UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ________ to ________

Commission file number: 001-14733

LITHIA MOTORS, INC.

(Exact name of registrant as specified in its charter)

Oregon	**93-0572810**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
360 E. Jackson Street, Medford, Oregon	**97501**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: 541-776-6899

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 x 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 (§232.405 of this chapter) 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x	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 x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class A common stock without par value	**17,291,350**
Class B common stock without par value	**3,762,231**
(Class)	**(Outstanding at May 11, 2009)**

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LITHIA MOTORS, INC.

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

LITHIA MOTORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	March 31, 2009	December 31, 2008
Assets		
Current Assets:		
Cash and cash equivalents	$ 9,104	$ 10,874
Contracts in transit	23,589	27,799
Trade receivables, net of allowance for doubtful accounts of $317 and $348	36,442	41,816
Inventories, net	391,959	422,812
Vehicles leased to others, current portion	7,412	8,308
Prepaid expenses and other	2,919	20,979
Deferred income taxes		2,541
Assets held for sale	139,603	161,423
Total Current Assets	611,028	696,552
Land and buildings, net of accumulated depreciation of $20,604 and $20,628	284,875	284,088
Equipment and other, net of accumulated depreciation of $48,587 and $47,414	59,238	62,188
Other intangible assets, net of accumulated amortization of $75 and $68	41,986	42,008
Other non-current assets	4,174	4,616
Deferred income taxes	46,984	44,007
Total Assets	$ 1,048,285	$ 1,133,459
Liabilities and Stockholders Equity		
Current Liabilities:		
Floorplan notes payable	$ 174,062	$ 234,181
Floorplan notes payable: non-trade	90,839	103,519
Current maturities of senior subordinated convertible notes	39,300	42,500
Current maturities of other long-term debt	34,745	36,134
Trade payables	22,251	21,571
Accrued liabilities	51,530	50,951
Deferred income taxes	2,220	
Liabilities related to assets held for sale	89,162	108,172
Total Current Liabilities	504,109	597,028
Real estate debt, less current maturities	171,239	163,708
Other long-term debt, less current maturities	87,683	101,476
Deferred revenue	16,465	4,442
Other long-term liabilities	17,199	18,462
Total Liabilities	796,695	885,116

Stockholders Equity:		
Preferred stock - no par value; authorized 15,000 shares; none outstanding		
Class A common stock - no par value; authorized 100,000 shares; issued and outstanding 16,985 and 16,717	235,450	234,522
Class B common stock - no par value; authorized 25,000 shares; issued and outstanding 3,762 and 3,762	468	468
Additional paid-in capital	9,434	9,275
Accumulated other comprehensive loss	(4,979)	(5,810)
Retained earnings	11,217	9,888
Total Stockholders Equity	251,590	248,343
Total Liabilities and Stockholders Equity	$ 1,048,285	$ 1,133,459

The accompanying notes are an integral part of these consolidated financial statements.

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LITHIA MOTORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Revenues:		
New vehicle sales	$ 187,104	$ 312,358
Used vehicle sales	124,844	155,132
Finance and insurance	13,462	21,463
Service, body and parts	71,853	77,278
Fleet and other	539	913
Total revenues	397,802	567,144
Cost of sales:		
New vehicle sales	170,847	287,987
Used vehicle sales	110,956	140,634
Service, body and parts	37,602	41,065
Fleet and other	215	519
Total cost of sales	319,620	470,205
Gross profit	78,182	96,939
Selling, general and administrative	68,059	82,577
Depreciation - buildings	1,228	1,222
Depreciation and amortization - other	3,079	3,316
Operating income	5,816	9,824
Other income (expense):		
Floorplan interest expense	(2,863)	(5,062)
Other interest expense	(3,779)	(4,449)
Other income, net	1,171	63
Total other expense	(5,471)	(9,448)
Income from continuing operations before income taxes	345	376
Income tax expense	(153)	(154)
Income from continuing operations	192	222
Discontinued operations:		
Loss from operations, net of income taxes	(1,594)	(2,383)
Gain from disposal activities, net of income taxes	2,731	
Total income (loss) from discontinued operations	1,137	(2,383)
Net income (loss)	$ 1,329	$ (2,161)
Basic income per share from continuing operations	$ 0.01	$ 0.01
Basic income (loss) per share from discontinued operations	0.05	(0.12)

Basic net income (loss) per share	$	0.06	$	(0.11)
Shares used in basic per share calculations		20,750		19,873
Diluted income per share from continuing operations	$	0.01	$	0.01
Diluted income (loss) per share from discontinued operations		0.05		(0.12)
Diluted net income (loss) per share	$	0.06	$	(0.11)
Shares used in diluted per share calculations		20,831		19,962

The accompanying notes are an integral part of these consolidated financial statements.

