

AUTONATION, INC.
Form DEF 14A
March 06, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

AutoNation, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

AUTONATION, INC.
AutoNation Headquarters
200 SW 1st Ave
Fort Lauderdale, FL 33301

NOTICE OF THE 2017 ANNUAL MEETING OF STOCKHOLDERS

To Stockholders of AutoNation, Inc.:

The 2017 Annual Meeting of Stockholders of AutoNation, Inc. will be held at AutoNation's Headquarters, located at 200 SW 1st Ave, Fort Lauderdale, Florida 33301, on Wednesday, April 19, 2017, at 8:00 a.m. Eastern Time for the following purposes as more fully described in the proxy statement:

- (1) To elect the ten director nominees named in the proxy statement, each for a term expiring at the next Annual Meeting of Stockholders or until their successors are duly elected and qualified;
- (2) To ratify the selection of KPMG LLP as our independent registered public accounting firm for 2017;
- (3) To hold an advisory vote on executive compensation;
- (4) To hold an advisory vote on the frequency of the advisory vote on executive compensation;
- (5) To approve the AutoNation, Inc. 2017 Employee Equity and Incentive Plan; and
- (6) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

Only stockholders of record as of the close of business on February 21, 2017, the record date, are entitled to receive notice of the Annual Meeting and to vote at the Annual Meeting or any adjournments or postponements of the Annual Meeting.

We cordially invite you to attend the Annual Meeting in person. Even if you plan to attend the Annual Meeting, we ask that you please cast your vote as soon as possible. You may revoke your proxy and reclaim your right to vote at any time prior to its use. The proxy statement includes information on what you will need to attend the Annual Meeting.

By Order of the Board of Directors,
Jonathan P. Ferrando
Executive Vice President - General Counsel,
Corporate Development and Human Resources
March 6, 2017

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INTERNET AVAILABILITY OF PROXY MATERIALS

In accordance with the rules of the Securities and Exchange Commission (“SEC”), we are furnishing our proxy materials, including this proxy statement and our annual report, to our stockholders primarily via the Internet. On March 6, 2017, we began mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials (the “Notice”) that contains instructions on how to access our proxy materials on the Internet. The Notice also contains instructions on how to vote via the Internet or by telephone. Other stockholders, in accordance with their prior requests, received an email with instructions on how to access our proxy materials and vote via the Internet, or have been mailed paper copies of our proxy materials and a proxy card or voting form. Stockholders may request to receive all future proxy materials in printed form by mail or electronically by email by following the instructions contained in the Notice.

Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting to be Held on April 19, 2017

Our 2016 Annual Report and this proxy statement are available at www.edocumentview.com/an.

AUTONATION, INC.
AutoNation Headquarters
200 SW 1st Ave
Fort Lauderdale, FL 33301

PROXY STATEMENT

This Proxy Statement contains information relating to the solicitation of proxies by the Board of Directors (the “Board”) of AutoNation, Inc. (“AutoNation” or the “Company”) for use at our 2017 Annual Meeting of Stockholders or any adjournment or postponement thereof. Our Annual Meeting will be held at AutoNation’s Headquarters, located at 200 SW 1st Ave, Fort Lauderdale, Florida 33301, on Wednesday, April 19, 2017, at 8:00 a.m. Eastern Time.

Only stockholders of record as of the close of business on February 21, 2017 (the “record date”) are entitled to receive notice of the Annual Meeting and to vote at the Annual Meeting or any adjournments or postponements of the Annual Meeting. As of the record date, there were 100,920,153 shares of AutoNation common stock issued and outstanding and entitled to vote at the Annual Meeting. We made copies of this proxy statement available to our stockholders beginning on or about March 6, 2017.

INFORMATION ABOUT THE ANNUAL MEETING

Annual Meeting Proposals

Proposal Matter	Board Vote Recommendation
1 Election of Directors	FOR EACH NOMINEE
2 Ratification of the Selection of KPMG LLP as Independent Auditor for 2017	FOR
3 Advisory Vote on Executive Compensation	FOR
4 Advisory Vote on Frequency of the Advisory Vote on Executive Compensation	3 YEARS
5 Approval of the AutoNation, Inc. 2017 Employee Equity and Incentive Plan	FOR

Voting Matters

Quorum. The holders of at least 50,460,077 shares (a majority of shares outstanding on the record date) must be present in person or represented by proxy to conduct business at the Annual Meeting. Both abstentions and broker non-votes will be counted for the purpose of determining the presence of a quorum.

Voting by Stockholders of Record. If you are a stockholder of record (your shares are registered directly in your name with our transfer agent), you may vote by proxy via the Internet by following the instructions provided in the Notice of Internet Availability of Proxy Materials. If you receive printed copies of the proxy materials by mail, you may also vote by proxy via the Internet, by telephone, or by mail by following the instructions provided on the proxy card. Stockholders of record who attend the Annual Meeting may vote in person by obtaining a ballot from the inspector of elections.

Voting by Beneficial Owners. If you are a beneficial owner of shares (your shares are held in the name of a brokerage firm, bank, or other nominee), you may vote by proxy by following the instructions provided in the Notice of Internet Availability of Proxy Materials, vote instruction form, or other materials provided to you by the brokerage firm, bank, or other nominee that holds your shares. If you do not provide specific voting instructions to the nominee that holds your shares, such nominee will have the authority to vote your shares only with respect to the ratification of the selection of KPMG LLP as our independent registered public accounting firm (such proposal is considered a “routine” matter under NYSE rules), and your shares will not be voted and will be considered “broker non-votes” with respect to the other proposals (such proposals are considered “non-routine” matters under NYSE rules). To vote in person at the Annual Meeting, you must obtain a legal proxy from the brokerage firm, bank, or other nominee that holds your shares.

Changing Your Vote. You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting. You may vote again on a later date via the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the meeting will be counted), by signing and returning a new proxy card with a later date, or by attending the Annual Meeting and voting in person. Your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the Annual Meeting or specifically request in writing that your prior proxy be revoked.

Votes Required to Adopt Proposals. Each share of our common stock outstanding on the record date is entitled to one vote on each of the ten director nominees and one vote on each other matter. To be elected, directors must receive a majority of the votes cast (the number of shares voted “for” a director nominee must exceed the number of votes cast “against” that nominee). Approval of Proposals 2, 3, and 5 requires the affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on the proposal. For Proposal 4, the option receiving the highest number of votes will be deemed to be the preferred frequency of our stockholders.

Effect of Abstentions and Broker Non-Votes. For the election of directors, broker non-votes (shares held by brokers that do not have discretionary authority to vote on a proposal and have not received voting instructions from their clients) and abstentions will not be counted as having been voted. For Proposals 2, 3, and 5, abstentions will be counted as present and entitled to vote and will have the same effect as negative votes. For Proposal 4, abstentions will not be counted in determining the preferred frequency for future advisory votes on executive compensation. For Proposals 3, 4, and 5, broker non-votes will not be counted as present and entitled to vote. Brokers will have discretionary authority to vote on Proposal 2 since it is considered a routine matter under NYSE rules.

Voting Instructions. If you complete and submit a proxy with voting instructions, the persons named as proxies will follow your instructions. If you are a stockholder of record and submit a proxy without voting instructions, or if your instructions are unclear, the persons named as proxies will vote as the Board recommends on each proposal. With respect to any other matters properly presented at the Annual Meeting, the persons named as proxies will vote as recommended by our Board of Directors, or if no recommendation is given, in their own discretion.

Proxy Solicitation

We will pay for the cost of soliciting proxies, and we have retained Innisfree M&A Incorporated to assist with the solicitation of proxies for an estimated fee of \$15,000 plus reimbursement for expenses. Our directors, officers, and other employees, without additional compensation, may solicit proxies personally or in writing, by telephone, email, or otherwise. As is customary, we will reimburse brokerage firms, banks, and other nominees for forwarding our proxy materials to each beneficial owner of common stock held of record by them.

Attending the Annual Meeting

You are entitled to attend the Annual Meeting only if you were an AutoNation stockholder as of the record date or you hold a valid proxy for the Annual Meeting. You may be asked to present valid photo identification and proof of stock ownership as of the record date to be admitted to the Annual Meeting. Directions to the Annual Meeting are provided under “Directions to the 2017 Annual Meeting of Stockholders of AutoNation, Inc.”

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Directors

Upon the recommendation of the Corporate Governance and Nominating Committee, the Board has nominated the ten persons listed below to stand for election for a new term expiring at the 2018 Annual Meeting of Stockholders or until their successors are duly elected and qualified. See “Items To Be Voted On - Proposal 1: Election of Directors.” All of the nominees for director were elected by our stockholders at our 2016 Annual Meeting of Stockholders.

Our Board consists of a diverse group of leaders. Many of our directors have experience serving as executive officers or on boards and board committees of major companies. Many of our directors also have extensive corporate finance and investment banking experience as well as a broad understanding of capital markets. Our directors have a strong owner orientation - approximately 20% of our common stock is held by our directors or entities or persons related to our directors (as of February 21, 2017). The median age and tenure of our Board nominees are 55.5 and 6.5 years, respectively.

We have set forth below information regarding each director nominated to stand for election, including the specific experience, qualifications, attributes, or skills that led the Board to conclude that such person should serve as a director. Our Corporate Governance and Nominating Committee and the Board believe that the experience, qualifications, attributes, and skills of our directors provide the Company with the ability to address the evolving needs of the Company and represent the best interests of our stockholders.

