members for the election of Directors and the transaction of other proper business shall be held once a year at a time designated by the Company.

(b) **Special Meetings**. Special meetings of the Members, for any purpose or purposes, may be called by the Company and shall be called by the Company at the request of Members holding Fifty Percent (50%) or more of the aggregate Units. The business transacted at any special meeting of Members shall be limited to the purposes stated in the notice.

(c) **Place of Meeting**. All meetings of Members shall be held at such place within or outside the State of Delaware as the Company shall designate.

(d) **Notice of Meetings**. Notice of all meetings of Members, stating the time, place and purpose of the meeting, shall be given as provided in Section 16.1 at least 10 days and not more than 60 days before the meeting. Any adjourned meeting may be adjourned without further notice, provided that any adjourned session or sessions are held within 60 days after the date set for the original meeting. No notice need be given (i) to any Member if a written waiver of notice, executed before or after the meeting by such Member or his attorney thereunto duly authorized, is filed with the records of the meeting, or (ii) to any Member who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him. A waiver of notice need not specify the purposes of the meeting.

(e) **Quorum and Voting**. Members constituting at least 50% of the Voting Units held by all Members must be present in order to constitute a minimum quorum required for the transaction of business at any meeting of Members. Any question brought before any meeting shall be decided by Members who, at the time in question and in the aggregate, hold, or hold proxies with respect to, a majority of the aggregate Units, unless a different vote is specifically provided for by this Agreement.

(f) **Proxies**. Voting Units of Members may be voted in person or by proxy. A proxy purporting to be executed by or on behalf of a Member shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger.

(g) **Electronic Communications**. Members may participate in any meeting of Members by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.4 Actions of Members Without a Meeting.

Any action required to be taken at any annual or special meeting of Members or otherwise, or any action which may be taken at any annual or special meeting of such Members or otherwise, may be taken without a meeting and without a vote, if (i) at least two days advance notice of the intent to take action without a meeting is provided to each Member and (ii) a consent in writing, setting forth the action so taken, shall be signed by Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting. The foregoing two day advance notice period shall be deemed waived with respect to any Member that returns a signed consent to the Company. Prompt notice of the taking of the action without a meeting by less than unanimous written consent shall be given to each of those Members who have not consented in writing.

3.5 Trade Secrets; Confidentiality.

(a) Each Member, to the extent, if any, that it becomes aware of a trade secret of the Company, agrees that it will not at any time reveal, divulge or otherwise make known any such trade secret of the Company to any Person other than a current officer, employee or affiliate of the Company, or such other person as the Board may designate in writing or, with prior notice to the Company, pursuant to court order or other legal process or the order of any governmental agency or entity. This confidentiality obligation shall survive indefinitely after a Member's interest in the Company is sold, transferred or otherwise disposed of under this Agreement.

(b) Except as required by applicable law (including reporting requirements under generally accepted accounting principles), each Member shall keep secret all material confidential matters of the Company which are not otherwise in the public domain and will not intentionally disclose them to anyone outside of the Company or any Affiliate of the Company during the term of this Agreement.

SECTION 4

MANAGEMENT

4.1 The Board.

(a) **General**. The business and affairs of the Company shall be managed by or under the direction of a committee of Managers of the Company (the "**Board**") consisting initially of

three (3) natural persons designated as directors of the Company ("**Directors**") pursuant to the terms of this Agreement. Other than rights and powers expressly reserved to Members by this Agreement or the Delaware Act, the Board shall have full, exclusive and complete discretion to manage and control the business and affairs of the Company, to make all decisions affecting the business and affairs of the Company and to take all such actions as it deems necessary or appropriate to accomplish the purposes of the Company as set forth herein. Each Director is hereby designated a Manager. The Directors shall be appointed or elected as provided in Section 4.1(b). Each Director elected shall hold office until a successor is elected and qualified or until such Director's earlier death, resignation or removal. Directors need not be Members. No appointment or election of a Director shall become effective, however, until the Person named shall have accepted in writing such appointment and agreed in writing to be bound by the terms of this Agreement.

(b) **Initial Election and Appointment of Directors**. PAG shall be entitled to designate two (2) Directors (the "**PAG Designees**") and NAL shall be entitled to designate one (1) Director (the "**NAL Designee**"). The initial PAG Designees shall be Robert H. Kurnick, Jr. and David K. Jones and the initial NAL Designee shall be Richard S. Koppelman. PAG shall have the power to remove, with or without cause, a PAG Designee and fill any vacancy created by the death, resignation or removal of any PAG Designee. NAL shall have to the power to remove, with or without cause, the NAL Designee and fill any vacancy created by the death, resignation or removal of the NAL Designee.

(c) **Increase or Decrease in Size of Board**. The size of the Board may be increased or decreased from time to time only by an amendment to this Agreement.

(d) **Restrictions on the Board**. The Board shall not: (i) do any act in contravention of any applicable law or regulation, or provision of this Agreement; or (ii) admit any Person as a Member except as permitted in this Agreement and the Delaware Act.

(e) **Meetings of the Board**. The Board may hold meetings, both regular and special, either within or outside the State of Delaware. The first meeting of each newly elected Board shall be held immediately after the annual meeting of Members and at the same place, and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting, provided a quorum shall be present. In the event such meeting is not held at that time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board, or as shall be specified in a written waiver signed by all of the Directors. Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board. Special meetings of the Board may be called by any

Member on two days' notice to each Director, either personally, by telephone, by mail, by telegram or by any other means of communication; special meetings shall be called by any Member, the Chairman, or the Secretary in like manner and on five days' notice on the written request of one or more of the Directors. Notice of a meeting need not be given to any Director if a written waiver of notice, executed by such Director before or after the meeting, is filed with the records of the meeting, or to any Director who attends the meeting without protesting prior thereto or at its commencement, the lack of notice. A waiver of notice need not specify the purposes of the meeting.

(f) **Quorum.** At all meetings of the Board, two Directors shall constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the Board, the

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Directors present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, and without a vote, provided that, at least two days advance notice of the intent to take such action without a meeting and without a vote is given to each Director, if a consent in writing, setting forth the action so taken, shall be signed, in the case of action by the Board, by Directors having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting, and in the case of action by a committee, by all members of such committee.

(g) **Required Board Vote**. The affirmative vote of a majority of the Directors present at any meeting at which there are sufficient Directors present to constitute a quorum ("**Majority Board Vote**") shall be the act of the Board, unless another vote is specifically provided by this Agreement.

(h) **Committees of Directors**. The Board may, by resolution passed by a Majority Board Vote, designate one or more additional committees, each committee to consist of one or more of the Directors. Any such committee, to the extent and only to the extent expressly provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company. Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

(i) **Electronic Communications**. Members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

(j) **Compensation of Directors**. Directors shall not receive remuneration for services as a Director; provided, that Directors shall be entitled to reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at regular or special meetings of the Board or any committee thereof.

(k) **Directors Not Agents**. The Directors are not agents of the Company for the purpose of the Company's business and shall not have the power to sign documents for or otherwise bind the Company.

4.2 Officers.

(a) **General**. The designated officers of the Company shall be a Chairman, a President who shall be the Chief Executive Officer of the Company, a Secretary and a Treasurer and may include one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 4.2 (k) (each, an "**Officer**," and together, the "**Officers**"). Officers may be, but need not be, Managers.

(b) **Election, Term of Office, Qualifications**. Officers shall be elected by a Majority Board Vote at any regular or special meeting of the Board, provided that until such elections or appointments have been made, the Officers shall be the natural persons designated on

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Schedule B annexed hereto. Except as provided in paragraphs (c) and (d) of this Section 4.2, each Officer shall hold office until his or her successor shall have been chosen and qualified. Any two offices may be held by the same Person, but no Officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument be required by law or this Agreement to be executed, acknowledged or verified by any two or more Officers.

(c) **Resignations and Removals**. Any Officer may resign his or her office at any time by delivering a written resignation to the President or any Director. Unless otherwise specified therein, such resignation shall take effect upon delivery. Executive Officers may be removed from office at any time, with or without cause, by a Majority Board Vote. All other officers may be removed from offices at any time by the Chairman. Except to the extent expressly provided in a written agreement with the Company, no Officer resigning and no Officer removed shall have any right to any compensation for any period following his resignation or removal or any right to damages on account of such removal.

(d) **Vacancies and Newly Created Offices**. If any vacancy shall occur in any office, other than any Executive Officer, by reason of death, resignation, removal, disqualification or other cause, or if any new office shall be created, such vacancies or newly created offices may be filled by the Board at any regular or special meeting or, in the case of any office created pursuant to Section 4.2 (k), by any Officer upon whom such power shall have been conferred by the Board. If any vacancy shall occur in the office of any Executive Officer, such vacancy shall be filled by appointment made by a Majority Board Vote.

(e) **Authority of Officers; Certain Acts Requiring or Majority Board Vote**. Subject to the provisions of this Agreement and to the directives and policies of the Board not in conflict with this Agreement, the President and the other Officers of the Company shall have the power, acting individually or jointly, to represent and bind the Company in all matters, in accordance with the scope of their respective duties subject to the following restrictions:

(i) The following actions or types of transactions shall not be taken or consummated by the President or any other Officer, employee or agent of the Company except pursuant to Majority Board Vote:

(1) The merger, consolidation, reorganization or other business combination of any kind involving the Company or sale of all or substantially all the assets of the Company.

(2) Amendments to, or the execution or filing of any document or agreement of any kind which would affect the terms of the Certificate.

(3) The issuance or sale, or any agreement to issue or sell, directly or indirectly, to any Person, by the Company any interest of any kind in the Company, including, but not limited to, Units, any rights, options or warrants or other securities to acquire any such interest, or any securities convertible into or exchangeable or exercisable for such interest; provided, however, that any such issuance that could or would entitle such person to the rights of a Member or that would cause (or entitle) such person to receive an interest (other than collateral security interests

granted by the Company to secure its obligations) of 5% or more in the assets or profits of the Company shall also require the approval of the Members of the Company in accordance with Section 13.1(b).

(4) Any sale or other transfer of assets of the Company not in the ordinary course of business consistent with past practices (other than as provided in the approved annual Business Plan).

(5) The declaration or payment, directly or indirectly, of any distribution, whether in cash, property or securities or a combination thereof, with respect to any Units or Capital Contribution.

(6) The redemption, purchase, repurchase, retirement or other acquisition for value of any of the interests in, or securities of, the Company.

(7) The dissolution, liquidation, or voluntary bankruptcy of the Company (other than any right of liquidation expressly provided for under this Agreement).

(8) Approval of the annual Business Plan.

(9) Any investment in the equity or debt of another corporation or in any partnership or other enterprise (other than temporary investments of cash in money market instruments).

(10) Acceptance of annual financial statements.

(11) Approval of policies relating to the investment or allocation of surplus funds and creation of reserve accounts.

(12) Any change in the Company's accountants or any change in the Company's material accounting policies, except as required by generally accepted accounting principles.

(13) Subject to Section 4.2(e)(ii) below, the making of any capital expenditure or acquisition of assets by the Company (including by way of merger) other than capital expenditures or acquisitions of assets provided for in the then current approved annual Business Plan (or any permitted deviations from the capital budget which may be allowed by a current approved Business Plan) provided that, any such capital expenditure or acquisition shall be the subject of discussion and debate by the Members prior to it being submitted to the Board for a vote.

(14) Incurring, creating, assuming or guaranteeing any indebtedness by the Company, absolute or contingent of any nature whatsoever (other than indebtedness incurred in the ordinary course of business consistent with past practice or as provided for in a current approved Business Plan).

(15) The extension of any material credit, including the lending of funds by the Company, to another Person, other than in the normal course of business of the Company.

(16) Election of Executive Officers; the establishment or change in any Executive Officer's compensation or benefits of any kind; the establishment or amendment of any employee pension or other benefit programs of any kind; or action taken under any employment agreement.

(17) The institution, termination or settlement by the Company of any litigation where the amount in controversy exceeds $100,000.

(18) The formation of any Subsidiary.

(19) Any change in the Company's name.

(ii) The following action or type of transaction shall not be taken or consummated by the President or any other Officer, employee or agent of the Company except pursuant to a unanimous vote of the Directors:

The making of any capital expenditure which would cause the net working capital of the Company, in the aggregate, to fall below the levels of minimum net working capital as is necessary to satisfy the requirements, in the aggregate, of the Franchise Agreements of the Company.

(f) **Chairman.** The Chairman shall be elected by the Board, but shall have no other duties or powers except as may be determined by the Board from time to time.

(g) **President.** From time to time as appropriate, pursuant to Section 4.2(b) the Board shall elect a president of the Company who (subject to the terms of any applicable employment agreement) shall serve as such until the earlier of his death or resignation or his removal in accordance with the terms of this Agreement (the "**President**"). The President shall be the chief executive officer of the Company, and shall have the responsibility for managing the day-to-day business operations and affairs of the Company and supervising its other Officers, subject to the direction, supervision and control of the Board. In general, the President shall have such other powers and (subject to the terms of any applicable employment agreement) perform such other duties as usually pertain to the office of the President, and as from time to time may be assigned to him by the Board, including, without limitation, the authority to retain and terminate employees of the Company (other than Officers). The powers and duties of the President shall at all times be subject to the provisions of Section 4.2(e).

(h) **Vice President**. From time to time as appropriate, pursuant to Section 4.2(b), the Board may elect one or more vice presidents of the Company (each a "**Vice President**") who (subject to the terms of any applicable employment agreement) shall serve as such until the earlier of such persons death or resignation or his removal in accordance with the terms of this Agreement. A Vice President shall have such duties as may be prescribed by the Board or the President, under whose supervision the Vice President shall be.

(i) **The Secretary and Assistant Secretary**. The Secretary shall attend all meetings of the Board and all meetings of the Members and record all the proceedings of the meetings and all actions of the Members, the Board and the committees of the Board in a book to be kept for that purpose and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the Members and special meetings of the Board, and shall perform such other duties as may be prescribed by the Board or the President, under whose supervision the Secretary shall be. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board (or if there be no such determination, then in order of their election) shall, in the absence of the Secretary or in the event of the Secretary's inability to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

(j) **The Treasurer and Assistant Treasurer**. The Treasurer shall have the custody of the Company's funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Company as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President, under whose supervision the Treasurer shall be, and the Board, at its regular meetings, or when the Board so requires, an account of all of the Treasurer's transactions and of the financial condition of the Company. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of the Treasurer's inability to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

(k) **Subordinate Officers**. The Board from time to time may appoint such other subordinate Officers, or agents as it may deem advisable, each of whom shall have such title, hold office for such period, have such authority and perform such duties as the Board may determine in its sole discretion subject always to the direction and control of the President. The Board from time to time may delegate to one or more Officers or agents the power to appoint any such subordinate Officers or agents and prescribe their respective rights, terms of office, authorities and duties.

(l) **Officers as Agents**. The Officers, to the extent of their powers set forth in this Agreement, are agents of the Company for the purpose of the Company's business, and the actions of the Officers taken in accordance with such powers shall bind the Company.

4.3 Actions and Determinations of the Company.

Whenever this Agreement provides that a determination shall be made or an action shall be taken by the Company, such determination or act may be made or taken by the Board or, pursuant to this Agreement or with the required authorization of the Board, by any committee of the Board or any Officer acting under the supervision of the Board.

SECTION 5

OPERATING POLICIES

5.1 Annual Business Plan Process.

The President shall prepare and submit, or cause to have prepared and submitted, to the Board for its approval a business plan at least sixty (60) days prior to the beginning of each new Fiscal Year (each such business plan, a "**Business Plan**") covering the period of the new Fiscal Year (except for the Initial Business Plan, which shall cover the current Fiscal Year) (such one year period, the "**Business Plan Period**"). Each such Business Plan shall set forth, for each of the years covered by the Business Plan Period, the Company's expense budgets, and a detailed financial plan relating to such new Fiscal Year for the Company.

(a) Not more than thirty (30) days following its receipt of an annual Business Plan, the Board shall identify any additional information, clarification and/or modification required for its approval, and the President shall provide such to the Board as soon as practicable. Any approval granted by the Board shall apply only to the first year of any Business Plan Period and, in the event that the annual Business Plan for the next fiscal year is not approved by the close of the then current Fiscal Year, the then existing Business Plan shall continue as the approved Business Plan for a period of not more than 90 days following the close of the then current Fiscal Year.