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LITHIA MOTORS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Cash flows from operating activities:		
Net income (loss)	$ 1,329	$ (2,161)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,307	4,538
Depreciation and amortization within discontinued operations	21	1,233
Amortization of debt discount	48	51
Stock-based compensation	564	545
Gain on early extinguishment of debt	(1,086)	
Gain on disposal of other assets	(444)	(134)
Gain from disposal activities within discontinued operations	(4,503)	
Deferred income taxes	1,225	3,997
Excess tax deficit (benefits) from share-based payment arrangements	77	(1)
(Increase) decrease, net of effect of acquisitions:		
Trade and installment contract receivables, net	5,374	1,106
Contracts in transit	4,210	5,907
Inventories	33,017	(40,331)
Vehicles leased to others	448	(207)
Prepaid expenses and other	17,916	(4,477)
Other non-current assets	434	240
Increase (decrease), net of effect of acquisitions:		
Floorplan notes payable	(60,504)	24,592
Trade payables	607	(2,061)
Accrued liabilities	788	(2,422)
Other long-term liabilities and deferred revenue	11,898	273
Net cash provided by (used in) operating activities	15,726	(9,312)
Cash flows from investing activities:		
Capital expenditures:		
Non-financeable	(1,914)	(3,485)
Financeable	(7,131)	(8,641)
Proceeds from sale of other assets	5,551	1,118
Proceeds from sale of stores	11,642	
Cash paid for acquisitions, net of cash acquired		(599)
Net cash provided by (used in) investing activities	8,148	(11,607)
Cash flows from financing activities:		
Borrowings (repayments) on floorplan notes payable: non-trade	(16,111)	20,001
Borrowings on lines of credit	15,000	141,000
Repayments on lines of credit	(26,000)	(152,000)
Principal payments on long-term debt, scheduled	(2,794)	(1,433)
Principal payments on long-term debt and capital leases, other	(19,476)	(1,670)
Proceeds from issuance of long-term debt	23,216	22,744
Repurchases of common stock	(1)	
Proceeds from issuance of common stock	599	1,242
Excess tax benefits from share-based payment arrangements	(77)	1

Dividends paid				(2,776)
Net cash provided by (used in) financing activities		(25,644)		27,109
Increase (decrease) in cash and cash equivalents		(1,770)		6,190
Cash and cash equivalents at beginning of period		10,874		21,665
Cash and cash equivalents at end of period	$	9,104	$	27,855
Supplemental disclosures of cash flow information:				
Cash paid during the period for interest	$	8,789	$	12,629
Cash paid (refund) during the period for income taxes		(17,891)		4
Supplemental schedule of noncash investing and financing activities:				
Floorplan debt acquired in connection with acquisitions	$		$	566
Acquisition of assets with capital lease				62
Floorplan debt retired in connection with store disposals		13,061		

The accompanying notes are an integral part of these consolidated financial statements.

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LITHIA MOTORS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Interim Financial Statements

Basis of Presentation

These condensed consolidated financial statements contain unaudited information as of March 31, 2009 and for the three-month periods ended March 31, 2009 and 2008. The unaudited interim financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain disclosures required by accounting principles generally accepted in the United States of America for annual financial statements are not included herein. In management s opinion, these unaudited financial statements include all adjustments necessary for a fair presentation of the information when read in conjunction with our audited consolidated financial statements and the related notes thereto. The financial information as of December 31, 2008 is derived from our 2008 Annual Report on Form 10-K. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our 2008 Annual Report on Form 10-K. The results of operations for the interim period presented are not necessarily indicative of the results to be expected for the full year.