Nominee	Current Position with AutoNation	Age	Director Since
Mike Jackson	Chairman of the Board and Chief Executive Officer	68	1999
Rick L. Burdick	Director	65	1991
Tomago Collins	Director	45	2014
David B. Edelson	Director	57	2008
Karen C. Francis	Director	54	2016
Robert R. Grusky	Director	59	2006
Kaveh Khosrowshahi	Director	49	2015
Michael Larson	Director	57	2010
G. Mike Mikan	Director	45	2013
Alison H. Rosenthal	Director	40	2011

Mike Jackson has served as our Chief Executive Officer and Director since September 1999 and as our Chairman of the Board since January 2003. He also served as our President from February 2015 until January 2017. From October 1998 until September 1999, Mr. Jackson served as Chief Executive Officer of Mercedes-Benz USA, LLC, a North American operating unit of DaimlerChrysler AG, a multinational automotive manufacturing company. From April 1997 until September 1999, Mr. Jackson also served as President of Mercedes-Benz USA. From July 1990 until March 1997, Mr. Jackson served in various capacities at Mercedes-Benz USA, including as Executive Vice President immediately prior to his appointment as President of Mercedes-Benz USA. Mr. Jackson was also the managing partner from March 1979 to July 1990 of Euro Motorcars of Bethesda, Maryland, a regional group that owned and operated eleven automotive dealership franchises, including Mercedes-Benz and other brands of automobiles. In January 2014, Mr. Jackson was appointed to the Board of Directors of the Federal Reserve Bank of Atlanta, after previously serving on the Board of Directors of the Federal Reserve Bank of Atlanta’s Miami Branch. Since 2015, he has served as the Deputy Chair of the Board of Directors of the Federal Reserve Bank of Atlanta. Mr. Jackson’s automotive experience, his position as our Chief Executive Officer, and his broad knowledge of our Company and the automotive industry led the Board to conclude that he should serve as one of our directors.

Rick L. Burdick has served as one of our directors since May 1991. Since 1988, Mr. Burdick has been a partner in Akin, Gump, Strauss, Hauer & Feld, L.L.P., a global full service law firm. Mr. Burdick is managing partner (international) and chair of the global energy practice of the firm. He also serves as Lead Director of CBIZ, Inc. (formerly, Century Business Services, Inc.), a provider of outsourced business services to small and medium-sized companies in the United States. Mr. Burdick’s experience as a senior partner at a large law firm advising large companies

on a broad range of corporate transactions and on securities law and corporate governance matters led the Board to conclude that he should serve as one of our directors.

Tomago Collins has served as one of our directors since October 2014. Since July 2012, Mr. Collins has served as Vice President, Communications of Kroenke Sports & Entertainment (“Kroenke”), which owns and operates a multi-billion dollar portfolio of real estate, sports franchises, and cable networks. Mr. Collins has served in various positions at Kroenke since August 2003, including as Vice President, Media from November 2010 until July 2012 and as Vice President, Media & Player Development from October 2008 until November 2010. Mr. Collins serves as a director of Republic Services, Inc. Mr. Collins’ business development, strategic planning, and public affairs experience, as well as his public company board experience, led the Board to conclude that he should serve as one of our directors.

David B. Edelson has served as one of our directors since July 2008. Mr. Edelson is Senior Vice President and Chief Financial Officer of Loews Corporation, a diversified holding company with subsidiaries in the property-casualty insurance, offshore drilling, natural gas transmission and storage, and lodging industries. He joined Loews as a Senior Vice President in May 2005 and became its Chief Financial Officer in May 2014. Prior to joining Loews, Mr. Edelson was Executive Vice President & Corporate Treasurer of JPMorgan Chase & Co. He was named Corporate Treasurer in April 2001 and promoted to Executive Vice President in February 2003. Mr. Edelson spent the first 15 years of his career as an investment banker, first with Goldman, Sachs & Co. and subsequently with JPMorgan Chase & Co. Mr. Edelson’s experience as a senior executive officer of a large holding company owning a wide range of businesses, as well as his prior experience as an investment banker and corporate treasurer, led the Board to conclude that he should serve as one of our directors.

Karen C. Francis has served as one of our directors since February 2016. Ms. Francis is Executive Chairman of AcademixDirect, Inc., a technology marketing company serving the education industry. Ms. Francis served as Executive Chairman and CEO of AcademixDirect, Inc. from 2009 to 2014. From 2004 to 2007, Ms. Francis was Chairman and CEO of Publicis & Hal Riney, an advertising agency based in San Francisco. From 2001 to 2002, she served as Vice President of Ford Motor Company, where she was responsible for global technology strategies, customer relationship management, global export operations, and Ford Direct, the company’s online sales initiative structured as a joint venture with Ford dealers. From 1996 to 2000, Ms. Francis held several positions with General Motors, including serving as Regional Manager of the Chevrolet division responsible for all dealer operations in eleven states, as well as General Manager of the Oldsmobile division overseeing dealership operations nationwide. Ms. Francis also serves as a director of The Hanover Insurance Group, Inc. and Telenav, Inc. Ms. Francis’ leadership, marketing, technology, and automotive experience and her prior public company board experience led the Board to conclude that she should serve as one of our directors.

Robert R. Grusky has served as one of our directors since June 2006. In 2000, Mr. Grusky founded Hope Capital Management, LLC, an investment management firm for which he serves as Managing Member. He co-founded New Mountain Capital, LLC, a private equity and public equity investment management firm, in 2000 and was a Principal, Managing Director and Member of New Mountain Capital from 2000 to 2005 and has been a Senior Advisor since then. From 1998 to 2000, Mr. Grusky served as President of RSL Investments Corporation, the primary investment vehicle for the Hon. Ronald S. Lauder. Prior thereto, Mr. Grusky served in a variety of capacities at Goldman, Sachs & Co. in its Mergers & Acquisitions Department and Principal Investment Area. Mr. Grusky is a director of Strayer Education, Inc., an education services company. From August 2008 until December 2012, he served as a director of AutoZone, Inc. Mr. Grusky’s board experience and experience in investment management, private equity, and investment banking led the Board to conclude that he should serve as one of our directors.

Kaveh Khosrowshahi has served as one of our directors since October 2015. Since 2002, Mr. Khosrowshahi has served as a Partner and Managing Director of Allen & Company LLC, an investment bank, and as co-head of Allen & Company LLC’s Capital Markets Group. Mr. Khosrowshahi’s investment and finance experience led the Board to conclude that he should serve as one of our directors.

Michael Larson has served as one of our directors since February 2010. Mr. Larson serves as chief investment officer for William H. Gates III, a position he has held since 1994. He is responsible for Mr. Gates’ non-Microsoft investments as well as the investments of the Bill & Melinda Gates Foundation Trust. He serves as a director of Republic Services,

Inc., Ecolab Inc., and Fomento Economico Mexicano, S.A.B. de C.V. In addition, he is Chairman of the Board of Trustees of two funds within the Western Asset Management fund complex. From April 2009 through December 2014, he served as a director of Grupo Televisa, S.A.B. Mr. Larson's investment and business experience and broad

understanding of the capital markets, business cycles, and capital investment and allocation led the Board to conclude that he should serve as one of our directors.

G. Mike Mikan has served as one of our directors since March 2013. Mr. Mikan has served as Chairman and Chief Executive Officer of SHOT-ROCK CAPITAL, LLC, a private investment capital group, since January 2015. From January 2013 until December 2014, he served as President of ESL Investments, Inc. Mr. Mikan served as the Interim Chief Executive Officer of Best Buy Co., Inc. from April 2012 until September 2012. From November 1998 through February 2012, he served in various executive positions at UnitedHealth Group Incorporated, including as Executive Vice President and Chief Financial Officer and as Chief Executive Officer of UnitedHealth's Optum subsidiary. Mr. Mikan serves as a director of Princeton Private Investment Fund. He served as a director of Best Buy from April 2008 until December 2012. Mr. Mikan's operational and public company leadership experience and his broad understanding of capital investment and allocation led the Board to conclude that he should serve as one of our directors.

Alison H. Rosenthal has served as one of our directors since March 2011. Since September 2014, she has served as Vice President Strategic Partnerships at Wealthfront, Inc., an automated investment service. From July 2013 until August 2014, Ms. Rosenthal served as Chief Operating Officer of MessageMe, a company that developed and offered a multimedia messaging application for mobile devices. She served as Executive in Residence at Greylock Partners, a leading venture capital firm, from December 2011 until July 2013. From February 2006 until January 2011, Ms. Rosenthal led various initiatives in the Business Development Department at Facebook, Inc., where she served as Senior Manager from February 2006 until July 2008 and as Head of the Global Operator Program, Mobile from July 2008 until January 2011. Ms. Rosenthal served as an associate at General Atlantic Partners, LLC, a global private equity fund focused on IT, from February 2001 until June 2003 and as an analyst at Goldman, Sachs & Co. from July 1998 until July 2000. Ms. Rosenthal's technology experience, including in the areas of mobile applications and social media, and investment and finance experience led the Board to conclude that she should serve as one of our directors.

Corporate Governance Guidelines and Codes of Ethics

Our Board is committed to sound corporate governance principles and practices. Our Board's core principles of corporate governance are set forth in the AutoNation, Inc. Corporate Governance Guidelines (the "Guidelines"), which were adopted by the Board in March 2003 and most recently amended as of January 31, 2017. The Guidelines serve as a framework within which our Board conducts its operations. The Corporate Governance and Nominating Committee of our Board is charged with reviewing annually, or more frequently as appropriate, the Guidelines and recommending to our Board appropriate changes in light of applicable laws and regulations, the governance standards identified by leading governance authorities, and our Company's evolving needs.