(b) The President shall prepare and present, or have prepared and presented, at each regular meeting of the Board, or at any special meeting called for this purpose, a review of the Company's year-to-date progress in comparison to the approved Business Plan.

5.2 Insurance.

The Company will maintain insurance at levels and of types consistent with what would be deemed commercially reasonable for a company engaged in business activities substantially similar to that of the Business.

5.3 Fiscal Year.

The fiscal year of the Company (the "**Fiscal Year**") shall end on the 31st day of December in each year. The Company shall have the same fiscal year for income tax and for financial accounting purposes. To the extent permissible under applicable law, the Fiscal Year may be changed by a Majority Board Vote.

5.4 Initial Accountants; Change of Accountants.

The Company's independent public accountant as of the Closing shall be Deloitte & Touche LLP. The Company's independent public accountant may be changed at any time by a Majority Board Vote.

5.5 Loans from Members.

Any loan from a member or its affiliate to the Company shall bear interest at a rate defined as 100 basis points in excess of such member's parent company senior credit facility marginal rate or if there is no such facility, upon a rate to be agreed by the Members. Repayments of any such loans will be reasonably agreed by PAG and NAL.

SECTION 6

CAPITAL CONTRIBUTIONS, UNITS, CAPITAL ACCOUNTS AND ADVANCES

6.1 Capital Contributions.

The value of each Member's initial capital contribution to the Company shall equal the amount set forth opposite the Member's name on ***Schedule A*** attached hereto.

6.2 Member's Units.

Units held by a Member shall for all purposes be personal property. A Member has no interest in specific Company property.

6.3 Status of Capital Contributions.

(a) Except as otherwise expressly provided herein, no Member shall have the right to withdraw capital from the Company or to receive any distribution or return of such Member's Capital Contributions.

(b) No Member shall receive any interest, salary or drawing with respect to its Capital Contributions, if any, or its Capital Account or for services rendered on behalf of the Company or otherwise in its capacity as a Member, except as otherwise specifically provided in this Agreement.

(c) The Members shall be liable only to make their initial Capital Contributions pursuant to Section 6.1, and no Member shall be required to lend any funds to the Company or to make any additional Capital Contributions to the Company except as otherwise set forth herein.

6.4 Capital Accounts.

A separate capital account (each a "**Capital Account**") for each Member shall be established on the books and records of the Company and such Capital Accounts shall be maintained for each Member in accordance with the following provisions:

(a) To each Member's Capital Account there shall be credited such Member's Capital Contributions, such Member's distributive share of Net Profit and items in the nature of income or gain which are specially allocated to such Member pursuant to Section 6.4(f) and Section 7.2 hereof, and the amount of any Company liabilities assumed by such Member or which are secured by any Company property distributed to such Member.

(b) To each Member's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any Company property distributed to such Member pursuant to any provision of the Agreement (including amounts distributed to a Member but required to be paid on such Member's behalf directly to a creditor or another party pursuant to a separate agreement), such Member's distributive share of Net Loss and any items in the nature of expenses or losses which are specially allocated pursuant to Section 6.4(f) and Section 7.2 hereof, and the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company.

(c) In the event all or a portion of the Units held by a Member are transferred in accordance with the terms of the Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred Units.

(d) In determining the amount of any liability for purposes of Sections 6.4(a) and 6.4(b) hereof, there shall be taken into account Code Section 752 and any other applicable provisions of the Code and Treasury Regulations.

(e) Immediately prior to the occurrence of an event specified in Treasury Regulation Section 1.704(b)-1(b)(2)(iv)(f)(5)(i) or (ii), the Capital Accounts of the Members shall be adjusted (consistent with the provisions hereof and Treasury Regulations under Section 704 of the Code) upward or downward to reflect any unrealized gain or unrealized loss attributable to property of the Company, as if such unrealized gain or unrealized loss had been recognized upon an actual sale of each asset immediately prior to such event and had been allocated first to equalize the Capital Accounts of the Members in proportion to their Percentage Interest. In determining such unrealized gain or unrealized loss, the fair market value of the property of the Company as of any date of determination shall be reasonably determined by Majority Board Vote. This Section 6.4(e) provision is intended to meet the requirements of Treas. Reg. 1.704-1(b)(2)(iv)(f).

(f) This Section 6.4 and other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Treasury Regulations. Notwithstanding that a particular adjustment is not set forth in this Section 6.4, the Capital Accounts of the Members shall be adjusted as required by, and in accordance with, the capital account maintenance rules of Treasury Regulations Section 1.704-1(b).

6.5 Negative Capital Accounts.

No Member shall be required to make up an Adjusted Capital Account Deficit nor pay to any Member the amount of any such deficit in any such account.

6.6 Loans From Members.

Loans by a Member to the Company shall not be considered Capital Contributions. If any Member shall advance funds to the Company in excess of the amounts required hereunder to be contributed by such Member to the capital of the Company, the making of such advances shall not result in any increase in the amount of the Capital Account of such Member. The amounts of any such advances shall be a debt of the Company to such Member and shall be payable or collectible only out of the Company assets in accordance with the terms and conditions upon which such advances are made. The repayment of loans from a Member to the Company upon liquidation shall be subject to the order of priority set forth in Section 13.2.

SECTION 7

ALLOCATIONS OF PROFITS AND LOSSES

7.1 <u>Allocations of Net Profit and Net Loss</u>.

(a) After giving effect to the special allocations set forth in Section 6.4(e) and Section 7.2 hereof, Net Profit of the Company for any Fiscal Year shall be allocated to each Member by multiplying the Net Profit of the Company for any Fiscal Year by a fraction, the numerator of which shall be the cumulative Net Losses allocated to the Member pursuant to Section 7.1(b) for all prior fiscal years and the denominator which shall be cumulative Net Losses allocated to all Members pursuant to Section 7.1(b) for all prior Fiscal Years. The balance of the Net Profits, if any, shall be allocated among the Members in proportion to their Percentage Interest.

(b) After giving effect to the special allocations set forth in Section 6.4(f) and Section 7.2 hereof, Net Losses of the Company for any Fiscal Year shall be allocated among the Members in proportion to their Percentage Interest.

(c) Notwithstanding the foregoing provisions of Section 7.1(b), the Net Losses allocated pursuant to Section 7.1(b) shall not exceed the maximum amount of Net Losses that can be so allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Fiscal Year. In the event some but not all of the Members would have Adjusted Capital Account Deficits as a consequence of an allocation of Net Losses pursuant to Section 7.1(b) hereof, the limitation set forth in this Section 7.1(c) shall be applied on a Member by Member basis so as to allocate the maximum permissible Net Loss amounts to each Member under Treasury Regulations Section 1.704-1(b)(2)(ii)(d). All Net Loss amounts in excess of the limitation set forth in this Section 7.1(c) shall be allocated to the Members in proportion to their Percentage Interest

7.2 <u>Special Allocations</u>.

(a) Any allocation pursuant to Section 7.1 will be subject to the following adjustments and special allocations which shall be made in the following order of priority and prior to any allocation under Section 7.1:

(i) **<u>Minimum Gain Chargeback</u>**. Notwithstanding any other provision of this Section 7.2, if there is a net decrease in Company Minimum Gain or Member Minimum Gain during any Fiscal Year, prior to any other allocation pursuant hereto, items of Company income and gain for such Fiscal Year (and, if necessary, subsequent Fiscal Years) shall be specially allocated between the Members in accordance with Treasury Regulations Sections 1.704-2(f) and (i). The items to be so allocated shall be determined in accordance with Treasury Regulations Section 1.704-2(f)(6) and 1.704-2(j)(2)(i) through (iii).

(ii) **<u>Qualified Income Offset</u>**. If any Member unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient

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to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible, provided that an allocation pursuant to this Section 7.2(a)(ii) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 7.2(a) have been tentatively made as if this Section 7.2(a)(ii) were not in the Agreement.

(iii) **<u>Special Income Allocation</u>**. If any Member has an Adjusted Capital Account Deficit in its Capital Account at the end of any Fiscal Year or portion thereof that is in excess of the sum of (I) the amount such Member is obligated to restore pursuant to any provision of this Agreement, and (II) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations, each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 7.2(a)(iii) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit in excess of such sum after all other allocations provided for in this Section 7.2(a) have been made as if this Section 7.2(a)(iii) were not in the Agreement.

(iv) **<u>Non-recourse Deductions</u>**. Non-recourse Deductions, if any, for any Fiscal Year shall be allocated (as nearly as possible) under Treasury Regulations Section 1.704-2(e) among the Members in proportion to their Percentage

Interest.

(v) **Member Nonrecourse Deductions**. In accordance with the principles set forth in Treasury Regulations Section 1.704-2(i), any Member Nonrecourse Deductions for any Fiscal Year shall be allocated to the Members in accordance with the ratios in which they potentially bear the economic risk of loss with respect to such Member Nonrecourse Debt.

(vi) **Section 754 Adjustments**. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) or 743(b) of the Code is required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) to be taken into account in determining Capital Accounts as a result of a distribution to a Member in complete liquidation of its interest, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset), or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated in a manner consistent with the manner in which the Capital Accounts of the Members are required to be adjusted pursuant to such Section of the Regulations.

(b) **Curative Allocations**. It is the intent of the parties that, to the extent possible, all allocations pursuant to Sections 7.2(a)(i) through 7.2(a)(vi) (the "**Regulatory Allocations**") shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 7.2(b). Therefore, notwithstanding any other provision of this Agreement (other than Sections 7.2(a)(i) through 7.2(a)(vi)), the Board shall make such offsetting special allocations of Company income, gain, loss or deductions as are appropriate so that after

such offsetting allocations are made, each Members Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if Sections 7.2(a)(i) through 7.2(a)(vi) were not part of this Agreement and all Company items were allocated pursuant to Section 7.1 of this Agreement.

7.3 Tax Allocations.

Items of income, gain, loss, deduction and credit of the Company shall, for each Fiscal Year, be allocated, for U.S. federal, state and local income tax purposes, among the Members in the same manner as the items of income, gain, loss, deduction and credit were allocated to such Members pursuant to Section 6.4(e), Section 7.1 and Section 7.2 hereof. Notwithstanding the foregoing, in accordance with Code Section 704(c) and the Treasury Regulations thereunder, items of income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted tax basis of such property at the time of contribution to the Company for federal income tax purposes and its Gross Asset Value at the time of contribution using the "remedial allocation method" set forth in Treasury Regulation 1.704-3(d). In the event the Gross Asset Value of any Company asset is adjusted in accordance with the definition of Gross Asset Value hereof, subsequent allocations of items of income, gain, loss, and deductions with respect to such asset shall take account of any variation between the adjusted tax basis of such asset for federal income tax purposes and its adjusted Gross Asset Value in a manner consistent with the principles of Code Section 704(c) and the Treasury Regulations thereunder. Allocations pursuant to this Section 7.3 are solely for purposes of U.S. federal, state, and local income taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Net Profit or Net Loss, other items, or distributions pursuant to any provision of this Agreement.

7.4 Transfer or Change in Member Interests.

If the respective Units held by the existing Members in the Company change or if a Unit is transferred to any other person or entity, then, for the Fiscal Year of transfer, all income, gains, losses, deductions, tax credits and other tax incidents resulting from the operations of the Company shall be allocated, as between the transferor and the transferee, by taking into account their varying interests in accordance with Section 706 of the Code.

SECTION 8

DISTRIBUTIONS AND WITHHOLDING

8.1 Distributions.

The Company shall not make any distributions to its Members except as determined by the Board in accordance with Section 4.2(e) or except as otherwise provided herein. Except as otherwise expressly provided herein, all Distributions shall be made to Members pro rata in accordance with their respective Percentage Interest.

8.2 Limitations on Distribution.

Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to any Member on account of its interest in the Company if such distribution would violate Section 18-607 of the Delaware Act.

8.3 Withholding Taxes.

If the Company is required to withhold any portion of any amounts distributed or allocated to a Member by applicable U.S. federal, state, local or foreign tax laws, the Company may withhold such amounts and make such payments to taxing authorities as are necessary to ensure compliance with such tax laws. Any funds withheld by reason of this Section 8.3 shall nonetheless be deemed distributed to the Member in question for all purposes under this Agreement. If the Company did not withhold from actual distributions any amounts it was required to withhold, the Company may, at its option, (i) require the Member to which the withholding was credited to reimburse the Company for such withholding; or (ii) reduce any subsequent distributions to such Member by the amount of such withholding. The obligation of a Member to reimburse the Company for taxes that were required to be withheld shall continue after such Member transfers or liquidates its interest in the Company. Each Member agrees to furnish the Company with any representations and forms as shall reasonably be requested by the Company to assist in determining the extent of, and in fulfilling, any withholding obligations it may have.

8.4 **Tax Distributions**.

At a minimum, the Company shall make annual cash distributions each year to each Member in an amount determined by multiplying (i) such Member's taxable income resulting from the pass through allocations of the Company's income and gain to such Member by (ii) the highest rate applicable to any of the Members under applicable state and federal income tax laws. Such amount shall be reduced by the distributions received pursuant to Section 8.5 below.

8.5 **Adjusted Net Cash Distributions**.

The Company shall distribute not less than Eighty Percent (80%) of the Adjusted Net Cash on, at a minimum, a quarterly basis to the Members in proportion to their Percentage Interest.

SECTION 9

TAX MATTERS

9.1 **Tax Matters Member**.

(a) PAG is hereby designated as the initial "Tax Matters Member" ("**TMM**") of the Company under Section 6231 of the Code and the Treasury Regulations thereunder. Each Member hereby consents to such designation and agrees that upon the request of the Company it will execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such consent. Upon the resignation or bankruptcy of PAG, or upon the failure of PAG to carry out the responsibilities of a TMM in a timely fashion, a successor to serve in such capacity shall be designated by vote of Members holding a majority of the interests in the Company. The TMM may employ experienced tax counsel to represent the Company in connection with any audit or investigation of the Company by the Internal Revenue Service ("**IRS**"), and in connection with all subsequent administrative and judicial proceedings arising out of such audit. The fees and expenses of such counsel shall be a Company expense and shall be paid by the Company. Such counsel shall be responsible for representing the Company; it shall be the responsibility of the Members, at their own expense, to employ tax counsel to represent their respective separate interests. The TMM shall keep the Members informed of all administrative and judicial proceedings as required by Code Section 6223(g) and shall furnish to each Member a copy of each notice

or other communication received by the TMM from the IRS except such notice or communication sent directly to the Members by the IRS. All expenses incurred by the TMM in serving in such capacity shall be Company expenses and shall be paid by the Company.

(b) Notwithstanding the foregoing, prior to taking any of the following actions the Company shall provide notice to the Members and shall provide the Members with a reasonable period of time in which to review and approve such action (which approval shall not be unreasonably withheld):

(i) Any written correspondence or filings and any settlements in connection with any income tax audit of the Company or any other tax audit involving material taxes of the Company, including administrative settlement and judicial review.

(ii) Except as set forth in Section 9.1(a) and Section 9.2, the making of any tax election.

(iii) Any adjustment to the capital accounts of the Members in connection with Section 6.4(e) and Section 6.4(f).

(iv) Approval of any income tax return of the Company and any other tax return of the Company which reflects the tax treatment of any item arising in connection with actions described in Section 4.2(e)(i)(1),(4), (5), (6) or (7) or 4.2(e)(ii) (2), (5) or (7).

(v) Any allocation made pursuant to Section 7.2, and any decision to revise, alter or otherwise modify the methods of allocation set forth in Section 7 hereof.

9.2 **Right to Make Section 754 Election**.

The TMM may make an election under Section 754 of the Code to the extent requested by any Member. Each Member shall, upon request of the TMM, at such Member's cost, promptly supply the TMM information reasonably necessary to give effect to such election.

9.3 Taxation as Partnership.

The Company shall be treated as a partnership for United States federal and state income tax purposes and the Members agree not to take any action inconsistent with the Company's classification as a partnership for United States federal and State income tax purposes. By executing this Agreement, each of the Members hereby consents to, and the TMM shall, take any action necessary, including, without limitation, the execution of any forms and documents, for the Company to be treated as a partnership for United States federal and state income tax purposes.

SECTION 10

BANKING; ACCOUNTING; BOOKS AND RECORDS

10.1 Banking.

All funds of the Company may be deposited in such bank, brokerage or money market accounts as shall be established by the Company. Withdrawals from and checks drawn on any such account

shall be made upon the President's signature and/or such other signature or signatures as the Board may designate.