Concentrations of Risk and Uncertainties Regarding Manufacturers

We are subject to a concentration of risk in the event of financial distress, including potential reorganization or bankruptcy, of a major vehicle manufacturer. We purchase substantially all of our new vehicles from various manufacturers or distributors at the prevailing prices available to all franchised dealers. We finance our new vehicle inventory primarily with automotive manufacturers captive finance subsidiaries. Our sales volume could be materially adversely impacted by the manufacturers or distributors inability to supply the stores with an adequate supply of vehicles and related financing. Our Chrysler, General Motors and Ford (Domestic Manufacturers) stores represented approximately 34%, 17% and 5% of our new vehicle sales in the first quarter of 2009, respectively, and approximately 31%, 20% and 4% for all of 2008, respectively.

We receive incentives and rebates from our manufacturers, including cash allowances, financing programs, discounts, holdbacks and other incentives. These incentives are held as receivables on our balance sheet until payment is received. Our financial condition could be materially adversely impacted by the manufacturers or distributors inability to continue to offer these incentives and rebates or to pay our outstanding receivables. Total receivables from Domestic Manufacturers were $10.7 million and $12.5 million as of March 31, 2009 and December 31, 2008, respectively.

The Domestic Manufacturers have experienced significant declines in sales revenue due to the current economic recession. These entities have disclosed substantial operating losses over the recent past. Two of these manufacturers, Chrysler and General Motors, have received substantial financial assistance from the U.S. government since December 2008. Additional funding from the U.S. government has been requested by these entities in order to continue to operate in 2009. Restructuring plans by General Motors and Chrysler were submitted for review and rejected by the U.S. government in March 2009. The U.S. government then set new deadlines to Chrysler and General Motors for the presentation of updated restructuring plans of May 1, 2009 and June 1, 2009, respectively, in order to provide additional funding. These plans must assure the long-term viability of the manufacturers, and include the termination of brands, the restructuring of debt, further personnel cost cuts, a decrease in the number of dealers and a further reduction in production in 2009.

On April 30, 2009 Chrysler filed a Petition for Chapter 11 bankruptcy protection. The Petition includes a Restructuring Plan establishing New Chrysler. New Chrysler will form a strategic alliance with Italian automaker, Fiat S.p.A, at which time Chrysler proposes to transfer certain of its assets and liabilities as well as certain executory contracts to New Chrysler. New Chrysler will continue to manufacture its major brands of vehicles (Chrysler, Dodge and Jeep cars and light trucks).

Chrysler has disclosed it intends to continue to operate during the reorganization period under the protection of the bankruptcy filing. During this period, Chrysler s manufacturing facilities are to sit idle for approximately 60 days.

On May 1, 2009, the bankruptcy court approved the U.S. Treasury to provide debtor in possession financing. This financing is intended to provide Chrysler the necessary operating capital to fund its operations during the reorganization period.

Chrysler has filed a Motion for approval of a sale of its assets to New Chrysler, or to consider other bids, and for approval of bidding and other procedures for the assumption and assignment of executory contracts (the Motion). There are no assurances that the Motion will be approved by the Court. Under the Motion, New Chrysler will have the right to designate certain executory contracts, which would include certain dealer and franchise agreements, to be assumed by the new company. In addition, Chrysler has announced that a reduction in its domestic dealer body may occur as part of the Chapter 11 reorganization. At a minimum, until the Motion is approved, and for a period of up to 90 days after the sale date, franchise agreements can be assumed or rejected at Chrysler s sole discretion. Based on our assessment of currently available information, and focusing on strategic location, size and profitability of our Chrysler stores, we believe that under Chrysler s current Restructuring Plan, if approved by the courts, most of our existing dealer agreements will be assigned to New Chrysler, although no assurances can be provided that this will be the case. Should certain of our franchises be terminated, this could lead to an impairment of the related intangible franchise rights (if any) and of other associated long-lived assets, which could adversely impact our financial condition, results of operations and cash flows.