In order to clearly set forth our commitment to conduct our operations in accordance with our high standards of business ethics and applicable laws and regulations, we have a company-wide Business Ethics Program, which includes a Code of Business Ethics applicable to all of our employees. We also maintain a 24-hour Alert-Line for employees to report any Company policy violations under our Business Ethics Program. In addition, our Board has adopted the Code of Ethics for Senior Officers and the Code of Business Ethics for the Board of Directors. These codes comply with NYSE listing standards.

A copy of the Guidelines and the codes referenced above are available on our corporate website at investors.autonation.com. You also may obtain a printed copy of the Guidelines by sending a written request to: Investor Relations, AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, FL 33301.

Corporate Governance Highlights

Proxy Access. In December 2016, the Board amended and restated our bylaws to implement “proxy access.” Our bylaws permit a stockholder, or a group of up to 20 stockholders, who has owned 3% or more of our common stock for at least three years to nominate and include in our proxy materials director candidates representing up to the greater of two individuals or 20% of the Board, provided the stockholder(s) and the nominee(s) satisfy the requirements and conditions specified in our bylaws. See “Stockholder Proposals and Nominations for the 2018 Annual Meeting” below.

Majority Voting with Resignation Policy for Uncontested Director Elections. Our Guidelines provide that an incumbent director who fails to receive a majority vote in an uncontested election shall tender his or her written resignation to the Chairman of the Board for consideration by the Corporate Governance and Nominating Committee.

Lead Independent Director. Under our Guidelines, if our Chairman of the Board is not an independent director, the independent directors shall annually select one of the independent directors to serve as the lead independent director with specified responsibilities. See “Role of the Board and Board Structure” below.

Recoupment Policy. In February 2015, the Board adopted the AutoNation, Inc. Policy Regarding Recoupment of Certain Incentive Compensation. Under the policy, if a covered officer engages in fraud, intentional misconduct, or gross negligence, and as a result, we are required to restate our financial statements due to material noncompliance with any financial reporting requirement, then we may require reimbursement or forfeiture of all or a portion of any excess incentive compensation paid to or received by such officer, during the three-year period preceding the date on which we are required to prepare the restatement, that would not have been paid or received under the specific terms of the applicable incentive award had the financial results been originally reported as set forth in the restatement. See “Compensation Discussion and Analysis - Policy Regarding Recoupment of Certain Incentive Compensation” below.

Stock Ownership Guidelines; Holding Requirement. Our non-employee directors and executive officers are subject to robust stock ownership guidelines. In January 2017, the Board amended our executive stock ownership guidelines to provide that a covered executive is expected to retain 50% of any shares of our common stock, net of applicable tax withholding and the payment of any exercise or purchase price (if applicable), he or she receives upon the vesting or settlement of any equity awards or the exercise of any employee stock options, until the applicable threshold under the guidelines is met. See “Board Compensation - Director Stock Ownership Guidelines” and “Compensation Discussion and Analysis - Executive Stock Ownership Guidelines” below.

Role of the Board and Board Structure

Our business and affairs are managed under the direction of our Board, which is the Company’s ultimate decision-making body, except with respect to those matters reserved to our stockholders. Our Board’s mission is to maximize long-term stockholder value. Our Board establishes our overall corporate policies, selects and evaluates our senior management team, who is charged with the conduct of our business, and acts as an advisor and counselor to senior management. Our Board also oversees our business strategy and planning, as well as the performance of management in executing our business strategy, assessing and managing risks, and managing our day-to-day operations. Our Board reviews and approves the Company’s long-term strategic plan developed by management. Our Board also reviews management’s ongoing and long-term plans for capital allocation.

Our Board’s oversight of our business strategy and planning and management of our day-to-day operations includes a review of risks that could impact our goals, objectives, and financial condition. In addition, our Audit, Compensation, Corporate Governance and Nominating, and Finance committees assist the Board in overseeing our management of risk. Our Audit Committee reviews with management significant financial and cyber risks as well as our process for assessing and managing risks. Our Compensation Committee reviews and approves our executive compensation program and also reviews the general compensation structure for our corporate and key field employees. Our Corporate Governance and Nominating Committee oversees our company-wide Business Ethics Program, which includes a Code of Business Ethics applicable to all of our employees. Our Finance Committee is responsible for reviewing and making recommendations to the Board with respect to our capital structure and our capital allocation

strategy, as well as financial risk management strategies and policies. While our Board oversees our management of risk as outlined above, management is responsible for identifying and managing risks.

The positions of Chairman of the Board and Chief Executive Officer (“CEO”) are both currently held by Mike Jackson. The Board believes that this leadership model is currently appropriate for the following reasons:

• Our Guidelines provide for the selection of a Lead Independent Director whenever the Chairman of the Board is not an independent director.

• Our independent directors meet in regularly scheduled executive sessions led by our Lead Independent Director without management present.

• Our Board is stockholder-oriented and focused on the best interests of our stockholders (approximately 20% of our common stock is held by our directors or entities or persons related to our directors (as of February 21, 2017)), a significant portion of our director’s compensation is equity-based, and the Board has established strong director stock ownership guidelines requiring each non-employee director to hold shares of our common stock having a fair market value of not less than \$750,000 as discussed below under “Board Compensation.”

• Our Board has adopted strong and effective corporate governance policies and procedures to promote the effective and independent governance of the Company. See “Corporate Governance Guidelines and Codes of Ethics” and “Corporate Governance Highlights” above.

• The combined role enables decisive leadership, ensures clear accountability, and fosters alignment on corporate strategy.

• Our independent directors annually review the performance of our Chairman and CEO.

• The Board believes that it functions well with its current leadership structure and with Mr. Jackson as Chairman of the Board and Michael Larson as our Lead Independent Director.

• At our 2009, 2010, 2012, 2014, and 2016 Annual Meetings of Stockholders, stockholder proposals to amend our bylaws to require an independent Board chairman were presented, and 86%, 85%, 84%, 72%, and 76% of the votes cast, respectively, voted against such proposals.

• In addition, we believe that the current leadership structure of the Board supports its risk oversight functions by providing independent leadership at the committee level, executive sessions of the Board of Directors, and ultimate oversight by the full Board.

• In May 2016, our Board re-elected Mr. Larson as our Lead Independent Director in accordance with our Guidelines. The Lead Independent Director’s duties include:

• calling and presiding at executive sessions of the non-management Directors and at meetings of the Board at which the Chairman is not present, and communicating feedback from such sessions and meetings to the Chairman and the CEO;

• serving as a liaison between the non-management Directors, the Chairman and the CEO, and/or senior management (as applicable);

• reviewing and advising on Board meeting agendas, schedules, and materials;

• working with the Chairman and the CEO to approve the scope, quality, quantity, and timeliness of information sent to the Board;

• being available for communication with major stockholders, in coordination with the Chairman and the CEO; and

• performing such other duties as the Board may from time to time delegate.

In performing the duties described above, the Lead Independent Director is expected to consult with the chairs of the appropriate Board committees and solicit their participation in order to avoid diluting the authority or responsibilities of such committee chairs.

Our Board held 13 meetings and took one action by unanimous written consent during 2016. In 2016, each person serving as a director attended at least 75% of the total number of meetings of our Board and any Board committee on which he or she served (held during the period for which such person has been a director). Our independent directors held four executive sessions without management present during 2016.

Our directors are expected to attend our Annual Meeting of Stockholders. Any director who is unable to attend our Annual Meeting is expected to notify the Chairman of the Board in advance of the Annual Meeting. Except for Robert J. Brown, who did not stand for re-election to the Board, each person who was then serving as a director attended the 2016 Annual Meeting of Stockholders.

Board Committees

Our Board has established four separately designated standing committees to assist the Board in discharging its responsibilities: the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee, and the Finance Committee. The charters for our Board committees are in compliance with applicable SEC rules and NYSE listing standards. These charters are available at investors.autonation.com. You may obtain a printed copy of any of these charters by sending a request to: Investor Relations, AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, FL 33301. The following table sets forth the current membership of each of our Board's committees:

Name	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee	Finance Committee
Rick L. Burdick		ü	Chair	
Tomago Collins			ü	
David B. Edelson	ü			ü
Karen C. Francis	ü			
Robert R. Grusky	Chair			
Kaveh Khosrowshahi				ü
Michael Larson*		Chair		ü
G. Mike Mikan		ü	ü	Chair
Alison H. Rosenthal	ü			

* Lead Independent Director

Audit Committee

The Audit Committee primarily assists our Board in fulfilling its oversight responsibilities by reviewing our financial reporting and audit processes and our systems of internal control over financial reporting and disclosure controls. Among the Committee's core responsibilities are the following: (i) overseeing the integrity of our financial statements, for which management is responsible, and reviewing and approving the scope of the annual audit; (ii) selecting, retaining, compensating, overseeing, and evaluating our independent registered public accounting firm; (iii) reviewing the Company's critical accounting policies; (iv) reviewing the Company's quarterly and annual financial statements prior to the filing of such statements with the SEC; (v) preparing the Audit Committee report for inclusion in our proxy statement; and (vi) reviewing with management significant financial risks or exposures and assessing the steps management has taken to minimize, monitor, and control such risks or exposures. For a complete description of our Audit Committee's responsibilities, please refer to the Audit Committee's charter.