10.2 Maintenance of Books and Records; Accounts and Accounting Method; Inspection.

(a) The Company shall keep or cause to be kept at the address of the Company (or at such other place as the Company shall advise the Members in writing) full and accurate accounts of the transactions of the Company in proper books and records of account which shall set forth all information required by the Delaware Act. Such books and records shall be maintained on the basis of United States generally accepted accounting principles, to the extent that such principles are not inconsistent with the other provisions of this Agreement. Such books and records shall be available, upon reasonable notice to the Company, for inspection and copying at reasonable times during business hours by a Member or its duly authorized agents or representatives for any purpose reasonably related to such Member's interest as a member in the Company.

(b) Employees, agents and representatives of PAG shall have full access to the plants and properties of the Company and its Subsidiaries for the purpose of inspecting such plants and properties and the operations thereon during normal business hours, in a manner that does not unduly disrupt the business or operations of the Company and upon the prior written notice to the President of the Company of any such inspection.

SECTION 11

REPORTS TO MEMBERS

11.1 Reports to Current Members.

(a) The Company shall use its good faith efforts to prepare and mail to each Member, within 90 days after the end of each Fiscal Year and 45 days after the end of each quarter thereof other than the last quarter of the Fiscal Year, a financial report (upon request of PAG, audited in the case of a report sent as of the end of a Fiscal Year and unaudited in the case of a report sent as of the end of a quarter) setting forth as of the end of such Fiscal Year or quarter (i) the assets and liabilities of the Company as of the end of such Fiscal Year or quarter, (ii) the income or loss of the Company for such Fiscal Year or quarter and (iii) the changes in cash flow during such Fiscal Year or quarter.

(b) The Company shall use its good faith efforts to prepare and mail to each Member, within 100 days after the end of each Fiscal Year a financial report setting forth as of the end of such Fiscal Year such Member's closing Capital Account as of the end of such Fiscal Year, together with a reconciliation of the changes from the previous report.

(c) The Company shall distribute monthly unaudited financial information to the members.

11.2 Tax Information.

(a) No later than April 10, June 10, September 10 and December 10 of each Fiscal Year, the Company shall deliver to each Person that was a Member at any time during the quarter in which or immediately preceding which such date occurs a statement of such Person's distributive share, if any, of items of income, gain, loss, deduction and credit of the

Company for such quarter and such other information as may be reasonably necessary for such Person to make its estimated tax payments.

(b) As soon as practicable after the end of the Fiscal Year, but in no event later than 45 days after the end of the Fiscal Year, the Company shall deliver to each Person that was a Member at any time during such Fiscal Year a final statement of such Person's reasonably determined distributive share, if any, of items of income, gain, loss, deduction and credit of the Company for such Fiscal Year and such other information as may be reasonably necessary for such Person to complete its tax returns (including copies of any tax returns that have been filed by the Company).

(c) The Company shall provide each Member with a copy of any tax return described in Section 9.1(b)(iv) hereof for such Member's review at least twenty (20) business days before the due date of such tax return.

11.3 **<u>Additional Information</u>**.

Upon the request of any Member, the Company shall, at the request of a Member, furnish such additional information about the Company and distributions from the Company reasonably related to such Member's interest in the Company. Without limiting the foregoing sentence, the Company agrees to use its good faith efforts to make available to any Member which accounts for its interest on the equity method (whether or not the Company is publicly reporting), such financial information as may be reasonably required by such Member. The Company agrees to use its good faith efforts to provide such information to any such Member at a date which will allow such Member a reasonable period of time in which to incorporate such information into any filings to be made by such Member. In the event the Company is subject to the reporting obligations of the Securities and Exchange Act of 1934 resulting from the minority interest owned by NAL, NAL agrees to reimburse the Company for any reasonable out-of-pocket costs incurred in connection with making those filings.

SECTION 12

LIABILITY, EXCULPATION AND INDEMNIFICATION

12.1 **<u>Liability</u>**.

Except as otherwise provided herein or by the Delaware Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Covered Person shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Covered Person.

12.2 **<u>Exculpation</u>**.

(a) **<u>Generally</u>**. No Covered Person shall be liable to the Company or any Member for any act or omission taken or suffered by such Covered Person in good faith and in the reasonable belief that such act or omission is in or is not contrary to the best interests of the Company and is within the scope of authority granted to such Covered Person by this Agreement, <u>provided</u> that such act or omission is not in material violation of this Agreement and does not constitute Disabling Conduct by the Covered Person. No Member shall be liable to the Company or any Member for any action taken by any other Member.

(b) **<u>Reliance Generally</u>**. A Covered Person shall incur no liability in acting upon any signature or writing reasonably believed by it to be genuine, and may rely on a certificate signed by an executive officer of any Person in order to ascertain any fact with respect to such Person or within such Person's knowledge and may rely on an opinion of counsel selected by such Covered Person with respect to legal matters, except to the extent that such liability resulted from the Covered Person having engaged in Disabling Conduct. Each Covered Person may act directly or through its agents or attorneys. Each Covered Person may consult with counsel, appraisers, engineers, accountants and other skilled Persons of its choosing, and shall not be liable for anything done, suffered or omitted in good faith in reasonable reliance upon the advice of any of such Persons, except to the extent that such Covered Person engaged in Disabling Conduct. No Covered Person shall be liable to the Company or any Member for any error of judgment made in good faith by a responsible officer or officers of the Covered Person, except to the extent that such liability resulted from the Covered Person having engaged in Disabling Conduct. Except as otherwise provided in this Section 12.2, no Covered Person shall be liable to the Company or any Member for any mistake of fact or judgment by the Covered Person in conducting the affairs of the Company or otherwise acting in respect of and within the scope of this Agreement, except to the extent that such liability resulted from the Covered Person having engaged in Disabling Conduct. No Covered Person shall be liable for the return to any Member of all or any portion of any Member's Capital Account or Capital Contributions, except to the extent that such liability resulted from the Covered Person having engaged in Disabling Conduct.

(c) **<u>Reliance on this Agreement</u>**. To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Company or to the Members, any Covered Person acting under this Agreement or otherwise shall not be liable to the Company or to any Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of such Covered Person.

(d) **<u>Standard of Care</u>**. Whenever in this Agreement a Person is permitted or required to make a decision (i) except the Directors in connection with the discharge of their duties as Members of the Board in its "sole and absolute discretion," "sole discretion," "discretion" or under a grant of similar authority or latitude, the Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting any other Member, the Company or any other Person, or (ii) in its "good faith" or under another express standard, the Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or other applicable law.

12.3 Indemnification.

(a) **Indemnification Generally**. The Company shall and hereby does, to the fullest extent permitted by applicable law, indemnify, hold harmless and release each Covered Person from and against all claims, demands, liabilities, costs, expenses, damages, losses, suits, proceedings and actions, whether judicial, administrative, investigative or otherwise, of whatever nature, known or unknown, liquidated or unliquidated ("**Claims**"), that may accrue to or be incurred by any Covered Person, or in which any Covered Person may become involved, as a party or otherwise, or with which any Covered Person may be

threatened, relating to or arising out of the business and affairs of, or activities undertaken in connection with, the Company, or otherwise relating to or arising out of this Agreement, including, but not limited to, amounts paid in satisfaction of judgments, in compromise or as fines or penalties and counsel fees and expenses incurred in connection with the preparation for or defense or disposition of any investigation, action, suit, arbitration or other proceeding (a "**Proceeding**"), whether civil or criminal (all of such Claims and amounts covered by this Section 12.3. and all expenses referred to in Section 12.3(c), are referred to as "**Damages**"), except to the extent that it shall have been determined ultimately that such Damages arose from Disabling Conduct of such Covered Person or that such Covered Person committed a material breach of this Agreement. The termination of any Proceeding by settlement shall not, of itself, create a presumption that any Damages relating to such settlement arose from a material violation of this Agreement by, or Disabling Conduct of, any Covered Person.

(b) **No Direct Member Indemnity**. Members shall not be required directly to indemnify any Covered Person.

(c) **Expenses, etc**. Expenses incurred by a Covered Person in defense or settlement of any Claim that may be subject to a right of indemnification hereunder may be advanced by the Company prior to the final disposition thereof upon receipt of an agreement by or on behalf of the Covered Person to repay such amount if it shall be determined ultimately that the Covered Person is not entitled to be indemnified hereunder. The right of any Covered Person to the indemnification provided herein shall be cumulative with, and in addition to, any and all rights to which such Covered Person may otherwise be entitled by contract or as a matter of law or equity and shall extend to such Covered Person's successors, assigns and legal representatives.

(d) **Notices of Claims, etc**. Promptly after receipt by a Covered Person of notice of the commencement of any Proceeding, such Covered Person shall, if a claim for indemnification in respect thereof is to be made against the Company, give written notice to the Company of the commencement of such Proceeding, provided that the failure of any Covered Person to give notice as provided herein shall not relieve the Company of its obligations under this Section 12.3 except to the extent that the Company is actually prejudiced by such failure to give notice. In case any such Proceeding is brought against a Covered Person (other than a derivative suit in right of the Company), the Company will be entitled to participate in and to assume the defense thereof to the extent that the Company may wish, with counsel reasonably satisfactory to such Covered Person. After notice from the Company to such Covered Person of the Company's election to assume the defense thereof (and corresponding expenses), the Company will not be liable for expenses subsequently incurred by such Covered Person in connection with the defense thereof. The Company will not consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Covered Person of a release from all liability in respect to such Claim.

(e) **No Waiver**. Nothing contained in this Section 12.3 shall constitute a waiver by any Member of any right that it may have against any party under United States federal or state securities laws.

SECTION 13

TRANSFER OF UNITS; WITHDRAWAL, BANKRUPTCY, DISSOLUTION; CERTAIN ADMISSIONS OF MEMBERS

13.1 Admission, Substitution and Withdrawal of Members; Assignment.

(a) **General**. Except as set forth in this Section 13, no Person may be admitted to, and no Member may withdraw from, the Company prior to the dissolution and winding up of the Company. No Member shall sell, transfer, assign, convey, pledge, mortgage, encumber, hypothecate or otherwise dispose of all or any part of its interest in the Company (a "**Transfer**") without first complying with the provisions of this Section 13.1.

(b) **Admission of New Members and Issuance of Interests**. No person shall be admitted as a new Member and the Company shall not authorize the issuance of interest in the Company of any kind that could or would entitle the recipient thereof to the rights of a Member or that would cause (or entitle) such person to receive an interest (other than collateral security interests granted by the Company to secure its obligations) in the assets or profits of the Company unless approved by a Majority Board Vote as defined in Section 4.1(g).

(c) **Conditions to Transfer**. Any purported Transfer by a Member pursuant to the terms of this Section 13 shall be subject to the satisfaction of the following conditions:

(i) the transferring Member or transferee shall undertake to pay all reasonable expenses incurred by the Company in connection therewith;

(ii) the Company shall receive from the transferring Member a legal opinion, in form and substance reasonably satisfactory to the nontransferring Members, to the effect that the transfer will not result (directly or indirectly) in (A) a termination of the Company under any Section of the Code that would require the non-transferring Members to recognize gain under Section 731 of the Code, or (B) treatment of the Company as an entity other than a partnership for purposes of the Code;

(iii) the Company shall receive from the Person to whom such Transfer is to be made (A) such documents, instruments and certificates as may be requested by the Company, pursuant to which such transferee shall agree to be bound by this Agreement, (B) such other documents, opinions, instruments and certificates as the Company shall reasonably request and (C) a counterpart of this Agreement executed by or on behalf of such Person; and

(iv) the Company shall have received any approvals required by its Franchise Agreements.

(d) **Cooperation by the Company**. The Company shall provide reasonable assistance to any Member at such Member's request seeking to sell its Units in compliance with this Agreement, provided that the Company shall not be required to provide any confidential information to any prospective purchaser who has not executed a confidentiality

agreement in form reasonably satisfactory to the Company. Any costs to the Company of providing such assistance shall be paid by the Member seeking to sell its Units.

(e) **Prohibited Transfers**. No attempted Transfer shall be recognized by the Company unless effected in accordance with and as permitted by this Agreement.

(f) **Right of First Refusal**. PAG shall have a right of first refusal to purchase all of the NAL interest on the terms that NAL offers such interest to a third party, whether or not pursuant to a written agreement. PAG shall have twenty (20) days after receipt of written notice from NAL that it intends to sell its interest to exercise this right of first refusal and NAL shall furnish PAG with a copy of the proposed sale agreement or other documentation evidencing its intent to sell along with the notice. If PAG fails to exercise its right, any attempted Transfer of the NAL interest to a third party must still meet the conditions to Transfer set forth in Section 13.1(c) to become effective.

(g) **Tag Along Right**. If PAG intends to enter into an agreement (the "**Proposed Sale Agreement**") to sell, assign, transfer or otherwise dispose of its Percentage Interest to a third party purchaser (the "**Transaction**") which, as a result of such Transaction, Penske Corporation, Penske Automotive Group, Inc. or an Affiliate thereof, would no longer Control the Company, then NAL shall have the right to sell its Percentage Interest to such third party purchaser as part of the Transaction on a pro rata basis. The purchase price for NAL's Percentage Interest shall be equal to the purchase price proposed for all or a portion of PAG's Percentage Interest adjusted on a pro rata basis taking into account NAL's and PAG's Percentage Interest in the Company. PAG shall provide NAL with a written copy of a Proposed Sale Agreement, and NAL shall provide PAG with written notice within fifteen (15) days thereafter should it wish to become a party to the Proposed Sale Agreement upon the terms set forth in the Proposed Sale Agreement which shall include the purchase price terms for NAL's Percentage Interest set forth above. NAL shall receive the same proportionate consideration (on a pro rata basis) as part of the Transaction that is received by PAG.

13.2 Withdrawal.

No Member shall have the right to withdraw from the Company and no Member shall take any action to accomplish its voluntary dissolution.

13.3 Purchase Rights.

PAG shall have the right to purchase all, but not less than all, of the Percentage Interest of NAL upon the occurrence of any Buy-Out Event, which right shall be assignable by PAG, exercisable within sixty (60) days of the later of occurrence of the Buy-Out Event or PAG's becoming aware of the Buy-Out Event (the "**PAG Exercise Period**"). If PAG elects to exercise such right, it shall provide notice (including, without limitation, the price to be paid for the Percentage Interest (the "**PAG Purchase Price**")) to NAL during the PAG Exercise Period. For a period of fifteen (15) calendar days thereafter (the "**PAG Appraisal Period**"), if NAL believes that the PAG Purchase Price does not reflect the fair market value of the Percentage Interest, it may elect to have the fair market value of the Percentage Interest determined by a Qualified Appraiser by providing written notice of such election to PAG. The fees and costs associated with such an appraisal shall be split between the parties. Within sixty (60) calendar days of (i) the expiration of the PAG Appraisal Period; or (ii) if applicable, the determination of the fair market value by a Qualified Appraiser (the "**PAG Closing Date**"), PAG (or its assignee) shall provide payment of the PAG Purchase Price or, if applicable, the fair market value of the Percentage Interest. If PAG (or its assignee) does not purchase the Percentage Interest of NAL on or before the Closing Date, then all rights to purchase the Percentage Interest pursuant to this section shall terminate. In the event that PAG does not exercise their option to purchase the Percentage Interest upon the occurrence of a Buy-Out Event and, as a result of a Buy-Out Event, the Percentage Interest is Transferred to a transferee, such transferee has no right to become a Member unless admitted to membership in accordance with Section 13.1(b). Such transferee shall not participate in the management of the business and affairs of the Company and is only entitled to receive the share of profits or other compensation by way of income and the return of contributions, to which NAL would otherwise be entitled.

SECTION 14

DISSOLUTION AND TERMINATION OF THE COMPANY

14.1 Events Causing Dissolution.

(a) **Dissolution Events**. There will be dissolution of the Company and its affairs shall be wound up upon the first to occur of any of the following events:

(i) the written consent of all Members;

(ii) the death, retirement, resignation, expulsion, bankruptcy or dissolution (any of the foregoing, a "**Withdrawal**") of any Member (in such capacity, the "**Withdrawing Member**") unless, within ninety days after the occurrence of such an event Members holding a majority of the Units of all of the remaining Members agree in writing to continue the business of the Company and to the appointment, if necessary or desired, effective as of the date of such event, of one or more new Members; or

(iii) the entry of a decree of judicial dissolution under Section 18-802 of the Delaware Act.