Based upon the Restructuring Plan, if approved by the courts, it appears most, if not all, of our pre-petition receivables will be honored. On April 30, 2009, we had $3.9 million in pre-petition receivables from Chrysler. The Bankruptcy Court has granted motions authorizing Chrysler to honor its warranty and extended service programs, continue most of its incentive, rebate, credit, allowance and support programs for customers and dealers. On May 6, 2009, Chrysler has started processing payments on our pre-petition receivables in accordance with the Motion. However, until the reorganization plan is approved by the courts, and our dealership agreements are assigned to New Chrysler, the extent of collection of our pre-petition receivables outstanding will not be known and no assurances can be provided that we will be able to recover all of these receivables.

On April 30, 2009, Chrysler Financial stopped providing advances for new floorplan financing. We utilize Chrysler Financial for floorplan financing at all of our Chrysler locations and certain non-Chrysler locations. Existing floorplan financing from Chrysler Financial remains in place, and will be repaid as inventory is sold. General Motors Acceptance Corporation (GMAC) has indicated that floorplan financing will be provided to all Chrysler Financial dealers on an interim basis. We anticipate we will be able to obtain similar floorplan financing with substantially equivalent terms from GMAC or another finance company. However, no assurances can be provided that we will be able to obtain financing at terms and conditions acceptable to us, or at all. In addition, certain of our interest rate swaps are designated as cash flow hedges to hedge benchmark interest payments on the flooring line with Chrysler Financial. Changes in fair value of these interest rate swaps are recorded in other comprehensive income (loss). The cumulative balance recorded in accumulated other comprehensive income at March 31, 2009 related to these swaps was a loss of $3.6 million. We are evaluating whether a change in the floorplan provider would impact the prospective effectiveness of our hedges under the requirements of hedge accounting. Should our hedges no longer be considered prospectively effective, the amount recorded in accumulated other comprehensive income would need to be reclassified into earnings.

General Motors announced their updated restructuring plan on April 27, 2009, which includes measures such as a comprehensive debt to equity swap, a planned reduction of its dealer network by 40% by the end of 2010, primarily through the elimination or sale of brands such as Pontiac, Saturn, Hummer and SAAB and further brand alignment, and further personnel reductions. The restructuring plan also calls for the receipt of up to an additional approximately $12 billion in funding from the U.S. government. General Motors also announced that they will temporarily halt production at most of their production plants for a period of 9 weeks in the summer of 2009 in order to decrease the amount of their unsold inventory. Based on our assessment of publicly available information with respect to General Motors restructuring plans, we do not believe a significant number of our franchises would be terminated in a bankruptcy filing to affect the restructuring plans. We currently have 1 Saturn, 1 GMC and 1 SAAB franchise, and we do not believe their termination would have a significant impact on our financial position, results of operations or cash flows. However, no assurances can be provided that the restructuring plan will be executed as currently put forward, and that our financial condition, results of operations and cash flows will not be adversely impacted by General Motors restructuring plan.

If the U.S. government rejects General Motors restructuring plan and fails to provide funding, or if concessions by bond holders, unions and other parties cannot be reached, it may also be required to seek protection and reorganize under U.S. bankruptcy laws.

In a Chapter 11 reorganization in Bankruptcy Court: (1) the manufacturer could cease producing certain makes of vehicles in addition to those brands already identified for elimination and terminate all or any of our franchises even on continuing brands without consideration, (2) we may not be able to collect some or all of our significant receivables that are due us from such manufacturer, (3) we may not be able to obtain

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financing for our new vehicle inventory, or arrange financing for our customers for their vehicle purchases and leases and (4) consumer demand for such manufacturer s products could be adversely affected.

If New Chrysler does not resume the manufacture and sale of vehicles, if the Restructuring Plan encounters resistance in the court, or if the bankruptcy of another manufacturer arises, certain events noted above could occur and our sales and earnings may be materially adversely impacted. These events could also result in a partial or complete write-down of our remaining intangible franchise rights with respect to any affected franchises and would likely cause us to incur valuation allowances related to receivables due from such manufacturers. Any associated franchise terminations would likely cause us to incur charges related to operating leases and/or impairment of long-lived assets and our deferred income tax balance. Additionally, there is a continued risk to both the new and used vehicle inventory valuations for the respective brand or manufacturer. At March 31, 2009, we had $117.4 million in Chrysler and $74.6 million in General Motors inventory, respectively. We had $87.4 million in long-lived assets associated with Chrysler and $51.2 million in General Motors stores, respectively. Finally, we had $10.2 million in intangible assets associated with Chrysler and $8.9 million in General Motors franchises.