Our Board has determined that each Audit Committee member has the requisite independence and other qualifications for audit committee membership under SEC rules, NYSE listing standards, the Audit Committee's charter, and the independence standards set forth in the Guidelines (as discussed below under "Director Independence"). Our Board has also determined that each of Mr. Grusky and Mr. Edelson is an "audit committee financial expert" within the meaning of Item 407(d)(5) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). See "Directors" above for a description of the business experience of each of Mr. Grusky and Mr. Edelson.

The Audit Committee held six meetings and took one action by unanimous written consent during 2016. The Audit Committee Report for fiscal 2016, which contains a description of the Audit Committee's responsibilities and its

recommendation with respect to our audited consolidated financial statements for the year ended December 31, 2016, is set forth below under “Audit Committee Report.”

Compensation Committee

The Compensation Committee primarily assists our Board in fulfilling its compensation oversight responsibilities by, among other things: (i) reviewing our director compensation program and suggesting changes in director compensation to the Board, if appropriate; (ii) reviewing and approving the compensation of our CEO and other senior executive officers and setting annual and long-term performance goals for these individuals; (iii) reviewing and approving the compensation of all of our corporate officers; (iv) reviewing the Company’s program for management development and succession planning; (v) reviewing and approving performance-based compensation of executive officers as contemplated under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), including incentive awards and stock-based awards; and (vi) administering our equity compensation plans.

Pursuant to the Compensation Committee’s charter, the Compensation Committee may form subcommittees and may delegate to such subcommittees any or all power and authority of the Compensation Committee as the Compensation Committee deems appropriate, provided that no subcommittee may consist of fewer than two members, and provided further that the Compensation Committee may not delegate to a subcommittee any power or authority required by any applicable laws, regulations, or listing standards to be exercised by the Compensation Committee as a whole.

The Compensation Committee reviews executive compensation at its meetings throughout the year and sets executive compensation. The Compensation Committee also reviews director compensation annually and recommends to the full Board the compensation for non-employee directors. Our CEO reviews the performance of other named executive officers and makes recommendations, if any, to the Compensation Committee with respect to compensation adjustments for such officers. However, the Compensation Committee determines in its sole discretion whether to make any adjustments to the compensation paid to such executive officers.

Since 2013, the Compensation Committee has engaged Pearl Meyer (“PM”), an independent compensation consulting firm, to provide research and analysis and to make recommendations as to the form and amount of executive and director compensation. The Compensation Committee sought input from PM on executive and director compensation matters for 2016, including the design and competitive positioning of our executive and director compensation programs, our peer group, appropriate compensation levels, and evolving compensation trends. While the Compensation Committee considered input from PM, the Compensation Committee’s decisions reflect many factors and considerations.

PM does not provide any other services to the Company or its subsidiaries. The Compensation Committee assessed the independence of PM pursuant to SEC and NYSE rules and concluded that no conflict of interest exists that would prevent PM from serving as an independent consultant to the Compensation Committee. The Compensation Committee reviews the appointment of its independent compensation consulting firm annually. As part of the review process, the Compensation Committee considers the independence of the firm in accordance with applicable SEC and NYSE rules.

For more information on the responsibilities and activities of the Compensation Committee, including the Committee’s processes for determining executive compensation, see “Executive Compensation” below, as well as the Compensation Committee’s charter.

Our Board has determined that each Compensation Committee member has the requisite independence for Compensation Committee membership under NYSE listing standards and the independence standards set forth in the Guidelines. Our Board has also determined that each Compensation Committee member qualifies as a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act and as an “outside director” under Section 162(m) of the Code. The Compensation Committee held five meetings and took one action by unanimous written consent during 2016.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee assists our Board in fulfilling its oversight responsibilities by performing the following duties: (i) reviewing annually, or more frequently as appropriate, the corporate governance principles and practices set forth in the Guidelines, in comparison to the governance standards identified by leading

governance authorities and our evolving needs, and making recommendations to the Board with respect to any appropriate amendment to the Guidelines; (ii) considering and advising the Board with respect to other corporate governance issues; (iii) periodically reviewing our codes of ethics and conduct for directors, officers, and employees; (iv) leading annual evaluations of Board and Board committee performance; (v) assessing periodically our Board's needs in terms of skills and qualifications and recommending to our Board candidates for nomination and election to our Board; (vi) reviewing Board candidates recommended by our stockholders; and (vii) recommending to our Board assignments to committees.

Our Board has determined that each Corporate Governance and Nominating Committee member is independent under NYSE listing standards and the independence standards set forth in the Guidelines. In 2016, the Corporate Governance and Nominating Committee held five meetings and took no actions by unanimous written consent. The Corporate Governance and Nominating Committee has a policy with regard to the consideration of director candidates recommended by stockholders. For information regarding this policy, refer to "Stockholder Communications - Stockholder Director Recommendations" below.

Finance Committee

The duties and responsibilities of the Finance Committee include reviewing and, where appropriate, making recommendations to the Board with respect to: (i) the Company's capital structure and any material changes thereto, including potential issuances of debt or equity securities; (ii) the Company's capital allocation strategy, processes and plans, including the Company's cost of capital; (iii) share repurchase programs and debt repurchases; (iv) financial risk management strategies and policies, including hedging and the use of derivatives; and (v) the Company's short-term investment policy.

Our Board has determined that each Finance Committee member is independent under NYSE listing standards and the independence standards set forth in the Guidelines. In 2016, the Finance Committee held seven meetings and took no actions by unanimous written consent.

Director Independence

Under our Guidelines, our Board must consist of a substantial majority of directors who qualify as independent directors under the listing standards of the NYSE. To be considered independent:

- our Board must affirmatively determine that a director has no material relationship with the Company (either directly or as a partner, stockholder, or officer of an organization that has a relationship with the Company); and
- a director must not have a disqualifying relationship, as set forth in the NYSE listing standards.

To assist the Board in determining whether a director is independent, our Board has established director independence standards, which are part of our Guidelines available at investors.autonation.com. Under our director independence standards, none of our non-employee directors has a material relationship with the Company that impairs his or her independence, and our Board has affirmatively determined that all of our directors, except Mr. Jackson, our Chairman and CEO, are "independent" under our director independence standards and the listing standards of the NYSE. The Board also determined that Mr. Brown, who served as a director for part of 2016, was "independent" under our director independence standards and the listing standards of the NYSE.

In addition to our independence standards, the directors who serve on our Audit Committee each satisfy standards established by the SEC providing that to qualify as "independent" for the purposes of membership on that committee, members of audit committees may not:

- accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any of its subsidiaries other than their director compensation, or
- be an affiliated person of the Company or any of its subsidiaries.

In accordance with the listing standards of the NYSE, in affirmatively determining the independence of each director who serves on our Compensation Committee, our Board also considered all factors specifically relevant to determining whether each such director has a relationship to the Company which is material to his or her ability to be

independent from management in connection with the duties of a compensation committee member, including, but not limited to:

the source of compensation of each such director, including any consulting, advisory, or other compensatory fee paid by the Company to him or her, and

whether he or she is affiliated with the Company, a subsidiary of the Company, or an affiliate of a subsidiary of the Company.

Director Selection Process

The Corporate Governance and Nominating Committee is responsible for identifying, evaluating, and recommending candidates to the Board for nomination and election to the Board. The Committee is also responsible for assessing the appropriate balance of skills and characteristics required of our Board members. The Committee considers candidates suggested by its members and other Board members, as well as management and stockholders.

In accordance with the Guidelines, candidates, including candidates recommended by stockholders, are selected on the basis of, among other things, broad experience, financial expertise, wisdom, integrity, ability to make independent analytical inquiries, understanding of our business environment, the candidate's ownership interest in the Company, and willingness and ability to devote adequate time to Board duties, all in the context of assessing the needs of our Board at that point in time and with the objective of ensuring diversity in the background, experience, and viewpoints of our Board members. The Guidelines provide that the number of directors should permit diversity of experience without hindering effective discussion, diminishing individual accountability, or exceeding a number that can function efficiently as a body.

The Board periodically reviews the size of the Board to determine the size that will be most effective for the Company. In addition, the Board completes an annual self-evaluation, which includes a self-assessment questionnaire for each Board member. The self-assessment questionnaire addresses topics such as the structure of the Board, the skills and backgrounds of the current directors, the size of the Board, and the Board's committee structure. Each of the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee, and the Finance Committee also completes an annual self-evaluation, which includes a self-assessment questionnaire tailored specifically for such committee.

Candidates recommended by our stockholders are considered on the same basis as if such candidates were recommended by one of our Board members or other persons. See "Stockholder Communications - Stockholder Director Recommendations" below.

Certain Relationships and Related Party Transactions

Our Board has adopted a written policy which requires that transactions with related parties must be entered into in good faith on fair and reasonable terms that are no less favorable to us than those that would be available in a comparable transaction in arm's-length dealings with an unrelated third party. Our Board, by a vote of the disinterested directors, must approve all related party transactions valued over \$500,000, while our Audit Committee must approve all related party transactions valued between \$100,000 and \$500,000 and review with management all other related party transactions. Under SEC rules, a related party is defined as any director, executive officer, nominee for director, or greater than 5% stockholder of the Company, and their immediate family members. Since the beginning of 2016, the Company has not participated in any related party transaction in which any related party had or will have a direct or indirect material interest.

Board Compensation

Our non-employee director compensation program is designed to:

- ensure alignment with long-term stockholder interests;
- ensure we can attract and retain outstanding directors who meet the criteria outlined under “Director Selection Process” above; and
- recognize the time commitments necessary to oversee the Company.

Summary

For 2016, the Board, advised by PM and based on a review of market data, adjusted our non-employee director compensation program. Effective as of January 1, 2016, the Board:

- eliminated the annual committee retainers previously paid to non-Chair members of the Board’s committees; and
- modified the non-employee director annual equity award to provide for an annual award of restricted stock units based on a fixed dollar value of \$250,000.