(b) If the remaining Members decide to continue the Company pursuant only to Section 14.1(a)(ii), the Company shall inform the Withdrawing Member of such decision by written notice delivered within ninety (90) days of the occurrence of the Withdrawal. If the Members so elect to continue the Company, the Withdrawing Member shall no longer be a Member of the Company and the Company (and/or the other Members) shall make payment in cash in liquidation of the Withdrawing Member's interest in the Company. Any such payment shall be equal to the Withdrawing Member's capital account minus any costs, fees or expenses of the Company and the non-withdrawing members related to the Withdrawal.

14.2 Liquidation.

Upon dissolution of the Company, the Person or Persons approved as provided in Section 14.4(b) to carry out the winding up of the Company (in such capacity, the "**Liquidating Trustee**") and shall proceed, subject to the provisions herein, to liquidate the Company and apply the proceeds of such liquidation, or at the discretion of the Members to distribute Company assets, in the following order of priority:

(a) First, to creditors (including creditors that are also Members) in satisfaction of debts and liabilities of the Company, whether by payment or the making of reasonable provision for payment (including any loans or advances that may have been made by any of the Members to the Company), and the expenses of liquidation, whether by payment or the making of reasonable provision for payments, any such reasonable reserves (which may be funded by a liquidating trust) to be established by the Liquidating Trustee, as the case may be, in amounts deemed by it to be reasonably necessary for the payment of the Company's expenses, liabilities and other obligations (whether fixed or contingent); and

(b) Second, to the Members in proportion to, and to the extent of, each Member's Capital Account, as such Capital Account has been adjusted pursuant to Section 6.4, any remainder to be distributed among the Members in accordance with their respective Percentage Interest.

14.3 Distributions in Cash or in Kind.

(a) Upon the dissolution of the Company, the Liquidating Trustee shall use its good faith efforts to liquidate all of the Company assets in an orderly manner and apply the proceeds of such liquidation as set forth in Section 14.2, or if in the good faith business judgment of the Liquidating Trustee a Company asset should not be liquidated, the Liquidating Trustee shall allocate, on the basis of the Value of any Company assets not sold or otherwise disposed of, any unrealized gain or loss based on such Value to the Members' Capital Accounts as though the assets in question had been sold on the date of distribution and, after giving effect to any such adjustment, distribute said assets in accordance with Section 14.2, provided that the Liquidating Trustee will in good faith attempt to liquidate sufficient Company assets to satisfy in cash (or make reasonable provision for) the debts and liabilities referred to in paragraph First of Section 14.2.

14.4 Time and Manner for Liquidation, etc.

(a) A reasonable time period shall be allowed for the orderly winding up and liquidation of the assets of the Company and the discharge of liabilities to creditors so as to enable the Liquidating Trustee to seek to minimize potential losses upon such liquidation. The provisions of this Agreement shall remain in full force and effect during the period of winding up and until the filing of a certificate of cancellation of the Company with the Secretary of State of the State of Delaware.

(b) In the event of a liquidation of the Company, the Members shall jointly approve the Person to act as Liquidating Trustee and shall be entitled to direct the manner and timing under which such Liquidating Trustee shall proceed to liquidate the Company. All Members shall be promptly informed of any directions given by another Member to the Liquidating Trustee and of the progress of the liquidation.

14.5 Termination.

Upon completion of the foregoing, the Liquidating Trustee shall execute, acknowledge and cause to be filed a certificate of cancellation of the Company with the Secretary of State of the State of Delaware.

14.6 Claims of the Members.

The Members and former Members shall, other than for a breach of this Agreement, gross negligence or willful misconduct, look solely to the Company's assets for the return of their Capital Contributions, and if the assets of the Company remaining after payment of or due provision for all debts, liabilities and obligations of the Company are insufficient to return such Capital Contributions, the Members and former Members shall have no recourse against any Member, any Manager or any Member's or Manager's Affiliates.

SECTION 15

DEFINITIONS

15.1 Definitions.

Unless the context otherwise requires, the terms defined in this Section 15.1 shall, for the purposes of this Agreement, have the meanings herein specified.

"***Adjusted Capital Account Deficit***" shall mean, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Fiscal Year after giving effect to the following adjustments: (a) credit to such Capital Account any amounts that such Member is obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and (b) debit to such Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6). This definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

"Adjusted Net Cash" means an amount that is reasonably determined by the Chief Financial Officer of Penske Automotive Group, Inc. and the President of the Company.

"***Affiliate***" of any entity or Person shall mean any other entity or person Controlling, Controlled by, or under Common Control with, such entity or Person.

"***Agreement***" shall mean this Limited Liability Company Agreement, as amended, modified, supplemented or restated from time to time.

"***Associate***" shall have the meaning ascribed to such term in Rule 12b-2 of the Securities Exchange Act of 1934, as amended.

"***Business***" is defined in the Recitals to this Agreement.

"***Business Day***" shall mean any day on which banks located in New York City are not required or authorized by law to remain closed.

"***Buy-Out Event***" means any of the following: (a) NAL institutes or consents to any proceeding under Debtor Relief Laws relating to NAL or to all or any part of NAL's property; (b) NAL is unable or admits in writing to the inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; (c) NAL applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer or for all or any part of its property; (d) NAL applies for or consents to liquidation or dissolution or all or substantially all of its property; (e) any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of NAL; (f) any proceeding under Debtor Relief Laws relating to NAL or to all or any part of its property is instituted; or (g) NAL is determined to be an Unsuitable Person and it fails to take the necessary steps to change such determination within twenty (20) days' time.

"***Capital Account***" shall mean, with respect to any Member, the account maintained for such Member in accordance with the provisions of Section 6.4.

"***Capital Contribution***" shall mean, with respect to any Member, the amount of money and the Gross Asset Value of property contributed by such Member to the Company pursuant to Article VI hereof and as set forth on Schedule A.

"***Certificate***" shall mean the Company's Certificate of Formation and any and all amendments thereto and restatements thereof filed on behalf of the Company with the office of the Secretary of State of the State of Delaware pursuant to the Delaware Act.

"***Claims***" shall have the meaning set forth in Section 12.3(a).

"***Code***" shall mean the Internal Revenue Code of 1986, as amended.

"***Company Minimum Gain***" shall have the meaning of "partnership minimum gain" set forth in Treasury Regulations Sections 1.704-2(b)(2) and 1.704-2(d).

"Control" (including the terms "Controlling", "Controlled by" and "under common Control with") means the possession, directly or indirectly, or the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of securities, by contract or otherwise.

"***Covered Person***" shall mean a Member, a Manager, a Director, an Officer, any Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Company, a Member or a Manager; any officers, directors, shareholders, controlling Persons, partners, employees, representatives or agents of a Member or a Manager, or their respective Affiliates; or any officer, employee or agent of the Company or its Affiliates; or any Person who was, at the time of the act or omission in question, such a Person.

"***Damages***" shall have the meaning set forth in Section 12.3(a).

"***Debtor Relief Laws***" means any laws generally affecting the right of creditors and the relief of debtors now or hereafter in effect, including, without limitation, bankruptcy and insolvency laws, and laws pursuant to which a receiver, liquidator, assignee, custodian, trustee, sequestrator or other

similar agent is appointed for the person or for any substantial part of the person's assets or property.

"***Delaware Act***" shall mean the Delaware Limited Liability Company Act, 6 Del. C. " 18-101, et seq., as amended from time to time.

"***Depreciation***" shall mean, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Fiscal Year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted tax basis; provided, however, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Member.

"***Directors***" shall have the meaning set forth in Section 4.1(a).

"***Disabling Conduct***" shall mean conduct that constitutes fraud, a willful violation of this Agreement or law, gross negligence or reckless disregard of duty in the conduct of the duties of the Person referred to which results in a material loss to the Company.

"***Executive Officer***" shall mean the President of the Company and all officers and employees of the Company who directly report to, or are directly supervised by, the President.

"***Financial Statements***" with respect to the Company shall mean the financial statements of the Company that reflect the assets, liabilities, retained capital, operations and cash flows of the Company.

"***Fiscal Year***" shall have the meaning set forth in Section 5.3.

"Franchise Agreements" means, the agreement entered into with Mercedes-Benz USA or other applicable manufacturer which serve to establish the rights and obligations of the Company and the manufacturer to each other with respect to the sale and service of new motor vehicles.

"***Gross Asset Value***" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the fair market value of such asset at the time it is accepted by the Company, unreduced by any liability secured by such asset, as determined by the Members.

(b) The Gross Asset Values of all Company assets shall be adjusted to equal their respective fair market values, unreduced by any liabilities secured by such assets, as determined by the Members as of the following times: (i) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (ii) the distribution by the Company to a Member of more than a de minimis amount of Property as

consideration for an interest in the Company; and (iii) the liquidation of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g).

(c) The Gross Asset Values of any Company asset distributed to any Member shall be adjusted to equal the fair market value of such asset, unreduced by any liability secured by such asset, on the date of distribution as determined by the Members.

(d) The Gross Asset Values of the Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b); but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and paragraph (vi) of the definition of "Net Profits" and "Net Losses".

If the Gross Asset Value of an asset has been determined or adjusted pursuant to paragraphs (a), (b) or (d) of this definition, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Profits and Net Losses.

"***Liquidating Trustee***" shall have the meaning set forth in Section 14.2.

"***Manager***" shall mean a "manager" (within the meaning of the Delaware Act) of the Company.

"***Member***" shall mean any Person named as a member of the Company on Schedule A hereto or admitted subsequently as an additional Member pursuant to the provisions of this Agreement, in such Person's capacity as a member of the Company, and "Members" shall mean two or more of such Persons when acting in their capacities as members of the Company.

"***Member Minimum Gain***" shall mean a Member's share of Company Minimum Gain as set forth in Treasury Regulations Section 1.704-2(g) and member nonrecourse debt minimum gain as described in Treasury Regulations Section 1.704-2(i).

"***Member Nonrecourse Debt***" shall have the meaning of "partner nonrecourse debt" as set forth in Treasury Regulations Section 1.704-2(b)(4).

"***Member Nonrecourse Deductions***" shall have the meaning of "partner nonrecourse deductions" set forth in Treasury Regulations Section 1.704-2(i).

"***Nonrecourse Deductions***" shall have the meaning set forth in Treasury Regulations Section 1.704-2(b)(1).

"***Net Profit***" or "***Net Loss***" shall mean, for each Fiscal Year, an amount equal to the Company's taxable income or loss for such Fiscal Year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profits or Net Losses pursuant to this definition shall be added to such taxable income or loss;

(b) any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Profits or Net Losses pursuant to this definition shall be subtracted from such taxable income or loss;

(c) in the event the Gross Asset Value of any Company asset is adjusted pursuant to paragraphs (b) or (c) of the definition of "Gross Asset Value," the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Profits or Net Losses;

(d) gain or loss resulting from any disposition of property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

(e) in lieu of depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss there shall be taken into account Depreciation with respect to each asset of the Company for such Fiscal Year, computed in accordance with the definition of "Depreciation" above;

(f) to the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Treasury Regulations 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in complete liquidation of a Member's Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Profits or Net Losses; and

(g) notwithstanding any other provision of this definition, any items which are specially allocated pursuant to Section 7.2 (a) of this Agreement shall not be taken into account in computing Net Profits or Net Losses.

The amounts of the items of Company income, gain, loss, or deduction available to be specially allocated pursuant to Sections 7.2(a) hereof shall be determined by applying rules analogous to those set forth in paragraphs (a) through (f) above.

"Percentage Interest" shall mean the percentage of the total Units held by a Member.

"***Officer***" shall have the meaning set forth in Section 4.2(a).

"***Person***" shall mean any individual, corporation, association, partnership (general or limited), joint venture, trust, joint-stock company, estate, limited liability company, unincorporated organization or other legal entity or organization.

"***Proceeding***" shall have the meaning set forth in Section 12.3(a).

"***Qualified Appraiser***" means an independent outside qualified appraiser appointed by the Board (and reasonably acceptable to NAL) to determine the fair market value of certain Units, or the Company itself. Any determination by a Qualified Appraiser regarding the fair market value of certain Units or the Company itself, shall be binding upon all parties.

"***Secretary***" shall mean the person or persons duly appointed as Secretary of the Company.

"***Subsidiary***" of any Person shall mean a corporation or other entity a majority of whose capital stock with voting power or the majority ownership interest of which is at the time owned or controlled, directly or indirectly, by such Person.

"***TMM***" shall have the meaning set forth in Section 9.1(a).

"***Transfer***" shall have the meaning set forth in Section 13.1(a).

"***Treasurer***" shall mean the person or persons duly appointed as Treasurer of the Company.

"***Treasury Regulations***" shall mean the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as the same may be amended hereafter from time to time (including corresponding provisions of succeeding Income Tax Regulations).

"Units" shall mean the total limited liability company interests of the Company. The number of Units authorized to be issued and outstanding is specified in Schedule A, as amended from time to time in accordance with this Agreement.

"***Unsuitable Person***" means a Member (which shall be deemed to include an Affiliate of such Person) whose continued involvement in the business of the Company as a manager, director, officer, agent or employee causes the Company to lose or to be threatened with the loss of any Franchise Agreement.

"***Withheld Amount***" shall have the meaning set forth in Section 7.4(c).

SECTION 16

AMENDMENTS; MERGER OR SALE

16.1 Amendments Generally.

Notwithstanding any other provision of this Agreement, the terms of this Agreement shall not be amended except in a writing signed by all Members, provided that, without the consent of any of the Members, the Company:

(i) may enter into agreements with Persons who are transferees of the interests in the Company of Members, pursuant to the terms of this Agreement, providing in substance that such Persons will be bound by this Agreement; and

(ii) may amend this Agreement as may be required to implement (A) transfers of interests of Members or (B) any admission of new Members.

16.2 Merger or Sale.

The Company may merge with, or consolidate into, a Delaware limited liability company or another business entity (as defined in Section 18-209(a) of the Delaware Act) or may sell all or substantially all of its assets only upon the approval of the Company and all Members of the Company.

SECTION 17

MISCELLANEOUS PROVISIONS

17.1 Notices.

Each notice relating to this Agreement shall be in writing and shall be delivered (a) in person, by registered or certified mail, private courier, confirmed overnight delivery or (b) by telecopy or other facsimile transmission, confirmed by telephone to an executive officer of the recipient. In addition, all notices to any Member shall be addressed to such Member at their respective addresses set forth on Schedule A or at such other address as the Member may have designated by notice in writing. Any Member may designate a new address by notice to that effect given to the Company. The Company may designate a new address by notice to that effect given to each Member. Unless otherwise specifically provided in this Agreement, a notice given in accordance with the foregoing clause (a) shall be deemed to have been effectively given when mailed by registered or certified mail, return receipt requested, to the proper address, or when delivered in person. Any notice to the Company or to a Member by telecopy or other facsimile transmission shall be deemed to be given when sent and confirmed by telephone in accordance with the foregoing clause (b).

17.2 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single agreement.

17.3 Headings.

The headings and subheadings of the sections of this Agreement are inserted for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision thereof.

17.4 Successors and Assigns; Assignment.

This Agreement shall inure to the benefit of the Members and the Covered Persons, and shall be binding upon the parties, and their respective successors and permitted assigns.

17.5 Severability.

Every provision of this Agreement is intended to be severable. If any term or provision of this Agreement is illegal or invalid for any reason whatsoever, such term or provision will be enforced to the maximum extent permitted by law and, in any event, such illegality or invalidity shall not affect the validity of the remainder of the Agreement.

17.6 Non-Waiver.

No provision of this Agreement shall be deemed to have been waived except if the giving of such waiver is contained in a written notice given to the party claiming such waiver and no such waiver shall be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.

17.7 Applicable Law.

This agreement and the rights and obligations of the parties hereunder shall be interpreted and enforced in accordance with and governed by the laws of the state of Delaware, and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

17.8 Waiver of Jury Trial.

Each party to this Agreement waives to the fullest extent permitted by applicable law any right it may have to a trial by jury in respect of any action, suit or proceeding arising out of or relating to this Agreement.

17.9 Survival of Certain Provisions.

The obligations of each Member pursuant to Sections 3.5, 6.5 and 12.3 shall survive the termination or expiration of this Agreement and the winding-up, liquidation and dissolution of the Company.

17.10 Limitation on Damages; Legal Disputes.

(a) In no event will any party to this Agreement be liable to any other party for special, indirect, punitive or incidental damages, or any other consequential damages except for lost profits and lost savings, even if such party has been advised of the possibility of such damages resulting from the breach by it of any of its obligations hereunder or from the use of any confidential or other information.