Our lending agreements contain certain subjective acceleration clauses that may be exercised by the creditor if a material adverse change is determined to have occurred. If the Chrysler bankruptcy or another manufacturer s bankruptcy results in a material adverse change to our condition, covenants and cross default provisions in certain debt agreements may be triggered, resulting in the immediate demand for amounts outstanding under the agreements.

We evaluated the impact of the matters noted above on our operations and liquidity and adjusted operating plans accordingly. Based on our evaluation, the impact of the Chrysler bankruptcy filing did not change our financial results as of March 31, 2009. No reserves, allowances or impairment charges were recorded in the first quarter of 2009 as a result of the filing.

As the circumstances surrounding the manufacturers continued viability and the success of the Restructuring Plan remain fluid and uncertain, we continue to evaluate the situation and the effect the potential outcomes described above may have on our business. As previously disclosed, we also are continuing to execute on our plan to address the current economic circumstances and weak sales environment by implementing further cost reductions in our business and increasing our liquidity position through refinancing of properties, sale of assets and other cash-generating activities. However, no assurances can be provided that we will be successful in executing these plans.

Note 2. Inventories

Inventories are valued at the lower of market value or cost, using a pooled approach for vehicles and the specific identification method for parts. The cost of new and used vehicle inventories includes the cost of any equipment added, reconditioning and transportation. Inventories consisted of the following (in thousands):

	March 31, 2009	December 31, 2008
New and program vehicles	$ 304,360	$ 338,799
Used vehicles	64,495	59,407
Parts and accessories	23,104	24,606
	$ 391,959	$ 422,812

Note 3. Earnings Per Share

We compute net income per share of Class A and Class B common stock in accordance with SFAS No. 128, Earnings per Share, using the two-class method. Under the provisions of SFAS No. 128, basic net income per share is computed using the weighted average number of common shares outstanding during the period except that it does not include unvested common shares subject to repurchase or cancellation. Diluted net income per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options, warrants, restricted shares, restricted stock units, conversion of any convertible senior subordinated notes and unvested common shares subject to repurchase or cancellation. The dilutive effect of outstanding stock options, restricted shares, restricted stock units and warrants is reflected in diluted earnings per share by application of the treasury stock method. The computation of the diluted net income per share of Class A common stock assumes the conversion of Class B common stock, while the diluted net income per share of Class B common stock does not assume the conversion of those shares.

Except with respect to voting rights, the rights of the holders of our Class A and Class B common stock are identical. Our Articles of Incorporation require that the Class A and Class B common stock must share equally in any dividends, liquidation proceeds or other distribution with respect to our common stock and the Articles of Incorporation can only be amended by a vote of the shareholders. Additionally, Oregon law provides that amendments to our Articles of Incorporation, which would have the effect of adversely altering the rights, powers or preferences of a given class of stock, must be approved by the class of stock adversely affected by the proposed amendment. As a result, and in accordance with EITF Issue No. 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, the undistributed earnings for each year are allocated based on the contractual participation rights of the Class A and Class B common shares as if the earnings for the year had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. Further, as we assume the conversion of Class B common stock in the computation of the diluted net income per share of Class A common stock, the undistributed earnings are equal to net income for that computation.

We adopted the provisions of FSP EITF 03-6-1 Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities in the quarter ended March 31, 2009. The adoption did not have a material impact on our basic or diluted earnings per share calculation.