Accordingly, in 2016, our non-employee director compensation program consisted of the following:

- annual Board retainer of \$50,000 for each non-employee director;
- annual retainer of \$25,000 for the Lead Independent Director;
- annual committee retainers of \$20,000 for the Chair of the Audit Committee and \$10,000 for the Chair of each of the Compensation, Corporate Governance and Nominating, and Finance Committees;
- annual award of restricted stock units based on a fixed dollar value of \$250,000 as described further below; and
- expense reimbursement in connection with Board and committee meeting attendance.

On January 4, 2016, each of our non-employee directors then serving received a grant of 4,259 (calculated by dividing \$250,000 by the closing price of our common stock on the grant date) vested restricted stock units (“RSUs”) under the AutoNation, Inc. 2014 Non-Employee Director Equity Plan (the “2014 Director Plan”), which was approved by our stockholders at our 2014 Annual Meeting of Stockholders held on May 6, 2014. The RSUs will settle in shares of the Company’s common stock on the first trading day of February in the third year following the date of grant, except to the extent a recipient elected to defer settlement of the RSUs beyond such date in accordance with the terms of the award and the 2014 Director Plan. Settlement of the RSUs will be accelerated in certain circumstances as provided in the terms of the award and the 2014 Director Plan, including in the event the recipient ceases to serve as a non-employee director of the Company. If the Company pays a dividend with respect to its common stock, each RSU award will be credited with a number of additional RSUs equal to (i) the aggregate amount or value of the dividends paid with respect to the number of shares subject to the award on the dividend record date divided by (ii) the fair market value per share on the payment date for such dividend. Any such additional RSUs will be subject to the same terms and conditions of the award, and the shares subject to such additional RSUs will be distributed only upon the distribution of the underlying shares with respect to which the dividend equivalents were granted.

Our non-employee directors became eligible to defer all or a portion of their annual and committee retainers under the AutoNation, Inc. Deferred Compensation Plan (the “DCP”) beginning in January 2011. Please refer to “Executive Compensation - Compensation Tables - Non-Qualified Deferred Compensation in Fiscal 2016” for additional information regarding the DCP.

2016 Director Compensation

The following table sets forth the compensation earned during 2016 by each non-employee director who served in 2016.

2016 DIRECTOR COMPENSATION

Name	Fees Earned or Stock		Total (\$)
	Paid in Cash (\$)	Awards (\$)(1)	
Robert J. Brown	20,833	(2) 249,961	270,794
Rick L. Burdick	60,000	249,961	309,961
Tomago Collins	50,000	249,961	299,961
David B. Edelson	50,000	(3) 249,961	299,961
Karen C. Francis	45,833	(4) —	45,833
Robert R. Grusky	70,000	(3) 249,961	319,961
Kaveh Khosrowshahi	50,000	(3) 249,961	299,961
Michael Larson	85,000	249,961	334,961
G. Mike Mikan	60,000	249,961	309,961
Alison H. Rosenthal	50,000	(3) 249,961	299,961

The amounts reported in this column reflect the grant date fair value of awards computed in accordance with FASB ASC Topic 718. On January 4, 2016, each non-employee director then serving received a grant of 4,259 vested (1) RSUs under the 2014 Director Plan. The grant date fair value of each RSU granted on January 4, 2016 was \$58.69, the closing price per share of our common stock on such date.

(2) Mr. Brown did not stand for re-election to the Board at the 2016 Annual Meeting of Stockholders of AutoNation, Inc., and his Board retainer was prorated accordingly.

(3) Amount deferred under the DCP.

(4) Ms. Francis joined the Board in February 2016, and her Board retainer was prorated accordingly.

Outstanding Equity Awards

The following table sets forth information regarding the number of RSUs and the number of options held by each non-employee director who served in 2016, as of December 31, 2016:

Name	Aggregate	Aggregate
	Number of RSUs Held as of 12/31/2016	Number of Options Held as of 12/31/2016
Robert J. Brown	—	11,250
Rick L. Burdick	14,259	80,000
Tomago Collins	9,259	—
David B. Edelson	14,259	142,000
Karen C. Francis	—	—
Robert R. Grusky	14,259	116,000
Kaveh Khosrowshahi	4,259	—
Michael Larson	14,259	110,000
G. Mike Mikan	14,259	15,000
Alison H. Rosenthal	14,259	55,000

2017 Director Compensation

On January 3, 2017, each of our non-employee directors received a grant of 5,073 vested RSUs under the 2014 Director Plan pursuant to our non-employee director annual equity award program.

Director Stock Ownership Guidelines

On March 17, 2014, our Board amended our director stock ownership guidelines to increase the ownership expectation from \$100,000 to \$750,000 in shares of our common stock. Each non-employee director is expected to satisfy the new guidelines by the later of March 17, 2019 or five years after his or her initial appointment to the Board. The following table sets forth information regarding the number of shares (including vested RSUs) held as of February 21, 2017 by each non-employee director nominated to stand for election.

Name	Number of Shares Held	Fair Market Value of Shares Held (\$)(1)	Progress Towards Stock Ownership Guidelines(2)	Deadline
Rick L. Burdick	33,822	1,632,588	Achieved	March 2019
Tomago Collins	14,332	691,806	92	% October 2019
David B. Edelson	24,182	1,167,265	Achieved	March 2019
Karen C. Francis	5,573	269,009	36	% February 2021
Robert R. Grusky	26,713	1,289,437	Achieved	March 2019
Kaveh Khosrowshahi	9,332	450,456	60	% October 2020
Michael Larson	22,332	1,077,966	Achieved	March 2019
G. Mike Mikan	23,832	1,150,371	Achieved	March 2019
Alison H. Rosenthal	19,332	933,156	Achieved	March 2019

(1) The fair market value of the shares is based on the closing price of our common stock on February 21, 2017 (\$48.27).

(2) In the event that a director meets the threshold and subsequently the fair market value of such director's holdings falls below the threshold solely due to a decline in our stock price, such director shall be deemed to remain in compliance with the guidelines so long as such director does not sell or transfer any shares at any time the fair market value of his or her holdings is at or below the threshold.

Stockholder Communications

Communications with the Company and the Board

Stockholders and interested parties may communicate with the Company through its Investor Relations Department by writing to Investor Relations, AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, FL 33301.

Stockholders and interested parties interested in communicating with our Board, any Board committee, any individual director, any group of directors (such as our independent directors), or our Lead Independent Director should send written correspondence to Board of Directors c/o Corporate Secretary, AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, FL 33301. Additional information is available on our corporate website at investors.autonation.com.

Stockholder Director Recommendations

The Corporate Governance and Nominating Committee has established a policy pursuant to which it considers director candidates recommended by our stockholders. All director candidates recommended by our stockholders are considered for selection to the Board on the same basis as if such candidates were recommended by one or more of our directors or other persons. To recommend a director candidate for consideration by our Corporate Governance and Nominating Committee, a stockholder must submit the recommendation in writing to our Corporate Secretary not later than 120 calendar days prior to the anniversary date of our proxy statement distributed to our stockholders in connection with our previous year's annual meeting of stockholders, and the recommendation must provide the following information: (i) the name of the stockholder making the recommendation; (ii) the name of the candidate; (iii) the candidate's resume or a listing of his or her qualifications to be a director; (iv) the proposed candidate's written consent to being named as a nominee and to serving as one of our directors if elected; and (v) a description of all relationships, arrangements, or understandings, if any, between the proposed candidate and the recommending stockholder and between the proposed candidate and us so that the candidate's independence may be assessed. The stockholder or the director candidate also must provide any additional information requested by our Corporate Governance and Nominating Committee to assist the Committee in appropriately evaluating the candidate.

Stockholder Proposals and Nominations for the 2018 Annual Meeting

Proposals for Inclusion in our Proxy Materials

Under SEC rules, if a stockholder wishes to submit a proposal for inclusion in our Proxy Statement for the 2018 Annual Meeting of Stockholders, the proposal must be received by our Corporate Secretary not later than November 6, 2017. All proposals must comply with Rule 14a-8 under the Exchange Act.

Nominations for Inclusion in our Proxy Materials (Proxy Access)

Under our proxy access bylaw, a stockholder (or a group of up to 20 stockholders) owning three percent or more of our common stock continuously for at least three years may nominate and include in our proxy statement candidates for up to 20% of our Board (rounded down, but not less than two). Nominations must comply with the requirements and conditions of our proxy access bylaw, including delivering proper notice to us not earlier than October 7, 2017 nor later than November 6, 2017. Detailed information for submitting proxy access nominations will be provided upon written request to the Corporate Secretary of AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, FL 33301.

Other Proposals and Nominations

Any stockholder who wishes to make a nomination or introduce an item of business, other than as described above, must comply with the procedures set forth in our bylaws, including delivering proper notice to us not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's Annual Meeting, which means not earlier than December 20, 2017 nor later than January 19, 2018. Detailed information for submitting stockholder proposals or nominations, other than for inclusion in our proxy statement, will be provided upon written request to the Corporate Secretary of AutoNation, Inc., 200 SW 1st Ave, Fort Lauderdale, FL 33301.