(b) Subject to the limitations of subsection (a), immediately above, the rights and remedies of the parties under this Agreement are cumulative and are not exclusive of any rights or remedies which the parties would otherwise have for equitable relief, including the remedies of specific performance and injunction.

17.11 Waiver of Partition.

Except as may otherwise be provided by law in connection with the winding-up, liquidation and dissolution of the Company, each Member hereby irrevocably waives any and all rights that it may have to maintain an action for partition of any of the Company's property.

17.12 Entire Agreement.

This Agreement and agreements executed in connection therewith constitute the entire agreement among the Members with respect to the subject matter hereof, and supersede any prior agreement or understanding among them with respect to such subject matter.

17.13 Further Actions.

Each Member shall execute and deliver such other certificates, agreements and documents, and take such other actions, as may reasonably be requested by the Company in connection with the achievement of its purposes, including, without limitation all such agreements, certificates, tax statements and other documents as may be required to be filed in respect of the Company.

17.14 No Partnership.

Nothing contained in this Agreement shall be deemed or construed to make any Member partners or joint venturers with each other, for any purposes other than for federal and state tax purposes. The only business association to be formed by the Members will be the Company, which will be a limited liability company under Delaware law, to be organized pursuant to this Agreement. The Company shall not be a general partnership, a limited partnership or a joint venture, and no Member shall be considered a partner or joint venturer of or with any other Member for any purposes other than for federal and state tax purposes.

IN WITNESS WHEREOF, the undersigned have duly executed this Limited Liability Company Agreement of PAG GREENWICH M1, LLC on the 15th day of November, 2013.

PAG GREENWICH HOLDINGS, LLC

By: /s/ David K. Jones
Name: David K. Jones
Title: Assistant Treasurer

NOTO AUTOMOTIVE LLC

By: /s/ Richard S. Koppleman
Name: Richard S. Koppelman
Title: Manager

Schedule A

Member Information

Name/Address	Capital Contribution		Units	Voting Percentage
PAG Greenwich Holdings, LLC 2555 Telegraph Road Bloomfield Hills, MI 48302-0954	$	15,050,000	80	80%
Noto Automotive LLC 342 West Putnam Avenue Greenwich, CT 06830	$	3,762,000	20	20%
TOTAL	$	18,812,000	100	100%

Schedule B

Initial Directors

Robert H. Kurnick, Jr.

David K. Jones

Richard S. Koppelman

Initial Officers

Chairman	John Cragg
President	Brian Beanland
Vice President	Jason Hoover
Secretary/Treasurer	Anthony Sciorilli
Assistant Treasurer	David K. Jones
Assistant Secretary	Robert H. Kurnick, Jr.
Assistant Secretary	Maggie Feher

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Section 5: EX-10.25 (EX-10.25)

Exhibit 10.25

VMC HOLDING CORPORATION
AMENDED AND RESTATED
STOCKHOLDERS' AGREEMENT

This Agreement is executed as of the 5th day of November, 2013 (the "**Effective Date**"), by and among VMC Holding Corporation, a Delaware corporation (the "**Company**"), Penske Automotive Group, Inc. ("**PAG**"), Penske Truck Leasing Co., L.P. ("**PTL**"), PCP Holdings, Inc. ("**PCP**") and QEKGS Investment Holdings, LLC ("**QEKGS**") and Phoenix Life Insurance Company ("**Phoenix**") (each of PAG, PTL, PCP, QEKGS and Phoenix, together with any transferee of their respecting Shares that is permitted hereunder, a "**Stockholder**" and collectively, the "**Stockholders**").

WHEREAS, the Company has 10,000 shares of authorized capital stock (these shares together with any other class or series of common or preferred stock that may be authorized, designated or issued by the Company from time to time, the "**Shares**");

WHEREAS, the Shares currently consist of: 10,000 Shares of Common Stock (the "**Common Shares**"), of which 4309.74 Common Shares are issued and outstanding;

WHEREAS, the Stockholders are the collective holders of all issued and outstanding Shares; and

WHEREAS, the Stockholders desire to provide for the ongoing management of the Company in accordance with the wishes of the

Stockholders, for certain restrictions on the transfer of Shares, and otherwise to establish their relationship as Stockholders and their and the Company's rights and obligations with respect to the Shares; and

WHEREAS, the Stockholders desire that this Agreement amend and restate that Stockholders Agreement of the Company dated April 28, 2005.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other valuable consideration, and intending to be legally bound, the parties hereby agree as follows:

ARTICLE 1. ELECTION OF DIRECTORS

1.1 **Composition of Board; Voting Agreement**. Subject to the terms of this Agreement, the Board of Directors of the Company shall have six (6) members and one (1) observer. PCP and PTL shall each have the right to designate one director and PAG and QEKGS shall each have the right to designate two (2) directors. If it holds of record no less than 3% of the issued and outstanding Common Stock, Phoenix shall have the right to designate one (1) observer (without participation or voting rights of any kind) (the "Observer") to all Board meetings. Each of the Stockholders shall vote all Shares held by it (including any Shares that may be hereafter acquired and Shares, if any, in respect of which that Stockholder has been granted a proxy) at any meeting of the Stockholders of the Company called and held for that purpose, and shall sign any

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consent of Stockholders presented for that purpose, in favor of the election of the Stockholder's (other than Phoenix) designee(s) as a director (s) of the Company and in favor of Phoenix' designee as Observer as set forth in this Section 1.1.

The right of each of PCP and PTL to designate one director and each of PAG and QEKGS to designate two (2) directors, as set forth above shall terminate at the time that the relevant Stockholder (together with its Controlled Affiliates as defined below) holds of record less than 5% of the issued and outstanding Common Shares and shall not thereafter be restored by any subsequent acquisition of Common Shares, except that (subject to the second succeeding paragraph below) if a Stockholder whose rights to nominate one or more directors have lapsed subsequently acquires all of the Common Shares held by another Stockholder having a right to nominate one or more directors at the time of transfer, the transferee of such Shares shall acquire also that right.

Subject to the next succeeding paragraph below, if the right of any Stockholder to designate one or more directors under this **Section 1.1** ceases in accordance with the terms of these Sections, the director position(s) that that Stockholder had a right to designate shall be nominated by the Company's Board of Directors and elected by the affirmative vote of a majority of the then outstanding Common Shares voting as a single class. Any Stockholder (other than Phoenix) that loses its right to appoint one or more directors pursuant to this **Section 1.1**, due to holding of record less than 5% of the issued and outstanding Common Shares, shall have the right to appoint one observer (without participation or voting rights of any kind) to all Board meetings as long as such Stockholder holds of record 3% of the issued and outstanding Common Shares, after which the right to appoint an observer shall cease.

1.2 **Transferability**. Any person's right to designate one or more directors (or appoint an observer) under **Section 1.1** may be transferred only in connection with a transfer of all of the Common Shares then held by the person having that right.

1.3 **Removal of Directors**. The directors designated (or observers appointed) pursuant to **Section 1.1** may be removed with or without cause by, and only by, the affirmative vote of a majority of the Common Shares entitled to vote for their election, given either at a special meeting of the holders of such Shares duly called for that purpose, or by written consent of those holders in accordance with Delaware law, provided that such majority must include the applicable nominating Stockholder.

ARTICLE 2. CERTAIN COMPANY ACTIONS REQUIRING SPECIAL APPROVAL; CERTAIN AGREEMENTS

2.1 **Special Approval Rights**. In addition to any requirements that may from time to time be imposed under the Company's Certificate of Incorporation or Bylaws or under applicable law, each of the following actions shall require special approval as set forth below:

A. PAG, QEKGS, PCP, PTL. The following actions shall require the approval of a director nominated by PAG, a director nominated by QEKGS, and at least one of the directors nominated by PCP or PTL and, if requested by a director, the approval of 85% of the then

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outstanding Common Shares then held by PAG, QEKGS, PCP and PTL, voting as a single class by written consent or at a special meeting called for that purpose in accordance with Delaware law:

(i) Any material change to the Company's Certificate of Incorporation or Bylaws, without regard as to whether the change would otherwise require the approval of the Company's Stockholders;

(ii) The declaration or payment by the Company of any dividend or distribution on its Common Shares, other than a distribution payable solely in cash or Common Shares ratably to all holders of Common Shares;

(iii) The redemption, acquisition, or purchase by the Company of any Shares of its capital stock or any options, warrants, or rights exercisable for or convertible into such Shares, other than redemptions, purchases, or acquisitions effected pursuant to the terms of issuance of such Shares or other securities or rights, and that were approved at the time of such issuance by a PAG, QEKGS, and PCP director designee (if PAG or QEKGS or PCP were a shareholder at the time of issuance) or a redemption pursuant to Section 4.6;

(iv) Any acquisition of or investment in any person, including an acquisition or investment that, in the reasonable business judgment of PAG, competes, directly or indirectly, with the business of PAG as at the date of investment or acquisition or that could reasonably be expected to impair that PAG's business relationships with original equipment manufacturers;

(v) The guarantee by the Company or a subsidiary of the obligations of any person other than a wholly-owned direct or indirect subsidiary;

(vi) Except in accordance with a divestiture otherwise specifically contemplated by **Article 4** of this Agreement, any material change in the principal business of the Company and its direct or indirect subsidiaries, determined on a consolidated basis, the divestiture by the Company of any material direct or indirect subsidiary (whether by means of a sale of stock, a merger, or a sale of substantially all of the assets of such material direct or indirect subsidiary) or the divestiture by the Company or any material direct or indirect subsidiary of any material business unit thereof;

(vii) Any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange, or lease of assets, property, or services) with any Affiliate unless (x) such transaction or series of related transactions is on terms that are no less favorable to the Company or its subsidiary, as applicable, than would be available in a comparable transaction in arm's-length dealings with an unrelated third party and (y) such transaction or series of related transactions involves payments of not more than $100,000 in the aggregate; provided, however, that this restriction shall not apply to the payment of reasonable and customary fees to directors of the Company or its subsidiaries; to the Company's employee compensation and other benefit arrangements, or to payments, or services provided, under the Management Agreement among the Company, PTL, PAG, PCP, and Gates Group Capital Partners LLC (an Affiliate of QEKGS), dated

as of the date hereof as such may be amended or amended and restated from time to time in accordance with the terms thereof;

(viii) The Company or any subsidiary incurring any indebtedness for borrowed money that exceeds amounts permitted under the then-existing credit facilities of the Company and its subsidiaries, including any renewals thereof, in any one (1) year in excess of $1,000,000 outstanding at any one time except as set forth in the business plan approved by the Board of Directors of the Company;

(ix) Creating liens or security interests, other than liens or security interests granted to secure indebtedness permitted under the **Section 2.1(viii)**, upon any of the real or personal property of the Company or its subsidiaries representing obligations in excess of $250,000;

(x) The issuance of Equity Securities (other than a distribution ratably to all holders of Common Shares or an issuance to avoid the occurrence or continuance of an event of default under the Company's credit facilities), the issuance of any options, restricted stock, stock appreciation rights or similar equity interests (other than pursuant to the Option Plan) or effecting any recapitalization, reclassification or reorganization of the Company or any material subsidiary;

(xi) The Company or any subsidiary incurring any capital expenditures that, individually or in the aggregate, exceed the capital expenditure budget by more than $250,000 in any year;

(xii) The Company or any subsidiary entering into any joint venture;

(xiii) Effecting the dissolution or liquidation of the Company or any subsidiary;

(xiv) Entering into any vendor contract or agreement with a term in excess of 60 months or which obligates the Company or any subsidiary to pay amounts in the aggregate in excess of $500,000, net of customer reimbursements, in any twelve (12) month period;

(xv) The Company or any subsidiary entering into any lease of real or personal property with a term in excess of sixty (60) months (excluding renewal option terms) or which obligates the Company to pay rental amounts in the aggregate in excess of $250,000, net of customer reimbursements and in excess of budget in any twelve (12) month period;

(xvi) The execution of any agreement or the adoption by the Company of any resolution to do any of the foregoing unless such agreement or resolution is expressly conditioned on receipt of the requisite approval.

The rights of PAG, PCP, PTL and QEKGS under this **Section 2.1A** are not transferable.

B. **Expansion or Contraction of Board**. The expansion or contraction of the Board of Directors to a number above or below six, shall require the approval of the directors nominated by each of PAG, PTL, PCP and QEKGS, and if requested by any of those directors, the approval of 85% of the then outstanding Common Shares then held by PAG, QEKGS, Phoenix, PCP and PTL respectively, voting as separate classes by written consent or at a special meeting called for that purpose in accordance with Delaware law.

C. **Compensation and Audit Committees**. The Board shall form and maintain a Compensation Committee and an Audit Committee, each comprised of a PAG Designee, a PCP Designee and a QEKGS Designee. The Compensation Committee and the Audit Committee shall have authority and responsibilities of the sort typically associated with private company compensation and audit committees, which shall be set forth in a committee charter reasonably acceptable to QEKGS.

2.2 **Certain Security Issuances.** If the holders of 50.1% of the then outstanding Common Shares, in their reasonable business judgment, conclude that it is necessary for the Company to raise additional equity capital in order for the Company to avoid a covenant default under its then principal credit facility or to comply with legal regulations applicable to it, then each of the directors and Stockholders shall vote to approve such issuance and take such other actions, such as approving an amendment to the Company's Certificate of Incorporation to increase or change its authorized capital to effect the offering, as may be reasonably necessary to effectuate the offering; provided that the securities offered are offered at fair market value, as determined in accordance with reasonable procedures and methods established by the Board of Directors, and each Stockholder is offered the pre-emptive rights provided for in **Article 3** of this Agreement.

2.3 **Certain Definitions and Clarifications**. For the purposes of this Agreement:

A. The term **"Affiliate"** shall have the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act of 1934, as amended.

B. The term "**Controlled Affiliate**" shall mean an Affiliate of which the pertinent person has the right by virtue of the ownership of Equity Securities in that Affiliate or by voting agreement to elect a majority of the Board of Directors or similar governing body.

C. The term **"Equity Securities"** shall mean, as applicable, any Common or Preferred Stock of the Company, and any security, right or interest, directly or indirectly convertible into or exchangeable or exercisable for Common or Preferred Stock of the Company, including, without limitation, rights, warrants, or options to subscribe for or to purchase Common or Preferred Stock.

D. The term **"hold of record"** shall include for any Stockholder, Shares held of record by a Controlled Affiliate of such Stockholder.

E. For the purposes of **subsection 2.1(A)(vi)** above, the term **"material"** shall mean assets constituting 10.0% or more of the Company's consolidated assets as of the end of the immediately preceding fiscal quarter, or assets or operations accounting for 10% of the Company's consolidated revenues for the twelve (12) months ending on the last day of the immediately preceding fiscal quarter determined in each case by reference to the Company's regularly prepared financial statements .

F. The term **"Option Plan"** shall mean any employee option plan (providing, together with all other such plans previously adopted by the Company) for the issuance of not more than 10% of the Company's then outstanding Common Shares, whether as options, restricted stock, stock appreciation rights, or similar equity interests to employees and service providers to the Company approved by the Board of Directors.

ARTICLE 3. PRE-EMPTIVE AND RELATED RIGHTS

3.1 **Grant of Rights**. If the Company hereafter proposes to issue or sell any Equity Securities (other than (A) as a dividend payable solely and ratably in Common Stock on its outstanding shares of Common Stock or (B) pursuant to an Option Plan), the Company shall first offer to each of the Stockholders a portion of the number or amount of such securities proposed to be so sold equal to the product of (x) the number of Shares or amount proposed to be so issued and sold (on an as converted basis, if applicable) multiplied by (y) a fraction, the numerator of which is the number of issued and outstanding Shares then owned by such Stockholder prior to such issuance and the denominator of which is the total number of issued and outstanding Shares then issued and outstanding and held by persons having pre-emptive and related rights under this **Section 3.1**, for the same price and upon the same terms and conditions as the securities are being offered in such transaction.

3.2 **Procedures**.

A. If, in accordance with this **Article 3**, the Company determines to issue additional Equity Securities, it shall cause an officer to give each Stockholder notice, specifying in reasonable detail the nature and type of securities being offered and the price at which they are being offered, at least twenty-one (21) days before issuing any such securities. Within twenty (20) days of the receipt of that notice, each Stockholder shall have the right, by giving notice to the designated officer, but not the obligation, to purchase the securities being offered as provided herein.