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Following is a reconciliation of the income (loss) from continuing operations and weighted average shares used for our basic earnings per share (EPS) and diluted EPS for the quarters ended March 31, 2009 and 2008 (in thousands, except per share amounts):

Quarter Ended March 31,	**2009**		**2008**	
Basic EPS	**Class A**	**Class B**	**Class A**	**Class B**
Numerator:				
Net income from continuing operations applicable to common stockholders	$ 157	$ 35	$ 180	$ 42
Distributed income applicable to common stockholders			(2,245)	(526)
Undistributed net income (loss) from continuing operations applicable to common stockholders	$ 157	$ 35	$ (2,065)	$ (484)
Denominator:				
Weighted average number of shares outstanding used to calculate basic net income (loss) per share	16,988	3,762	16,111	3,762
Basic distributed net income per share applicable to common stockholders	$	$	$ 0.14	$ 0.14
Basic undistributed net income (loss) per share available to common stockholders	0.01	0.01	(0.13)	(0.13)
Basic earnings per share applicable to common stockholders	$ 0.01	$ 0.01	$ 0.01	$ 0.01

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Quarter Ended March 31,	2009		2008	
Diluted EPS	**Class A**	**Class B**	**Class A**	**Class B**
Numerator:				
Distributed income applicable to common stockholders	$	$	$ 2,245	$ 526
Reallocation of distributed income due to conversion of Class B to Class A common shares outstanding			526	
Diluted distributed net income applicable to common stockholders	$	$	$ 2,771	$ 526
Undistributed net income (loss) from continuing operations applicable to common stockholders	$ 157	$ 35	$ (2,065)	$ (484)
Reallocation of undistributed net income (loss) due to conversion of Class B to Class A	35		(484)	
Diluted undistributed net income (loss) from continuing operations applicable to common stockholders	$ 192	$ 35	$ (2,549)	$ (484)
Diluted net income from continuing operations applicable to common stockholders	$ 192	$ 35	$ 222	$ 40
Denominator				
Weighted average number of shares outstanding used to calculate basic net income (loss) per share	16,988	3,762	16,111	3,762
Weighted average number of shares from stock options	81		89	
Conversion of Class B to Class A common shares outstanding	3,762		3,762	
Weighted average number of shares outstanding used to calculate diluted net income (loss) per share	20,831	3,762	19,962	3,762
Diluted distributed net income net income per share available to common stockholders	$	$	$ 0.14	$ 0.14
Diluted undistributed net income (loss) per share available to common stockholders	0.01	0.01	(0.13)	(0.13)
Diluted net income per share	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Antidilutive Securities				
2 7/8% convertible senior subordinated notes	1,177		2,306	
Shares issuable pursuant to stock options not included since they were antidilutive	1,777		1,176	

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Note 4. Comprehensive Income (Loss)

Comprehensive income (loss) for the three-month periods ended March 31, 2009 and 2008 included the change in the fair value of cash flow hedging instruments that are reflected in stockholders equity, net of tax, instead of net income. The following table sets forth the calculation of comprehensive income (loss) (in thousands):

Three Months Ended March 31,	2009	2008
Net income (loss)	$ 1,329	$ (2,161)
Cash flow hedges:		
Derivative income (loss), net of tax effect of $(483) and $1,234, respectively	831	(2,013)
Total comprehensive income (loss)	$ 2,160	$ (4,174)

Note 5. Stock-Based Compensation

In the first quarter of 2009, we issued restricted stock grants covering 68,480 shares of our Class A common stock to certain employees. The restricted stock grants fully vest on the fourth anniversary of the grant date.

Total compensation related to these stock-based awards was $159,000 as calculated pursuant to the fair value method prescribed by Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payments. Of the $159,000, approximately $32,000 will be recognized in 2009.

Note 6. Discontinued Operations

We perform an internal evaluation of our store performance, on a store-by-store basis, in the last month of each quarter. If a particular location does not meet certain return on investment criteria established by our management team, the location is targeted for potential disposition. If a store that has been identified for potential disposition does not improve its operations for an extended period of time, the decision is made to divest the location. Additional factors we consider that may result in the disposition of a location include capital commitment requirements, our estimate of local market and franchise outlook, and the geographic location of certain stores.

When a store meets the criteria of held for sale, as defined in SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the results of operations are reclassified into discontinued operations. We anticipate the completion of the sale for each store to occur within 12 months from the date of determination. For stores that remain in discontinued operations for more than 12 months, we perform an evaluation under the criteria established in SFAS No. 144 to determine if continued inclusion is appropriate. As of March 31, 2009, we had one store that had been classified as discontinued operations for more than 12 months. We believe that the store s classification within discontinued operations is appropriate.