STOCK OWNERSHIP

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information as of February 21, 2017 regarding beneficial owners of more than five percent of the outstanding shares of our common stock.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class(1)
William H. Gates III One Microsoft Way, Redmond, WA 98052	20,329,879(2)	20.1 %
ESL Investments, Inc. and related entities(3) 1170 Kane Concourse, Suite 200, Bay Harbor, FL 33154	16,637,593(4)	16.5 %
The Vanguard Group 100 Vanguard Blvd., Malvern, PA 19355	6,408,945 (5)	6.4 %
Capital Research Global Investors 333 South Hope Street, Los Angeles, CA 90071	6,000,000 (6)	5.9 %

(1) Based on 100,920,153 shares outstanding at February 21, 2017.

Based on a Schedule 13D/A filed with the SEC on November 1, 2016, the number of shares beneficially owned by Mr. Gates as of February 21, 2017 includes 18,431,162 shares held by Cascade Investment, L.L.C. ("Cascade") and 1,898,717 shares held by the Bill & Melinda Gates Foundation Trust (the "Trust"). All shares of our common stock held by Cascade may be deemed to be beneficially owned by Mr. Gates as the sole member of Cascade, and all (2) shares of our common stock beneficially owned by the Trust may be deemed to be beneficially owned by Mr. Gates as a co-trustee of the Trust. Mr. Gates has sole voting power with respect to 18,431,162 shares and shared voting power with respect to 1,898,717 shares. The address of Cascade is 2365 Carillon Point, Kirkland, WA 98033, and the address of the Trust is 500 Fifth Avenue North, Seattle, WA 98119.

Includes ESL Partners, L.P. ("Partners"), RBS Partners, L.P. ("RBS"), ESL Investments, Inc. ("Investments"), The (3) Lampert Foundation (the "Foundation"), and Edward S. Lampert. Partners, RBS, Investments, the Foundation, and Mr. Lampert are collectively referred to as the "ESL Entities."

Based on a Schedule 13D/A filed with the SEC on January 4, 2017 and a Form 4 filed with SEC on January 30, 2017, the total number of AutoNation shares beneficially owned by the ESL Entities consists of 4,933,706 shares held by Partners, 212,928 shares held by the Foundation, and 11,490,959 shares held by Mr. Lampert. Each of (4) Partners, RBS, and Investments has sole voting and dispositive power with respect to 4,933,706 shares and shared dispositive power with respect to 11,490,959 shares; the Foundation has sole voting and dispositive power with respect to 212,928 shares; and Mr. Lampert has sole voting power with respect to 16,637,593 shares, sole dispositive power with respect to 5,146,634 shares, and shared dispositive power with respect to 11,490,959 shares.

Based on a Schedule 13G/A filed with the SEC on February 9, 2017, The Vanguard Group has sole voting power (5) with respect to 102,075 shares, shared voting power with respect to 12,285 shares, sole dispositive power with respect to 6,297,213 shares, and shared dispositive power with respect to 111,732 shares.

Based on a Schedule 13G/A filed with the SEC on February 13, 2017, Capital Research Global Investors has sole (6) voting and dispositive power with respect to 6,000,000 shares.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information as of February 21, 2017 regarding the amount of our common stock beneficially owned by (1) each of our directors, (2) each of our 2016 named executive officers, and (3) our directors and executive officers as a group. Beneficial ownership includes shares that may be acquired within 60 days of February 21, 2017 through the exercise of outstanding stock options (including, in the case of Mr. Jackson, who is retirement eligible under our equity compensation plans, currently unvested stock options that would accelerate in the event of his retirement, and, in the case of each non-employee director, currently unvested stock options that would accelerate in the event of termination of Board service and vested restricted stock units), as well as shares of restricted stock. Unless otherwise indicated and subject to applicable community property laws, each person listed in the table has sole voting and investment power with respect to the securities listed.

Name of Beneficial Owner	Number of Shares of Common Stock Owned	Number of Shares Acquirable Within 60 days	Shares of Common Stock Beneficially Owned	Percent(1)
Mike Jackson	114,463	1,526,224 (2)	1,640,687	1.6 %
Rick L. Burdick	19,490	94,332 (3)	113,822	*
Tomago Collins	—	14,332 (4)	14,332	*
David B. Edelson	7,350	158,832 (5)	166,182	*
Karen C. Francis	500	5,073 (4)	5,573	*
Robert R. Grusky	9,881	127,832 (5)	137,713	*
Kaveh Khosrowshahi	—	9,332 (4)	9,332	*
Michael Larson	8,000	124,332 (3)	132,332	*
G. Mike Mikan	7,000	31,832 (6)	38,832	*
Alison H. Rosenthal	2,500	71,832 (5)	74,332	*
William R. Berman	1,814 (7)	88,226	90,040	*
Cheryl Miller	7,541 (8)	93,935	101,476	*
Jonathan P. Ferrando	50,000 (9)	556,101	606,101	*
Donna Parlapiano	16,172 (10)	39,204	55,376	*
All directors and executive officers as a group (16 persons)	265,641	2,984,596	3,250,237	3.1 %

*Less than 1%.

(1)Based on 100,920,153 shares outstanding at February 21, 2017.

Includes 753,164 shares that may be acquired upon exercise of vested options, and 773,060 shares underlying unvested options since Mr. Jackson is eligible for retirement treatment under the Company's equity compensation plans. All options held by Mr. Jackson are owned by a trust of which he is the sole trustee and beneficiary. Mr.

(2) Jackson disclaims beneficial ownership of 367,652 shares underlying unvested options, which options he has agreed to transfer in the future pursuant to a transaction that will be exempt from Section 16 of the Exchange Act pursuant to Rule 16a-12 promulgated thereunder.

(3) Includes 5,000 shares that may be acquired upon exercise of unvested options that would accelerate in the event of termination of Board service and 14,332 vested restricted stock units.

(4) Represents vested restricted stock units.

(5) Includes 5,000 shares that may be acquired upon exercise of unvested options that would accelerate in the event of termination of Board service and 16,832 vested restricted stock units.

(6) Includes 3,750 shares that may be acquired upon exercise of unvested options that would accelerate in the event of termination of Board service and 16,832 vested restricted stock units.

(7) Represents unvested shares of restricted stock.

(8) Includes 2,190 unvested shares of restricted stock.

(9)Includes 33,000 shares owned by Mr. Ferrando and his wife as tenants by the entirety.

(10)Includes 12,805 unvested shares of restricted stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our directors, certain of our officers, and persons who beneficially own more than 10% of our stock file with the SEC initial reports of ownership and reports of changes in ownership of our stock and our other equity securities. Based solely on a review of the copies of such reports furnished to us during the year ended December 31, 2016, and written representations that no reports on Form 5 were required, our directors, executive officers, and greater than 10% beneficial owners complied with all such applicable filing requirements.

EXECUTIVE COMPENSATION
COMPENSATION COMMITTEE REPORT

The following statement made by our Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate such statement by reference.

The Compensation Committee of the Company has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K and, based on such review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Compensation Committee:

Michael Larson, Chair

Rick L. Burdick

G. Mike Mikan

COMPENSATION DISCUSSION AND ANALYSIS

Overview

Our compensation programs are administered by the Compensation Committee (referred to as the “Committee” in this section) of the Board. The Committee primarily assists our Board in fulfilling its compensation oversight responsibilities by, among other things:

- reviewing our director compensation program and suggesting changes in director compensation to the Board, if appropriate;
- reviewing and approving the compensation of our CEO and other senior executive officers and setting annual and long-term performance goals for these individuals;
- reviewing and approving the compensation of all of our corporate officers;
- reviewing the Company’s program for management development and succession planning;
- reviewing and approving performance-based compensation of executive officers as contemplated under Section 162(m) of the Code, including incentive awards and stock-based awards; and
- administering our equity compensation plans.

Since May 14, 2015, the Committee has consisted of Messrs. Larson (Chair), Burdick, and Mikan.

This section discusses the Company’s compensation policies and programs as it relates to the following “named executive officers” whose compensation information is presented in the tables that follow:

Mike Jackson	Chairman of the Board and Chief Executive Officer
William R. Berman	President and Chief Operating Officer
Cheryl Miller	Executive Vice President and Chief Financial Officer
Jonathan P. Ferrando	Executive Vice President - General Counsel, Corporate Development and Human Resources
Donna Parlapiano	Executive Vice President, Franchise Operations and Corporate Real Estate

Compensation Philosophy and Objectives

The Committee’s fundamental philosophy is to closely link executive compensation with the achievement of performance goals, which are reviewed by our Board, and to create an owner-oriented culture. The Committee’s objectives in administering our compensation program for executive officers are to ensure that we are able to attract and retain highly-skilled executives and to provide a compensation program that incentivizes management to optimize business performance, deploy capital productively, and increase long-term stockholder value. The Committee also believes that overall compensation should be fair for the services rendered and that the compensation structure should be transparent, which is why the key components of executive compensation are limited to a base salary, an annual performance incentive award based solely on the achievement of financial targets, and long-term incentive awards in the form of stock-based awards. The Committee strives to ensure executive compensation aligns management with the Company’s annual and long-term plans and strategy.

Setting Compensation Levels of Executive Officers

The Committee reviews executive compensation at its meetings throughout the year and sets executive compensation based primarily on our financial and operating performance and on executive management’s performance in executing the Company’s business strategy, optimizing the Company’s business performance and productivity of its business operations, and increasing long-term stockholder value. The Committee also considers the scope of an executive’s duties and responsibilities and individual executive performance. Our CEO reviews the performance of other named executive officers and makes recommendations, if any, to the Committee with respect to compensation adjustments for such officers. However, the Committee determines in its sole discretion whether to make any adjustments to the compensation paid to such executive officers.