B. Any Stockholder desiring to exercise its pre-emptive and related rights hereunder must give to the Company written notice of its election to purchase up to a specified number of the securities proposed to be offered by the close of business on the twentieth (20^{th}) day after the notice required by **Section 3.2** was given to it. Such response shall set forth the Stockholder's acceptance of the offer and designate a number of Shares (or, if applicable, a value of securities) to be purchased by such Stockholder, which number may be fewer than, equal to, or more than the number of Shares that such Stockholder has a right to purchase under **Section 3.1**. If any Stockholder does not elect to purchase all of the offered Equity Securities that it has right to purchase under **Section 3.1**, the securities remaining shall be allocated to each other electing

Stockholder in one or more successive allocations, up to the number or amount of securities specified in the election, pro rata, in the same proportion as the total number of Common Shares held by that electing Stockholder bears to the total number of issued and outstanding Shares held by all electing Stockholders electing to purchase more than the maximum number of shares that they are entitled to purchase.

C. Not later than ten (10) days after the date on which this offer of rights expires, the Company shall notify each electing Stockholder of the time and place of closing, the number or amount of securities allotted to it, and the purchase price therefor, whereupon each such electing stockholder shall become legally obligated to purchase such securities at the price and on the terms offered.

D. Following the expiration of the offer and the giving of the notice required by **Section 3.2A**, the Company may thereafter offer and sell any of the Equity Securities not purchased by the Stockholders for a period of one hundred twenty (120) days on the terms and conditions set forth in the original notice to the Stockholders. Any of the Equity Securities not sold during that period may not thereafter be sold without first complying with the requirements of this **Article 3**.

ARTICLE 4. PROVISIONS RESTRICTING AND RELATING TO THE TRANSFER OF SHARES

4.1 **General Restriction on Transfer**. In addition to any other restriction under applicable federal or state securities laws, no Stockholder shall transfer, give, donate, pledge, hypothecate, or otherwise encumber, alienate, or dispose of (or agree to do any of the foregoing) ("**Transfer**") to any person, whether voluntarily or by operation of law (subject to **Article 5**), any Shares now held or hereafter acquired by such Stockholder, except for Permitted Transfers under **Section 4.2** or sales made in accordance with the terms and conditions hereafter set forth in this Agreement. Notwithstanding any other provision of this Agreement, except with respect to **Sections 4.4**, **4.5**, or **4.6**, a Stockholder, other than PAG, will not, except by operation of law, Transfer any Shares of Common Stock that it may hold prior to the sixth (6^{th}) annual anniversary of the Effective Date.

4.2 **Permitted Transfers**. Subject to all provisions of this **Article 4** relevant to the Transfer, any Stockholder may Transfer Shares held by it to a Controlled Affiliate or to the Company or among the Stockholders. Any person to whom Shares held by a Stockholder are transferred in accordance with this **Section 4.2** is hereinafter referred to as a "**Permitted Transferee**." The Transfer to a Permitted Transferee shall activate only **Sections 4.8** and **4.9** of this **Article 4**.

4.3 **Rights of First Offer**.

A. Subject to the terms and conditions specified in this **Section 4.3**, and applicable securities laws, in the event any Stockholder proposes to offer or sell any Shares other than to a Permitted Transferee or other than in a transaction to which **Sections 4.4, 4.5 or 4.6** applies, the selling Stockholder shall no less than thirty (30) days prior to effecting such sale make an offer of such Shares to each of the other Stockholders in accordance with the following provisions of this **Section 4.3**. A Stockholder shall be entitled to apportion the right of first offer hereby granted it among itself and its Controlled Affiliates in such proportions as it deems appropriate.

B. The selling Stockholder shall deliver a notice (the "**Offer Notice**") to each of the other Stockholders stating (i) its bona fide intention to offer such Shares, and (ii) the number of such Shares to be offered and the terms and price on which they will be offered.

C. By written notification received by the Company, within twenty (20) calendar days after mailing of the Offer Notice, each of the other Stockholders may elect to purchase or obtain, at the price, if any, and on the terms specified in the Offer Notice (if a price is specified), up to that portion of such Shares which equals the proportion that the number of Shares of issued and outstanding Common Stock then held by such other Stockholder bears to the total number of Shares of issued and outstanding Common Stock of the Company then held by all Stockholders other than the selling Stockholder. The selling Stockholder shall promptly, in writing, inform each other Stockholder that elects to purchase all the Shares available to it (each, a "**Fully-Exercising Investor")** of any other Stockholder's willingness or failure to do likewise. During the ten (10) day period commencing after receipt of such information, each Fully-Exercising Investor shall be entitled to obtain that portion of the Shares for which Stockholders were entitled to subscribe but which were not subscribed for by the Stockholders which is equal to the proportion that the number of Shares of Common Stock issued and then held by such Fully-Exercising Investor bears to the total number of shares of Common Stock issued and held by all Fully-Exercising Investors who wish to purchase such unsubscribed shares.

D. If (i) all the Shares referred to in the Offer Notice are not elected to be purchased or obtained on the terms set forth in the Offer Notice and (ii), as to Stockholders other than PAG, the Offer Notice had been sent on or after the sixth (6^{th}) anniversary of the Effective Date, the selling Stockholder may, during the one hundred twenty (120) day period following the expiration of the period provided in **Section 4.3C** hereof, offer all of the Shares to any person or persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Seller does not enter into an agreement for the sale of these Shares within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Stockholders in accordance with this **Section 4.3**.

E. If (i) all the Shares referred to in the Offer Notice are not elected to be purchased or obtained on the terms set forth in the Offer Notice and (ii) the Offer Notice had been sent by a Stockholder other than PAG prior to the sixth (6^{th}) anniversary of the Effective Date, such Shares may not be offered for sale to a third party except as provided in **Section 4.6**.

F. The provisions of this **Section 4.3** shall not apply to any sale effected pursuant to **Sections 4.4** or **4.5 or 4.6** hereof.

4.4 **Take-Along Rights**.

A. Subject to the rights of PAG in **Section 4.4D**, if at any time after the fifth anniversary of the effective date of this Agreement, PAG, PTL and PCP wish to sell all, but not less than all, of the Shares then collectively held by them in one transaction or a series of similar transactions and QEKGS has not delivered the Sale Request to the Stockholders pursuant to **Section 4.6(A)** (a "**Control Transaction**"), PAG, PTL and PCP may in their sole collective discretion,

require each other Stockholder (in such capacity, a "**Take-Along Stockholder**") to sell all (but not less than all) of the Shares then held by it to such purchaser in accordance with this **Section 4.4**; provided that such Take-Along Stockholder shall only be required to sell its Shares at the same price per Share and upon substantially the same terms as the Stockholders that initiated the "Take-Along" action.

B. If PAG, PTL, and PCP elect to exercise their Take-Along Right in connection with a Control Transaction, they shall deliver a notice to each Take-Along Stockholder and to the Company, setting forth the terms of the Control Transaction (including the proposed closing date for its consummation, which shall not be fewer than sixty (60) days after the effective date of such notice) and all documents required to be executed by each Take-Along Stockholder to consummate that Control Transaction. Each Take-Along Stockholder shall deliver to PCP, PTL, and PAG at least seven (7) days prior to the proposed closing date, all documents previously furnished to the Take-Along Stockholder for execution in connection with the Control Transaction. If any Take-Along Stockholder fails to deliver these documents and the transaction is subsequently consummated, the Company shall cause its books and records to show that the Shares represented by the defaulting Stockholder are bound by the provisions of this section and that Shares held by it shall be transferred only to the third party who purchased the Shares in the Control Transaction.

C. PAG, PTL, and PCP shall have one hundred eighty (180) days from the date of its notice referred to above to consummate any Control Transaction and, promptly after such consummation, shall notify the Company and each Take-Along Stockholder to that effect and furnish evidence of the sale (including the time of sale) and of the terms thereof as any Take-Along Stockholder may reasonably request. PAG, PTL, and PCP shall also cause to be remitted to each Take-Along Stockholder the proceeds of the sale attributable to the sale of that Take-Along Stockholder's Shares not later than the second business day following the sale (subject to any agreed holdbacks or escrows in connection with such sale. If any Control Transaction is not consummated prior to the expiration of the one hundred eighty (180) day period referred to in this section, PAG, PTL, and PCP may not thereafter consummate the proposed Control Transaction and shall return to each Take-Along Stockholder all documents previously delivered to them in connection with that Control Transaction.

D. PTL and PCP shall notify PAG not less than thirty (30) days prior to any anticipated exercise of its rights under this **Section 4.4**. Within such thirty (30) day period, PAG shall have the right to make an offer, which must remain open for not less than thirty (30) days, to purchase all, but not less than all, of the Company's outstanding Shares by giving notice to QEKGS, PTL, and PCP, which notice shall include the price (the "**PAG Offer Price**") and other material terms of such offer. If such offer is accepted by all of QEKGS, PTL, and PCP while the offer is open, QEKGS, PCP and the other Stockholders (including Phoenix) shall sell their respective Shares to PAG, and PAG shall purchase all of such Shares, at the PAG Offer Price and on the other terms and conditions set forth in PAG's notice. The terms of any contemplated third party sale, closing procedures and other matters set forth in **Sections 4.4B and 4.4C** (including as to escrows, holdbacks, and the delivery of purchase price and Shares to be sold) shall be applicable to the PAG purchase. If PAG does not exercise its right to make an offer to purchase (or affirmatively declines to make such an offer) within the thirty (30) day period specified above, or if any of QEKGS, PTL or PCP do not accept PAG's offer to purchase Shares, PAG, PTL, and PCP may thereafter for a

period of one hundred and eighty (180) days sell the Shares and exercise its rights under the terms hereof, provided however, that prior to any sale under this **Section 4.4** at a price below the PAG Offer Price or on terms materially less favorable to QEKGS, PTL, and PCP than those set forth in the PAG Offer, PAG, PTL, and PCP shall again comply with the terms of this **Section 4.4D**.

E. Notwithstanding anything in this **Section 4.4** to the contrary, (i) there shall be no liability on the part of any Stockholder to any other Stockholder if any sale of Shares pursuant to this **Section 4.4** is not consummated for whatever reason, and (ii) there shall be no liability on the part of PAG to any other Stockholder, except for its failure to comply with the terms of its offer (if any) under **Section 4.4D**. It is understood that PTL, PCP and PAG, in their sole collective discretion, shall determine whether to effect a sale of Shares to any person pursuant this **Section 4.4**.

F. If the provisions of both this **Section 4.4** and **Section 4.5** apply to a transaction, the provisions of **Section 4.5** shall govern.

4.5 **Other Stockholder Tag-Along Rights**.

A. If at any time, any Stockholder (in such capacity, the **"Selling Stockholder"**) wishes to sell all but not less than all, of the Shares then held by it to any person (other than a sale by QEKGS, Phoenix, PTL, and PCP to PAG pursuant to **Section 4.4D** above, a Permitted Transfer pursuant to **Section 4.2**, or a sale pursuant to **Section 4.6**), then each other Stockholder (in such capacity, a "**Tag-Along Stockholder**") may, in its discretion, require the Selling Stockholder to sell all of such Tag-Along Stockholder's Shares pursuant to such sale at the same price and substantially upon the same terms as the Selling Stockholder proposes to sell its Shares.

B. If at any time, a Selling Stockholder wishes to sell less than all of the Shares then held by it to any person, then each Tag-Along Stockholder may, in its discretion, require the Selling Stockholder to sell a portion of such Tag-Along Stockholder's Shares pursuant to such sale at the same price and substantially upon the same terms as the Selling Stockholder proposes to sell its Shares. In connection with such sale, each Tag-Along Stockholder shall have the right to sell up to that number of Shares (such Tag-Along Stockholder's "**Included Amount**") equal to the product of X multiplied by Y, where:

X = the total number of Shares proposed to be sold by the Selling Stockholder, and
Y = a fraction, the numerator of which is the number of Shares owned by such Tag-Along Stockholder and the denominator of which is the number of Shares owned by all Tag-Along Stockholders who wish to participate in the sale of shares pursuant to this **Section 4.5B** plus the total number of Shares owned by the Selling Stockholder.

C. In connection with a sale under this **Section 4.5**, the Selling Stockholder shall deliver a written notice to each other Stockholder and the Company (i) setting forth the terms of any sales to which this Section applies, (ii) offering such other Stockholder the right (the "**Tag-**

Along Right") to have such Stockholder's Shares included in such sale in accordance with **Section 4.5A or B** above, and (iii) specifying the number of Shares equal to such Tag-Along Stockholder's Included Amount (which in the case of a sale of all of the Shares under **Section 4.5A** shall be all of such Tag-Along Stockholder's Shares) with respect to such sale, together with all documents required to be executed by such Tag-Along Stockholder in order to include such Tag-Along Stockholder's Shares in such sale. If any Tag-Along Stockholder exercises its Tag-Along Right in connection with any sale, such Tag-Along Stockholder shall deliver to the Selling Stockholder, prior to the expiration of the thirty (30) day period commencing on the date of the Selling Stockholder's notice, the certificate or certificates representing the number of Shares such Tag-Along Stockholder desires to include in such sale (which number may be less than such Tag-Along Stockholder's Included Amount with respect to a sale under **Section 4.5B** only), duly endorsed, together with all documents previously furnished to such Tag-Along Stockholder for execution in connection with such sale. Delivery by any Tag-Along Stockholder of such certificate or certificates representing Shares and such other documents shall constitute an irrevocable exercise by the Tag-Along Stockholder of its Tag-Along Right with respect to such sale. To the extent any Tag-Along Stockholder exercises its Tag-Along Right with respect to a sale under **Section 4.5B**, the number of Shares proposed to be sold by the Selling Stockholder Seller pursuant to such sale shall be correspondingly reduced.

D. The Selling Stockholder shall have up to one hundred eighty (180) days from the date of its notice referred to in **Section 4.5C** above to consummate any sale and, promptly after such consummation, shall notify the Company and each Tag-Along Stockholder to that effect and shall furnish evidence of such sale (including the time of sale) and of the terms thereof as the Company or such Tag-Along Stockholder may reasonably request. No later than the fifth day following such sale, the Selling Stockholder shall cause to be remitted (subject to any escrows or agreed holdbacks) to each Tag-Along Stockholder the proceeds of such sale attributable to the sale of such Tag-Along Stockholder's Shares. If any such sale is not consummated prior to the expiration of the 180-day period referred to in this **Section 4.5D**, the Selling Stockholder may not consummate such sale unless the Selling Stockholder again provides the Tag-Along Rights contemplated above to the other Stockholders and shall return to each Tag-Along Stockholder all certificates representing Shares that such Tag-Along Stockholder previously delivered to the Selling Stockholder in connection with such sale.

E. Notwithstanding anything in this **Section 4.5** to the contrary, there shall be no liability on the part of any Selling Stockholder to any Stockholder if any sale of Shares pursuant to this **Section 4.5** is not consummated for whatever reason. It is understood that each Selling Stockholder, in its sole discretion, shall determine whether to effect a sale of Shares to any person pursuant this **Section 4.5**.

4.6 **QEKGS Exit Right**.

A. From and after the fifth (5^{th}) anniversary of the Effective Date and prior to initiating purchase and sale discussions with potential third party purchasers hereunder, but subject to the terms and conditions specified in this **Section 4.6** and applicable securities laws, QEKGS may notify the other Stockholders of its and Phoenix's intention to sell all of their Shares (such Shares of QEKGS and Phoenix, the "**Subject Shares**") either to all of the remaining Stockholders

or to a third party purchaser other than a Permitted Transferee. Prior to initiating purchase and sale discussions with third party purchasers hereunder, QEKGS will deliver a written sale request (the "**Sale Request**") to such other Stockholders. In addition, neither QEKGS nor Phoenix nor their representatives may continue or initiate purchase and sale discussions with third party purchasers or their representatives during the pendency of the actions and time periods contemplated by this **Section 4.6**. Within sixty (60) days of the Stockholders' receipt of the Sale Request, PAG, PTL, PCP and QEKGS will attempt to reach agreement on the fair market value of the Subject Shares without taking into account any "control premium" or the illiquid nature of the investment in the Company.