During the first quarter of 2009, we disposed of three stores and ceased operations at one store that had been held for sale and classified as discontinued operations at December 31, 2008. Additionally, we classified one additional store, which was sold in March 2009, as discontinued operations. Certain financial information related to discontinued operations was as follows (in thousands):

Three Months Ended March 31,	2009	2008
Revenue	$ 55,483	$ 143,550
Pre-tax loss from discontinued operations	$ (2,630)	$ (4,037)
Gain on disposal activities	4,503	
	1,873	(4,037)
Income tax benefit (expense)	(736)	1,654
Income (loss) from discontinued operations, net of income taxes	$ 1,137	$ (2,383)

Amount of goodwill and other intangible assets disposed of	$ 20	$
Cash generated from disposal activities	$ 11,642	$

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The gain on disposal activities included the following (in thousands):

Three Months Ended March 31,	2009	2008
Goodwill and indefinite-lived intangible assets	$ 6,823	$
Property, plant and equipment	(3,052)	
Inventory	1,301	
Other	(569)	
	$ 4,503	$

Interest expense is allocated to stores classified as discontinued operations for actual flooring interest expense directly related to the new vehicles in the store. Interest expense related to our working capital, acquisition and used vehicle credit facility is allocated based on the amount of assets pledged towards the total borrowing base.

As of March 31, 2009 and December 31, 2008, we had 14 and 18 stores, respectively, classified as held for sale. Assets held for sale included the following (in thousands):

	March 31, 2009	December 31, 2008
Inventories	$ 49,287	$ 65,584
Property, plant and equipment	89,910	93,871
Intangible assets	406	1,968
	$ 139,603	$ 161,423

Liabilities related to assets held for sale included the following (in thousands):

	March 31, 2009	December 31, 2008
Floorplan notes payable	$ 37,783	$ 56,358
Real estate debt	51,379	51,814
	$ 89,162	$ 108,172

Note 7. Fair Value Measurements

We adopted the provisions of SFAS No. 157, Fair Value Measurements, for our financial assets and liabilities on January 1, 2008. Effective January 1, 2009, we adopted the provisions of SFAS No. 157 for non-financial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis, at least annually. The adoption of these provisions did not have a material effect on our financial position, results of operations or cash flows. These provisions apply to the valuation of assets and liabilities including (but not limited to) the valuation of our franchise rights when assessing franchise impairments, the valuation of property and equipment when assessing long-lived asset impairment, the valuation of assets acquired and liabilities assumed in business combinations, and the valuation of assets held for sale.

SFAS No. 157 describes three levels of inputs that may be used to measure fair value:

Level 1 quoted prices in active markets for identical securities;

Level 2 other significant observable inputs, including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.; and

Level 3 significant unobservable inputs, including our own assumptions in determining fair value.

The inputs or methodology used for valuing financial assets and liabilities are not necessarily an indication of the risk associated with investing in them.

We value our interest rate swaps pursuant to SFAS No. 157. For recognizing the most appropriate value, the highest and best use of our interest rate swaps are measured using an in-exchange valuation premise that considers the assumptions that market participants would use in pricing the swaps.

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We estimate the fair value of our assets held for sale and liabilities related to assets held for sale based on a market valuation approach, which uses prices and other relevant information generated primarily by recent market transactions involving similar or comparable assets or liabilities, as well as our historical experience in divestitures, acquisitions and real estate transactions. When available, we use inputs from independent valuation experts, such as brokers and real estate appraisers, to corroborate our internal estimates. As these valuations contain unobservable inputs, we classified the assets held for sale and liabilities related to assets held for sale as Level 3.

The following table summarizes our assets and liabilities measured at fair value pursuant to SFAS No. 157 (in thousands):

	March 31, 2009	
	Fair Value	Input Level
Interest rate swap liabilities	$ 9,364	Level 2
Assets held for sale	139,603	Level 3
Liabilities related to assets held for sale	89,162	Level 3

The following table summarizes assets and liabilities measured at fair value on a nonrecurring basis:

		Fair Value Measurements at Reporting Date Using			
Description	**As of March 31, 2009**	**Quoted Market Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains (Losses)**
Asset held for sale					