For 2016, the Committee had no pre-established target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. However, a significant portion of each named executive officer’s total compensation was allocated to compensation in the form of an annual performance-based incentive award and stock-

based awards in order to provide incentives to create and maintain long-term stockholder value. The Committee also reviewed and considered total compensation in setting each element of compensation for our named executive officers.

The Role of the Compensation Consultant. Since 2013, the Committee has engaged PM, an independent compensation consulting firm, to provide research and analysis and to make recommendations as to the form and amount of executive compensation. The Committee sought input from PM on executive compensation matters for 2016, including the design and competitive positioning of our executive compensation program, our peer group, appropriate compensation levels, and evolving compensation trends. See “Board of Directors and Corporate Governance - Board Committees - Compensation Committee” above for more information regarding the Committee’s engagement of PM. The Role of Peer Companies and Benchmarking. As part of its review of executive compensation for 2016, the Committee reviewed the executive compensation arrangements at peer group companies. Our peer group includes comparable specialty retail companies based on specific financial measures, including, but not limited to, revenue, total assets, market capitalization, and net income. For purposes of 2016 executive compensation decisions, the Committee undertook a review of the peer group used for 2015 with the assistance of PM. The Committee considered several factors in its review and determined, in consultation with PM, that, for 2016, Dollar Tree, Inc. should replace Family Dollar Stores, Inc., since Dollar Tree, Inc. acquired Family Dollar Stores, Inc. during 2015. For 2016, our peer group consisted of the following companies:

AutoZone, Inc.	GameStop Corp.	Nordstrom, Inc.
Bed Bath & Beyond Inc.	The Gap, Inc.	Ross Stores, Inc.
Best Buy Co., Inc.	Genuine Parts Company	Staples, Inc.
CarMax, Inc.	Kohl’s Corporation	Tiffany & Co.
Dollar General Corporation	L Brands, Inc.	The TJX Companies, Inc.
Dollar Tree, Inc.	Macy’s Inc.	

The Committee reviewed the executive compensation benchmark data, including a report prepared by PM containing its findings, data, and recommendations, in order to evaluate and confirm whether our executive compensation was within a reasonably competitive range and to set executive compensation for 2016. The Committee, however, did not set executive compensation at a specific target percentile within the peer group. The Committee focuses on providing compensation that is fair for the services rendered and reflects an executive’s experience, performance, and scope of responsibilities, closely linking executive compensation with the achievement of Company performance goals, and creating an owner-oriented culture, where the interests of our executive officers are aligned with the long-term interests of our stockholders.

2016 Financial Performance Highlights

At our 2011 and 2014 Annual Meetings of Stockholders, our executive compensation program was approved, on an advisory basis, by more than 96% and 98% of the votes cast, respectively. The Committee believes that this level of approval is indicative of our stockholders’ strong support of our compensation philosophy and goals, and the Committee has continued to closely link executive compensation with the achievement of performance goals. Since 2011, AutoNation’s earnings per share from continuing operations and total revenue has grown 116% and 56%, respectively.

2016 Executive Compensation Elements

The key elements of our executive compensation program for the year ended December 31, 2016 were:

- base salary;
- annual incentive award; and
- long-term incentive compensation in the form of stock-based awards.

Executive officers are also entitled to limited perquisites and other benefits as outlined below under “Perquisites and Other Benefits.” The following is a summary of the considerations underlying each component of compensation paid to our named executive officers for 2016.

Base Salary

We provide our named executive officers and other officers with a base salary to compensate them for services rendered during the fiscal year. The Committee reviews and, as appropriate, adjusts the base salaries for our named executive officers. The factors that the Committee considers in setting salaries include the scope of job responsibilities, individual contributions to our success, company-wide performance, and market compensation. For 2016, the Committee, advised by PM and based on a review of the factors set forth above, adjusted the annual base salaries for Messrs. Berman and Ferrando and Meses. Miller and Parlapiano. For 2016, Mr. Berman’s annual base salary was \$775,000, Mr. Ferrando’s was \$750,000, and Ms. Miller’s was \$600,000. Ms. Parlapiano’s base salary increased to \$530,001, effective February 16, 2016.

Annual Incentive Awards

2016 Incentive Awards

A core component of our compensation program is the AutoNation Operating Performance incentive plan (the “AOP”), the annual incentive compensation program in which incentive award-eligible, corporate-level employees participate. The AOP is designed to incentivize management to continually improve our operating performance and to use capital to maximize returns. In February 2016, the Committee established performance goals under the AOP for 2016 based upon specified levels of adjusted operating income per basic share and adjusted operating income as a percentage of gross margin, taking into consideration our 2015 financial results, macroeconomic factors, payout opportunities, and pay-for-performance alignment. These are the same measures used by the Committee in recent years. The 2016 target payout level for the adjusted operating income per basic share performance metric, which is weighted at 75%, represented a significant increase compared to the 2015 target payout level for the same metric. The following table sets forth the 2016 performance metrics under the AOP:

2016 Performance Metrics	Weight	Threshold Payout Level	Target Payout Level	Maximum Payout Level
Adjusted Operating Income Per Basic Share	75%	\$7.46(1)	\$8.29	\$9.94(2)
Adjusted Operating Income as a Percent of Gross Margin	25%	25.7%(3)	26.7%	N/A(4)

(1) 50% of target payout level.

(2) 200% of target payout level.

(3) 81.25% of target payout level.

There was no maximum for the adjusted operating income as a percentage of gross margin metric under the AOP.

(4) Each 0.1 percentage point change in this performance metric represented a plus or minus 1.875% payout versus target.

In calculating the level of our performance under the AOP, certain adjustments are made to operating income for both metrics to ensure that operating performance is measured to incentivize management appropriately (for example, floorplan interest expense is charged against operating income to ensure management manages this expense; on a generally accepted accounting principles basis, floorplan interest expense is not included in operating income). For the adjusted operating income per basic share metric, operating income per basic share is also adjusted for acquisitions and

to reflect a capital charge for the repurchase of shares of our common stock. The capital charge is designed to encourage more productive uses of capital and to discourage less productive uses of capital. The adjusted operating income as a percentage of gross margin metric is designed to incentivize management to manage variability in our expense structure and to increase the productivity of our operations so that bottom-line profitability and stockholder value are maximized.

The Committee, in its sole discretion, determines which of our executive officers or other key employees will participate in a separate incentive compensation plan designed to create a direct link between pay and performance for our senior officers and to ensure that annual cash incentive awards payable to our senior officers are tax-deductible by the Company pursuant to Section 162(m) of the Code. The incentive compensation plan for our senior officers that was approved by the Company’s stockholders in 2012 is titled the “AutoNation, Inc. Senior Executive Incentive Bonus Plan” and is referred to as the “Executive Incentive Plan.” Historically, the Committee has selected only those officers who were likely to receive annual compensation in excess of \$1 million. Our executive officers may participate in either the AOP or the Executive Incentive Plan, but not both. The Committee is also responsible for identifying annual “performance factors” and establishing specific performance targets with respect thereto that must be met in order for annual incentive awards to be paid under the Executive Incentive Plan.

In early 2016, the Committee established an incentive compensation program for 2016 under the Executive Incentive Plan for each of our named executive officers. Under the terms of the Executive Incentive Plan, the Committee set specific annual performance goals and established an objective formula for calculating the amount of the target awards for the participants. The 2016 performance metrics that the Committee established under the Executive Incentive Plan were the same as those that the Committee established for 2016 under the AOP (set forth above) for all other corporate bonus plan participants. The Committee believes that symmetry between the AOP and the Executive Incentive Plan assures that all participants are appropriately aligned to achieve our objectives.

One hundred percent of the target award for each participant in the AOP and the Executive Incentive Plan was based upon achievement of the predetermined performance goals. Incentive awards under the AOP and the Executive Incentive Plan were payable on a sliding scale based on the Company’s actual achievement relative to the predetermined goals, with the possibility that awards earned may exceed or be less than the targeted payout level. The Committee had absolute “negative discretion” to eliminate or reduce the amount of any award under the AOP and the Executive Incentive Plan.

In 2016, as part of its retention efforts with respect to Mr. Jackson, the Committee established a three-year deferred incentive compensation program for Mr. Jackson (referred to as the “Deferred Bonus Program”), which provided that a portion of the incentive compensation earned by Mr. Jackson (equal to the amount earned in respect of 33 1/3% of his base salary) for each of 2016, 2017, and 2018 would be paid to him on a deferred basis in February 2019 (without interest), subject to certain terms and conditions.

For 2016, the Committee, advised by PM and based on a review of peer group data, our financial performance, and the performance of our senior executives, adjusted the target awards for each of our named executive officers under the Executive Incentive Plan. The following table sets forth the 2016 threshold and target awards, expressed as a percentage of salary, established for each named executive officer.

Participant	2016	2016	2016
	Threshold	Target	
	(% of Salary)	(% of Salary)	
Mike Jackson	40.62	% 200	% (1)
William R. Berman	20.31	% 100	% (1)
Cheryl Miller	14.22	% 70	% (1)
Jonathan P. Ferrando	20.31	% 100	% (1)
Donna Parlapiano	12.19	% 60	% (1)

(1) The maximum payout level for the adjusted operating income per basic share metric was 200% versus target.

While there was no maximum for the adjusted operating income as a percentage of gross margin metric, the maximum amount payable to any one participant in any one year is \$5,000,000 under the Executive Incentive Plan. Each 0.1 percentage point change in the adjusted operating income as a percentage of gross margin metric

represented a plus or minus 1.875% payout.