B. Should PAG, PTL, PCP and QEKGS fail to reach agreement on the fair market value of the Subject Shares, PAG, PTL and PCP, collectively on the one hand, and QEKGS, on the other hand, shall each engage, at its own expense, an investment banking firm of recognized national standing to act as an appraiser to appraise the Subject Shares without taking into account any "control premium" or the illiquid nature of the investment in the Company. The two (2) appraisers shall each issue their respective reports determining the fair market value of the Subject Shares within sixty (60) days of their respective engagement.

C. The two (2) investment banking firms' determinations of fair market value of the Subject Shares shall be averaged to determine the final value of the Subject Shares (the "Subject Shares Value").

D. Following completion of the appraisal procedures set forth above, PAG, PCP and PTL shall collectively have a period of thirty (30) days to determine whether or not (i) to proceed with QEKGS with the offer and sale of all Subject Shares at the Subject Shares Value or (ii) to proceed to recapitalize the Company or its subsidiary so that the Company and/or its subsidiary could cause a redemption of the Subject Shares at the Subject Shares Value, or (iii) to engage in other transactions aimed at a disposition of the Subject Shares at the Subject Shares Value to a third party (such determination, the "**Penske Determination**").

E. Should PAG, PCP and PTL determine to proceed with QEKGS with the offer and sale to a thirty party of all outstanding Shares, Phoenix shall join with all of the Stockholders and agree to the offer and sale of its Shares on the same basis as all of the other Stockholders and all of the Stockholders will exercise their best commercial efforts to complete the sale of all of the Shares of the Company or the shares or assets of the Company's subsidiary, QEK Global Solution (US), Inc., a Delaware corporation ("**QEK**"). To assist with the sale of the Shares of the Company or of the shares or assets of QEK, PAG and QEKGS will jointly proceed promptly to select an investment banker of recognized national standing.

F. Should PAG, PCP and PTL determine to proceed with a transaction contemplated by **Sections 4.6D(ii) or 4.6D(iii)**, a transaction will be consummated within six (6) calendar months following such Penske Determination.

G. Should no transaction contemplated by **Sections 4.6D(i), 4.6D(ii) or 4.6(D)(iii)** be completed within six (6) calendar months following the Penske Determination, not later than thirty (30) days after such six (6) month period QEKGS may in its sole discretion require

in writing PAG, PCP and PTL to initiate a marketing and sale process pursuant to which all Stockholders and the Company would seek a purchaser of all outstanding Shares of the Company (the "**Company Sale Notice**"). All Stockholders shall use their respective commercially reasonable efforts to aid in the consummation of such purchase and sale transaction.

H. With respect to any transaction contemplated by **Sections 4.6D(i), 4.6D(ii), 4.6D(iii) or 4.6G**, Phoenix agrees to sell its Shares and execute and deliver the purchase and sale agreement, as finally negotiated by the other Stockholders, and pursuant to such agreement Phoenix shall make representations and warranties and provide indemnification on the same terms and conditions as are applicable to QEKGS (and, in any event, on a several, and not joint and several, basis).

I. Should PAG, PCP and PTL determine to proceed with a transaction contemplated by **Section 4.6D(iii)**, or if QEKGS determines to proceed with a marketing and sale process contemplated by **Section 4.6G**, QEKGS may nevertheless delay such transaction at any time for a period not to extend beyond the date thirty six (36) months after the date of such determination if, in QEKGS's reasonable discretion, material adverse events (either in the economy generally or in the industry in which QEK conducts business specifically) have occurred after the Sale Request that could depress the value of the Shares and/or the shares or assets of QEK. QEKGS may initiate such delay by written notice to PAG, PCP and PTL and may thereafter rescind such delay whenever, in the reasonable determination of QEKGS, such material adverse event (s) have sufficiently passed such that the value of the Shares and/or the shares or assets of QEK are no longer so adversely impacted.

J. Each Stockholder will bear its respective share of the costs of any such actual or proposed purchase and sale of Shares to a third party purchaser who is not a Permitted Transferee to the extent such costs are incurred for the benefit of such Stockholders; provided that QEKGS and Phoenix will, on a proportionate basis, pay all costs and fees incurred with a sale process involving the sale to a third party purchaser of only the Subject Shares including relating to the engagement of an investment banker.

K. If (i) QEKGS does not issue a Company Sale Notice in accordance with Section 4.6G, (ii) the Company Sale Notice does not result in a completed transaction for the sale of all of the outstanding Shares of the Company within six (6) months after the Company Sale Notice or if the Stockholders agree in writing to abandon the marketing and sale process initiated under **Section 4.6G,** or (iii) QEKGS exercises its delay right arising under **Section 4.6I**, the Stockholders rights under **Section 4.4** shall again become effective.

L. QEKGS may only exercise its rights under **Section 4.6** (including, for the avoidance of doubt, delaying and reinstating a purchase and sale process pursuant to **Section 4.6I**) only once after the fifth anniversary of the Effective Date.

4.7 **Cooperation**. The Company and the Stockholders shall use their respective commercially reasonable best efforts to aid in the consummation of any Control Transition or any transaction contemplated by **Section 4.5** or **4.6**, and in connection therewith, shall execute and deliver if so required a purchase agreement contemplated by a letter of intent, if applicable, or

otherwise pursuant to which each Stockholder will severally (but not jointly) make representations and warranties relating to its ownership of and title to the Shares and provide indemnification in respect of such representations or warranties on the same terms and conditions as are applicable to the other Stockholders; provided that the sole source for payment of any such indemnity will be funds from the net proceeds otherwise distributed to the Stockholders. All Stockholders will bear their respective share of the costs of any actual or proposed purchase and sale to the extent such costs are incurred for the benefit of all Stockholders and not otherwise paid by the Company or the acquiring party. Costs incurred by Stockholders for their own behalf will not be considered costs of such purchase and sale; provided, that in any event, the Company will pay the reasonable attorneys' fees of one counsel chosen by the Stockholders to represent their interests.

4.8 **Obligations Upon Transfer**. No Transfer (which, as used in this Agreement, shall include Transfers to Permitted Transferees) of any Shares permitted under this Agreement shall be effective unless the Company shall have received the favorable opinion of legal counsel of the Company or of other legal counsel acceptable to the Company to the effect that such Transfer is made in compliance with or is exempt from applicable securities laws. No Transfer of any Shares shall relieve the transferor from any of its obligations to the Company hereunder except to the extent that such obligations are assumed by the transferee in a legally valid and binding agreement and such transferee has complied with all provisions of this **Section 4.8**. All Transfers shall be by instrument in form and substance satisfactory to the Company's Board of Directors and shall include (A) a written, legally binding agreement of the transferee accepting all of the terms and conditions of this Agreement and an executed counterpart of this Agreement, as then in effect; (B) suitable representations by the transferee, including a representation by the transferee that such Transfer was made in accordance with all applicable laws and regulations and covering such other matters as the Company's Board of Directors may reasonably require; and (C) all such other instruments and agreements as the Company's Board of Directors may reasonably deem to be necessary or desirable to effectuate such Transfer.

4.9 **Invalid Transfers**. Any purported Transfer of Shares not in accordance with the provisions of this Agreement shall be void and ineffective and shall not operate to Transfer any interest or title in such Shares to the purported transferee. The Company shall not cause or permit any Transfer of any Shares to be registered on its books unless such Transfer is made in accordance with the terms of this Agreement. The Company shall be protected in relying on the record of Stockholders maintained by it or on its behalf for all purposes, notwithstanding any notice of any purported Transfer to the contrary.

ARTICLE 5. RIGHTS TO PURCHASE

5.1 **Right to Purchase**. The Company and each Stockholder shall have the rights set forth below to purchase all, but not less than all, of the Shares held by any Stockholder (which for the purposes of this **Article 5** shall include any Shares acquired by the Stockholder or his or her personal representative prior to the closing of a purchase by the Company or the other Stockholders and after the date of the event giving rise to the rights to purchase) in accordance with the provisions of this **Article 5**.

A. If Shares owned by any Stockholder shall become subject to sale or other Transfer by reason of (i) bankruptcy or insolvency proceedings, whether voluntary or involuntary, (ii) attachment or garnishment; (iii) distraint, levy, execution or other involuntary transfer, then such Stockholder shall give the Company written notice thereof promptly upon the occurrence of such event, stating the terms of such proposed Transfer, the identity of the proposed transferee, the price or consideration, if any, for which the Shares are proposed to be transferred, and the number of Shares and type and number of other interest to be Transferred. Upon receipt of such notice, or, failing such receipt, when the Company otherwise obtains actual knowledge of such Transfer, the Company shall have the right to purchase from the Stockholder and the transferee of such Stockholder's Shares, and, upon exercise of this option, the Stockholder, and any transferee of such Stockholder's Shares, and any such transferee shall be obligated to sell, all of the Shares owned by such persons and acquired from the Stockholder immediately prior to the occurrence of such event (or subsequently acquired as provided above), as shall be specified in the notice of exercise, for the price and upon such terms as set forth in **Section 5.1B**.

If any Shares held by a Stockholder or his or her personal representative are transferred by operation of law (e.g., in the event of the bankruptcy of a Stockholder or the attachment or garnishment of Shares), the transferee shall receive such Shares subject to the provisions of this Agreement, including, but not limited to, the rights granted to the Company and the other Stockholders to acquire such Shares.

B. Fair market value shall be determined in good faith by a majority of the members of the Board of Directors (which, if the Stockholder whose Shares are to be purchased is PAG, PTL or PCP, shall include at least one QEKGS Designee) and promptly communicated to all Stockholders; provided that if the Stockholder whose Shares are to be purchasable for fair market value believes that the value determined by the Board is less than the actual value of the Shares, such Stockholder shall be entitled to request a valuation by an appraiser or investment banker reasonably acceptable to both that Stockholder and the Board of Directors, and the fair market value as determined by that appraiser or investment banker shall be final and binding on parties as the fair market value for the Shares. Any request for such an evaluation must be made within ten (10) days after notice of the Board of Directors' determination of fair market value has been delivered to the selling Stockholder, and any valuation shall be made within thirty (30) days of the date on which it is requested, promptly communicated to the Company and to all Stockholders. Within ten (10) business days after the completion of any such valuation, the Company and any Stockholder shall have the right to revoke any exercise of its right to purchase such Shares (if made previously) by delivering written notice of revocation to the selling Stockholder and all other Stockholders and the Company. The fees and expenses of any valuation pursuant to the preceding section shall be borne equally by the Company and the selling Stockholder requesting it, unless the appraisal indicates that the fair market value of the Shares is greater than 125% of the initial fair market value established by the Board of Directors, in which case the Company shall pay the cost of the appraisal, or if the fair market value determined by the appraisal is less than 75% of the initial fair market value as established by the Board, the Stockholder requesting that appraisal shall pay its entire cost.

The Company shall immediately notify each Stockholder when any right to purchase Shares arises pursuant to **Section 5.1** and shall keep the Stockholders fully and timely apprised of any decision that it may make to exercise or not exercise its right to purchase Shares (subject, in

each case to required approvals under Article 2 hereof). If the Company does not exercise its right to purchase all Shares that it is entitled to purchase, the Stockholders shall have the right to purchase any such Shares not purchased by the Company in a manner and proportion that fairly reflects their then ownership interest in the Shares pursuant to procedures established by the Board of Directors.

If the Company and/or the Stockholders do not together exercise their right to purchase all Shares held by the selling Stockholder within the specified time periods, that option shall terminate and the Shares proposed to be transferred may be transferred.

5.2 **Exercise; Timing**. The purchase option arising pursuant to **Section 5.1** must be exercised by the Company (or the Stockholders) by giving written notice to the Stockholder (or his or her personal representative, if applicable) within thirty (30) days after the right to purchase has accrued under **Section 5.1.**

5.3 **Closing; Consideration to be Paid**.

A. At closing of any sale pursuant to this **Article 5**, the selling Stockholder shall deliver the Share certificates that are the subject of the sale free and clear of all liens, restrictions and encumbrances (except those arising from this Agreement), duly endorsed, and (if required by the purchaser) with signature guaranteed, and accompanied by all documents necessary to effect such transfer. In consideration therefor, the purchaser(s) shall pay the purchase price.

B. If at the date of closing the selling Stockholder has any outstanding monetary obligation to the Company or to another purchaser, the Company and any such purchaser shall have the right to set-off any such obligations against the purchase price to be paid to the selling Stockholder by it, and that purchase price shall be reduced accordingly. The calculation of such setoff and the identification and amount of the obligation shall be given to the seller in a notice not less than five (5) days prior to the Closing.

ARTICLE 6. MISCELLANEOUS.

6.1 **Registration Rights**. Immediately prior to the closing of the Company's first firm commitment underwritten public offering of its Common Stock registered under the Securities Act of 1933, as amended, the Company and each Stockholder shall enter into a Registration Rights Agreement providing, among other things, that commencing one hundred eighty (180) days after the completion of that public offering, each Stockholder and any group of Stockholders holding 15% or more of the Company's then outstanding Common Stock shall have the right to multiple "demand" registrations of their Common Stock on Form S-3 or a successor form thereto which permits incorporation by reference in, at the election of the Stockholders exercising registration rights, an underwritten public offering, or at their election, on a shelf registration statement. In addition, the Stockholders shall have the right under the Registration Rights Agreement to three (3) piggyback registrations, subject to customary cutbacks and other provisions. In connection with any registration, the Company shall agree to use its commercially reasonable best efforts to file, cause the registration statement to become

effective, and cause the registration statement to remain effective in each case promptly. The selling Stockholders shall be responsible for paying, in connection with any registration, federal and state registration fees attributable to their shares, costs and expenses of any counsel retained to represent them as contrasted with the Company, underwriting discounts attributable to their Shares, and, in the case of an underwritten offering, printing and similar costs associated with the preparation and distribution of the registration statement and related prospectus. The Registration Rights Agreement shall include customary terms relating to the accuracy of information provided by the Company and the selling Stockholders, blackout periods, suspension of the prospectus upon notice from the Company, and indemnification by the Company and the selling Stockholders.

6.2 **"Market Stand-Off" Agreement**. In the event of the Company's first firm commitment underwritten public offering of its common stock registered under the Securities Act of 1933, as amended, each Stockholder hereby agrees that such Stockholder shall not sell or otherwise transfer or dispose of any Company securities held by such Stockholder (other than those included in the registration relating to such offering) for a period specified by the representative of the underwriters of the common stock being sold in such offering, which period shall not exceed one hundred eighty (180) days following the effective date of the registration statement of the Company filed under the Securities Act of 1933, as amended, relating to such offering. In furtherance of the foregoing, (A) each Stockholder agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter(s) which are consistent with the foregoing or which are necessary to give further effect thereto, and (B) the Company is authorized to impose stop-transfer instructions with respect to the securities subject to the foregoing restriction until the end of the applicable period.

6.3 **Equitable Relief**. The parties acknowledge that the Shares are unique, and that any violation of this Agreement cannot be compensated for in damages alone. Therefore, in addition to all of the other remedies which may be available under applicable law, any party hereto shall have the right to equitable relief, including, without limitation, the right to enforce specifically the terms of this Agreement by obtaining injunctive relief against any actual or threatened violation or non-performance hereof.

6.4 **Governing Law**. This Agreement will be governed by and construed in accordance with the internal laws of the State of Delaware (and United States federal law, to the extent applicable) without giving effect to principles of conflicts of law.

6.5 **Notices**. All demands, notices, requests, consents and other communications required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by facsimile machine (with a confirmation copy sent by one of the other methods authorized in this section), commercial (including Federal Express) or U.S. Postal Service overnight delivery service, or deposited with the U.S. Postal Service mailed first class, registered or certified mail, postage prepaid, as follows:

If to the Company:

VMC Holding Corporation
2555 Telegraph Road
Bloomfield Hills, MI 48302
Attention: J. Patrick Conroy
Telecopier: (248) 648-2145

If to PCP:

PCP Holdings, Inc.
2555 Telegraph Road
Bloomfield Hills, MI 48302
Attention: Executive Vice President and General Counsel
Telecopier: (248) 648-2135

If to PAG:

Penske Automotive Group, Inc.
2555 Telegraph Road
Bloomfield Hills, MI 48302
Attention: General Counsel
Telecopier: (248) 648-2515

If to PTL:

Penske Truck Leasing Co., L.P.
Route 10, Green Hills
Reading, PA 19603-0563
Attention: Vice President & Treasurer
Telecopier: 610-856-1055

with copy to:

Sr. Vice President & General Counsel
Telecopier: 610-775-6330

If to QEKGS:
QEKGS Investment Holdings, LLC
6120 Parkland Blvd., Ste. 202
Mayfield Hts., OH 44124
Attention: Walter Stuelpe and E.M. deWindt, Jr.
Telecopier: 440-684-9905

with a copy to:

Calfee, Halter & Griswold LLP
1405 East 6th Street
Cleveland, OH 44114
Attention: Joseph K. Juster
Telecopier: 216-241-0816

if to Phoenix:

Phoenix Life Insurance Company
One American Row, 11th Floor
P.O. Box 5056
Hartford CT 06102-5056
Attention: Paul M. Chute, CFA
Telecopier: 860-403-5182

with a copy to:

3S Advisors, LLC
400 Hollyhock Ct

Cleveland, OH 44124
Attention: Paul H Cascio, Managing Member
Telecopier: [ ]

Notices shall be deemed given upon the earlier to occur of (A) receipt by the party to whom such notice is directed; (B) if sent by facsimile machine, the day (other than a Saturday, Sunday or legal holiday in the jurisdiction to which such notice is directed) such notice is sent if sent (as evidenced by the facsimile confirmed receipt) prior to 5:00 p.m. U.S. Eastern Time, or the day (other than a Saturday, Sunday or legal holiday in the jurisdiction to which such notice is directed) after which such notice is sent if sent after 5:00 p.m. U.S. Eastern Time; (C) if sent by overnight delivery service, the first business day (other than a Saturday, Sunday or legal holiday in the jurisdiction to which such notice is directed) following the day the same is deposited with the commercial carrier or U.S. Postal Service; or (D) if sent by first class mail, registered or certified, postage prepaid, the fifth day (other than a Saturday, Sunday or legal holiday in the jurisdiction to which such notice is directed) following the day the same is deposited with the U.S. Postal Service. Each party, by notice duly given in accordance herewith, may specify a different address for the giving of any notice hereunder.

6.6 **Legends**. Each certificate for Shares held by any Stockholder shall be delivered to the Company by each Stockholder and shall be noted conspicuously with the following legend:

> The transfer of this certificate and the Shares it represents, as well as certain rights with respect to such Shares, are restricted by an Amended and Restated Agreement between this Company and its Stockholders dated November 5,

> 2013, as it may be amended from time to time, the terms of which Agreement, as it may be amended, are incorporated herein by reference, and a copy of which may be inspected at the principal office of the Company.

6.7 **Arbitration**.

A. Each and every dispute, difference, controversy or claim, whether based on contract, tort, common law, statute or equity (a "**Dispute**") arising out of or in connection with or related or incidental to, or question occurring under this Agreement shall be finally settled in accordance with the JAMS Comprehensive Arbitration Rules and Procedures (the "**Rules**") by a single arbitrator selected by mutual agreement of the parties to the Dispute within ten (10) days of receipt of a notice of arbitration of a Dispute or, if the parties fail to select an arbitrator by mutual agreement within such ten (10) day period, by JAMS in accordance with its Rules and this **Section 6.7**. Any arbitrator selected by JAMS shall be an attorney or retired judge experienced in corporate transactions. Arbitration of a Dispute shall be commenced by notice provided in accordance with this Agreement and the Rules. Each party to any arbitration proceeding hereunder shall bear its own expenses in connection with such arbitration, including those of attorneys and experts, and each party thereto shall bear an equal percentage of the costs of the arbitrator and arbitration proceeding, e.g., the arbitration facilities and transcript. Failure to pay the fees of JAMS and the arbitrator when due shall constitute a separate breach of this Agreement for which the damages shall be awarded by the arbitrator and shall consist of the reasonable attorneys fees and costs incurred to obtain payment of such fees. The award of the arbitrator shall be rendered in the form of a reasoned award and shall be in writing. The arbitrator appointed pursuant to this **Section 6.7**, rather than a court, shall determine any and all challenges and disputes with respect to the arbitrability of a Dispute and the scope of the arbitration obligation under this Agreement. Furthermore, the arbitrator shall, rather than a court, determine all challenges to the enforceability of this Agreement and the obligation to arbitrate a Dispute.

B. The location of all arbitration shall be Detroit, Michigan or any other place mutually agreed to by the parties to the arbitration proceeding. However, the arbitrator may hold an arbitration hearing at any location in or outside the State of Michigan when necessary to obtain the testimony or documents of third parties.

C. The parties hereby exclude any right of appeal to any court on the merits of the Dispute. The provisions of this **Section 6.7** may be enforced in any court having jurisdiction over the award or any of the parties or any of their respective assets, and judgment on the award (including without limitation equitable relief required for enforcement of the award) may be entered in any such court.

D. The arbitration of Disputes under this **Section 6.7** shall be governed, construed and enforced solely pursuant to the United States Arbitration Act, 9 U.S.C. Section 1 et seq. The arbitration laws of the states shall not apply. The law governing all substantive matters pertaining to his Agreement shall be the law of the State of Delaware.

6.8 **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signature of the Company and all of the Stockholders. An executed counterpart of this Agreement and all amendments hereto shall be kept at the principal office of the Company and shall be made available for inspection by any interested party during regular business hours.

6.9 **Assignments and Transfers**.

A. Subject to the restrictions on Transfer set forth herein and **Section 6.12** hereof, this Agreement shall be binding upon and inure to the benefit of the respective parties hereto, and their personal representatives, estates, successors, and assigns, including any transferee of the Shares subject to this Agreement. As a condition to any sale of Equity Securities, the purchaser thereof shall agree to be bound by the terms hereof and any transfer or issuance not in compliance with this **Section 6.9** shall be given the effect set forth in **Section 4.8** hereof.

B. Subject to the limitations set forth in **Sections 1.1, 1.2 and 2.1A**, to the extent a Stockholder or a transferee thereof has rights under **Section 1.1, 2.1B, 2.2, 4.3. 4.4., 4.5 or 4.6** or **Article 5** of this Agreement at the time of transfer, such rights may be transferred (and not retained) to any purchaser permitted hereunder of all, but not less than all, of the outstanding Shares then held by such Stockholder.

C. The rights under **Sections 2.1A** are transferable to a permitted transferee.

D. The rights of any Stockholder or its permitted successor under **Articles 1, 2, and 5,** and under **Sections 4.3 and 4.4** shall lapse if such Stockholder ceases to hold of record at least 5% of the issued and outstanding Common Shares.

6.10 **Severability**. If any provision of this Agreement is held to be invalid or unenforceable by any judgment of a tribunal of competent jurisdiction, it shall to that extent be omitted, but the remainder of this Agreement shall not be affected by such judgment, and the Agreement shall be carried out as nearly as possible according to its original terms and intent. In particular, if the provisions relating to Transfers of Shares in **Article 5** are determined to constitute an impermissible restriction on transfer, the Company shall have the right to purchase such Shares upon thirty (30) days notice at the purchase price set forth in **Article 5**.

6.11 **Entire Agreement; Amendment**. This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes all prior written or oral agreements, representations and understandings relating to the subject matter hereof. This Agreement may be amended or modified at any time by the affirmative vote at a meeting duly called for that purpose of eighty-five percent (85%) of the Shares then outstanding.

6.12 **Termination**. This Agreement shall terminate upon the affirmative agreement of each of the Stockholders. This Agreement, if not previously terminated, shall expire upon (x) the effective date of the first registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in connection with the initial firm commitment,

underwritten public offering of the Company’s common stock, (y) the sale to a third party of all of the outstanding Shares held by the Stockholders, or (z) a merger or combination of the Company with or into another company in which the Shares do not constitute a majority of the voting securities in the surviving corporation.

6.13 **Representations**. Each of the Stockholders represents to the Company and to each other Stockholder that it is the sole record and beneficial owner of the number of Shares set forth next to its name on Schedule A and no other person has any right, title, or interest in or to the Shares which such schedule indicates that he owns. All such Shares are held by it free and clear of any liens, encumbrances, equities, options, or rights of another whatsoever.

6.14 **Pronouns**. As used in this Agreement, the pronouns “it” and “its” shall mean, when referring to an individual, him, her, his, or hers (as applicable).

6.15 **Issuance of Additional Securities**. If the Company issues or agrees to issue any Preferred Stock or any Equity Security other than Common Stock or options to purchase Common Stock under an Option Plan, each Stockholder shall execute and deliver an amendment to this Agreement providing that all of its provisions other than those of **Article 1** shall be applicable to such additional securities. In addition, if the Company adopts an Option Plan, and any person acquires shares of Common Stock or other equity Securities of the Company pursuant to it, such person as a condition of acquiring such shares or securities shall be required to join in this Agreement by executing an addendum hereunder; and, to the extent necessary, this Agreement shall be appropriately amended to reflect the terms and conditions under which such securities are issued.

6.17 **Amendment and Restatement**. This Agreement amends and restates in its entirety that Stockholders Agreement of the Company executed as of April 20, 2005.

[Signature Page Follows]

IN WITNESS WHEREOF, this Amended and Restated Stockholders’ Agreement has been duly executed on this 5th day of November, 2013 by each of the parties whose name is set forth below.

VMC HOLDING CORPORATION

By: /s/J. Patrick Conroy
Name: J. Patrick Conroy
Title: Vice President

PCP HOLDINGS, INC.

By: /s/J. Patrick Conroy
Name: J. Patrick Conroy
Title: Vice President

PENSKE AUTOMOTIVE GROUP, INC.

By: /s/Robert H. Kurnick, Jr.
Name: Robert H. Kurnick, Jr.
Title: President

PENSKE TRUCK LEASING CO., L.P.

By: Penske Truck Leasing Corporation,
its General Partner

By: /s/Scott Cebul
Name: Scott Cebul
Title: Vice President & Treasurer

QEKGS INVESTMENT HOLDINGS, LLC
By: Gates Group Capital Partners LLC,
its Manager

By: /s/E.M. de Windt, Jr.
Name: E.M. de Windt, Jr.
Title: Sr. Managing Director & CEO

PHOENIX LIFE INSURANCE COMPANY

By: /s/Nelson Correa
Name: Nelson Correa
Title: Senior Managing Director, Private Placements

Schedule A

Holder	Number of Shares
PCP Holdings, Inc.	647.74
Penske Automotive Group, Inc.	1339.42
Penske Truck Leasing Co., L.P.	714.42
QEKGS Investment Holdings, LLC	1072.11
Phoenix Life Insurance Company	536.05

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Section 6: EX-12 (EX-12)

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Exhibit 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Income from continuing operations before undistributed earnings of equity method investments, amortization of capitalized interest, and taxes	375.4	290.1	248.0	188.4	121.5
Less undistributed earnings of equity method investments	(30.7)	(27.6)	(25.4)	(20.6)	(13.8)
Plus distributed earnings of equity method investments	10.8	23.6	9.2	9.9	21.3
Plus amortization of capitalized interest	0.8	0.8	0.8	0.8	0.8
	356.3	286.9	232.6	178.5	129.8
Plus:					
Fixed charges:					
Other interest expense (includes amortization of deferred financing costs)	47.9	46.8	44.1	48.4	54.5
Debt discount amortization	—	—	1.7	8.6	13.0
Floor plan interest expense	43.6	38.3	26.8	32.6	32.9
Capitalized interest	1.3	0.6	0.7	0.5	0.9
Interest factor in rental expense	59.8	56.5	53.9	50.9	49.7
Total fixed charges	152.6	142.2	127.2	141.0	151.0
Less:					
Capitalized interest	1.3	0.6	0.7	0.5	0.9
Earnings	507.6	428.5	359.1	319.0	279.9
Ratio of earnings to fixed charges	3.3	3.0	2.8	2.3	1.9

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Exhibit 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
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Section 7: EX-21 (EX-21)

Exhibit 21

Legal Name	Jurisdiction	Assumed Name or d/b/a
Autohaus Nix GmbH	Germany	
Automotive Media Holdings, LLC	Delaware	
Automotive Media, LLC	Michigan	
AutoVanti Brianza S.r.l.	Italy	
AutoVanti Monza S.r.l.	Italy	
Cycle Holdings, LLC	Delaware	
Dealer Accessories, LLC	Delaware	
FRN of Tulsa, LLC	Delaware	
Jacobs Holding GmbH	Germany	
Landers Auto Sales, LLC	Delaware	Landers Chrysler Jeep Dodge and Landers Auto Body
MAN Automotive Imports (NZ) Ltd.	New Zealand	
MAN Automotive Imports Pty Ltd.	Australia	
MAN Imports Pty Ltd.	Australia	
PAG Cycles MI, LLC	Delaware	Indian Motorcycle Motor City and Victory Motorcycle Motor City
PAG Greenwich Holdings, LLC	Delaware	
PAG Greenwich M1, LLC	Delaware	Mercedes-Benz of Greenwich, Maybach of Greenwich
PAG International Services, LLC	Delaware	
PAG Investments, LLC	Delaware	
PAG Italy Holdings Limited	England & Wales	
PAG Italy S.r.l.	Italy	
PAG Stratton Motorcycles, LLC	Delaware	
PAG West, LLC	Delaware	
Penske Automotive Europe Gmbh	Germany	
Penske Car Rental Holdings, LLC	Delaware	
Penske Car Rental Indiana, LLC	Delaware	
Penske Car Rental Memphis, LLC	Delaware	
Penske Transportation Group International Pty Ltd.	Australia	
PW Automotive, LLC	Delaware	Penske Wynn Ferrari Maserati
Sytner Group Limited	England & Wales	
UAG Classic, Inc.	Delaware	
UAG Connecticut I, LLC	Delaware	
UAG Connecticut, LLC	Delaware	
UAG Fairfield CA, LLC	Delaware	Audi Fairfield
UAG Fairfield CM, LLC	Delaware	Fairfield Collision Center, Mercedes-Benz of Fairfield and smart center Fairfield
UAG Fairfield CP, LLC	Delaware	Porsche of Fairfield
UAG International Holdings, Inc.	Delaware	
UAG Tulsa Holdings, LLC	Delaware	
UAG UK Holdings Limited	England & Wales	
Vanti Group S.r.l.	Italy	
Western Star Truck Centre Pty Ltd.	Australia	
Western Star Truck Centre Trust	Australia	
Western Star Trucks Australia Pty Ltd.	Australia	

In addition, Penske Automotive Group, Inc. has omitted 112 automotive retail subsidiaries operating in the United States and 33 automotive retail subsidiaries operating in foreign countries.

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Section 8: EX-23.1 (EX-23.1)

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-105311, 333-26219, 333-177855, and 333-184734 on Form S-8 and in Registration Statement No. 333-193394 on Form S-3, of our report dated March 3, 2014, relating to the consolidated financial statements and financial statement schedule of Penske Automotive Group, Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Penske Automotive Group, Inc. for the year ended December 31, 2013.

/s/ Deloitte & Touche LLP

Detroit, Michigan
March 3, 2014

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
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Section 9: EX-23.2 (EX-23.2)

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Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
UAG UK Holdings Limited:

We consent to the incorporation by reference in the registration statements (Nos. 333-105311, 333-26219, 333-177855, and 333-184734) on Form S-8 and registration statements (No. 333-193394) on Form S-3 of Penske Automotive Group, Inc. of our report dated March 3, 2014, with respect to the consolidated balance sheets of UAG UK Holdings Limited as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2013, which report appears in the December 31, 2013 Annual Report on Form 10-K of Penske Automotive Group, Inc. Neither the aforementioned financial statements nor the related financial statement schedule are presented in the Form 10-K.

/s/ KPMG Audit Plc

Birmingham, United Kingdom
March 3, 2014

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Exhibit 23.2

Consent of Independent Registered Public Accounting Firm
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Section 10: EX-31.1 (EX-31.1)

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Exhibit 31.1

CERTIFICATION

I, Roger S. Penske, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ ROGER S. PENSKE

Roger S. Penske
Chief Executive Officer

March 3, 2014

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Exhibit 31.1

CERTIFICATION
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Section 11: EX-31.2 (EX-31.2)

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Exhibit 31.2

CERTIFICATION

I, David K. Jones, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ DAVID K. JONES

David K. Jones
Chief Financial Officer

March 3, 2014

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Exhibit 31.2

CERTIFICATION

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Section 12: EX-32 (EX-32)

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Exhibit 32

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

In connection with the annual report of Penske Automotive Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Roger S. Penske and David K. Jones, Principal Executive Officer and Principal Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ ROGER S. PENSKE

Roger S. Penske
Chief Executive Officer

March 3, 2014

/s/ DAVID K. JONES

David K. Jones
Chief Financial Officer

March 3, 2014

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

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