Actual results for 2016 were below the performance targets set by the Committee, and, as a result, the annual cash incentive payouts to our named executive officers (and all other eligible employees) were below target. Based on our financial performance against the performance targets, incentive awards under the AOP and the Executive Incentive Plan were paid at 80.97% of the targeted levels. Performance under the AOP and the Executive Incentive Plan for 2016 was calculated as follows:

2016 Performance Metrics	Weight	Target		Payout	Weighted Payout
		Payout	Attainment		
Adjusted Operating Income Per Basic Share	75%	\$8.29	\$7.90	76.50%	57.38%
Adjusted Operating Income as a Percent of Gross Margin	25%	26.7%	26.4%	94.38%	23.59%
Achieved Payout Level					80.97%

Actual payouts to our named executive officers are shown in the table titled “Summary Compensation Table” below.

Pursuant to the Deferred Bonus Program, a portion of the 2016 incentive compensation earned by Mr. Jackson under the Executive Incentive Plan (equal to \$337,375) will be paid to him on a deferred basis in February 2019 (without interest), subject to certain terms and conditions.

The portion of the 2013, 2014, and 2015 incentive compensation earned by Mr. Jackson under the Executive Incentive Plan, which was subject to a prior deferred bonus program and previously reported in prior proxy statements, was paid to Mr. Jackson during the first quarter of 2016.

Long-Term Incentive Awards

The Committee grants stock-based awards to our named executive officers in order to provide long-term incentives, which align the long-term interests of management with the long-term interests of our stockholders. The Committee believes that stock-based awards motivate our named executive officers to focus on optimizing our long-term business performance and stockholder value and create an owner-oriented culture. For 2016, the Committee administered our equity compensation plans and approved all stock-based awards under the AutoNation, Inc. 2008 Employee Equity and Incentive Plan (the “2008 Plan”), which was approved by our stockholders at the 2008 Annual Meeting of Stockholders.

Stock-based awards are approved on an annual basis in amounts determined by the Committee, while carefully considering the cost to us and our stockholders, including common stock dilution. For 2016, the sum of all stock-based awards granted to AutoNation employees represented potential share issuances equal to approximately 0.98% of our outstanding shares of common stock (0.85% relating to stock options and 0.13% relating to restricted stock), based on the number of shares of our common stock outstanding at the beginning of 2016.

In 2016, the Committee approved two types of stock-based awards: stock options and restricted stock. Consistent with prior practice for Executive Vice Presidents and more senior officers, Messrs. Jackson, Berman, and Ferrando and Ms. Miller received stock options only. Ms. Parlapiano (who served as a Senior Vice President of the Company during 2016) received a mix of stock options and restricted stock. Other eligible employees received either a mix of stock options and restricted stock, or restricted stock only.

For 2016, the Committee approved an annual stock option award for each eligible employee in February 2016 and granted the stock option award on the first trading day in March. In addition, for 2016 the Committee approved an annual restricted stock award for each eligible employee in February 2016 and granted the award on the first trading day in March. In connection with new hires or promotions, the Committee has from time to time approved stock-based awards later in the year.

Stock option and restricted stock grants are made to eligible employees on the same terms, other than the number of options or number of shares of restricted stock granted, which varies primarily by position and based on individual performance.

As discussed below under “2017 Executive Compensation Decisions,” for 2017, the Committee, advised by PM and based on a review of market data, shifted to performance-based restricted stock units from stock options for our named executive officers under our long-term incentive award program.

2016 Stock-Based Awards

In February 2016, the Committee approved the 2016 annual stock option awards for eligible employees, including our named executive officers. Each stock option award that was approved in February 2016 was granted on March 1, 2016. The 2016 stock option grants have an exercise price equal to the closing price per share on the grant date, will vest in 25% annual increments on each of the first four anniversaries of the grant date, and will expire on March 1, 2026. Detailed information regarding the 2016 stock option grants to our named executive officers is provided in the table entitled “Grants of Plan-Based Awards in Fiscal 2016” below.

Since the Committee approved the 2016 annual stock option awards in February 2016, the exercise price for each stock option award was based on the closing price of our common stock on a pre-determined date subsequent to the approval of such award. The Committee believes that this practice is fair and reasonable to the award recipients, the Company, and its stockholders.

In February 2016, the same date that it approved the 2016 stock option awards, the Committee approved the 2016 restricted stock awards for eligible employees, including Ms. Parlapiano. No other named executive officer received shares of restricted stock in 2016. See “Grants of Plan-Based Awards in Fiscal 2016” below. The restricted stock awards that were approved in February 2016 were granted on March 1, 2016 and will vest in 25% annual increments on each of the first four anniversaries of March 1, 2016. Recipients of restricted stock have the right to vote and receive dividends on the stock underlying the restricted stock award. Any stock received as a dividend on shares underlying a restricted stock award will be subject to the same restrictions as the shares of stock underlying such restricted stock award.

Perquisites and Other Benefits

Our compensation program for named executive officers also includes limited perquisites and other benefits, including participation in the Company’s life and health insurance and similar benefit programs (including the AutoNation 401(k) Plan and the AutoNation, Inc. Deferred Compensation Plan) on the same general terms as other participants in these programs, participation in Company car programs entitling the executives to a demonstrator vehicle and/or a vehicle allowance, and use of an on-site fitness facility. In addition, Mr. Jackson’s employment agreement provides for personal use of corporate aircraft of up to 70 hours per year.

Employment Agreement with CEO

In January 2015, we entered into an amended employment agreement with Mike Jackson, pursuant to which Mr. Jackson will continue to serve as Chairman and Chief Executive Officer until December 31, 2019. The Committee believes that entering into the employment agreement with Mr. Jackson furthered our efforts to retain him. See “Summary Compensation Table” below for more information.

Severance and Change in Control Policy and Agreements for Post-Termination Payments

We have a policy governing severance and change in control agreements with the Company’s named executive officers, which is set forth in our Corporate Governance Guidelines. Generally, the policy provides that we will not enter into any severance agreements with senior executives that provide specified benefits in an amount exceeding 299% of the sum of such executive’s base salary plus bonus unless such severance agreement has been submitted to a stockholder vote. Further, unless such severance agreement has been submitted to a stockholder vote, we will not enter into a severance agreement that provides for the payment of specified benefits to an executive triggered by (i) a change in control of our Company that is approved by stockholders but not completed, or (ii) a completed change in control of the Company in which the named executive officer remains employed in a substantially similar capacity by the successor entity. We have not entered into any change in control agreements with any of our named executive officers.

We have entered into an employment agreement with Mr. Jackson that provides for payments or benefits to him at, following, or in connection with, termination under certain circumstances. In addition, the 2008 Plan provides for accelerated vesting in the event of a change in control. These provisions are designed to promote stability and continuity of senior management. A description of the applicable potential payments pursuant to such provisions for the named executive officers is provided under “Potential Payments Upon Termination or Change in Control” below.

Policy Regarding Recoupment of Certain Incentive Compensation

In February 2015, the Board adopted the AutoNation, Inc. Policy Regarding Recoupment of Certain Incentive Compensation (the “Policy”). Under the Policy, if an officer (as defined for purposes of Section 16 of the Securities Exchange Act of 1934, as amended) of the Company engages in fraud, intentional misconduct, or gross negligence, and as a result, we are required to restate our financial statements due to material noncompliance with any financial reporting requirement, then we may require reimbursement or forfeiture of all or a portion of any excess incentive compensation paid to or received by such officer, during the three-year period preceding the date on which we are required to prepare the restatement, that would not have been paid or received under the specific terms of the applicable incentive award had the financial results been originally reported as set forth in the restatement. Each of our named executive officers is covered by the Policy. A copy of the policy is available at investors.autonation.com.

Consideration of the Company’s Stockholder Vote on Executive Compensation

At the 2011 Annual Meeting of Stockholders, our stockholders voted, on an advisory basis, to approve a triennial holding of the advisory vote on executive compensation. In addition, at our 2011 and 2014 Annual Meetings of Stockholders, our executive compensation program was approved, on an advisory basis, by more than 96% and 98% of the votes cast, respectively. The Committee believes that the positive outcome of the “say-on-pay” vote demonstrates strong stockholder support for the compensation arrangements established by the Committee for our named executive officers, and accordingly, it has not changed its overall approach.

At this year’s Annual Meeting, we are holding a non-binding, advisory vote on executive compensation and a non-binding, advisory vote on the frequency of the advisory vote on executive compensation. See “Items To Be Voted On - Proposal 3: Advisory Vote on Executive Compensation” and “Items To Be Voted On - Proposal 4: Advisory Vote on the Frequency of the Advisory Vote on Executive Compensation.”

The Committee believes that our executive compensation program aligns pay with performance and reflects responsible corporate governance practices regarding executive compensation. The Committee will consider the results of the 2017 advisory vote on executive compensation when making future decisions regarding the structure and implementation of our executive compensation program.

2017 Executive Compensation Decisions

In January 2017, the Board approved the AutoNation, Inc. 2017 Employee Equity and Incentive Plan (the “2017 Plan”), subject to stockholder approval at the Annual Meeting. The 2017 Plan was adopted to advance the interests of the Company by providing eligible individuals of the Company and its affiliates with an opportunity to acquire or increase a proprietary interest in the Company, and to receive performance-based cash and equity incentive compensation, in order to create a stronger incentive to expend maximum effort for the growth and success of the Company and its subsidiaries, and to encourage such eligible individuals to remain in the employ of the Company or its affiliates.

If approved by our stockholders, the 2017 Plan will replace the AutoNation, Inc. 2008 Employee Equity and Incentive Plan (the “2008 Plan”), which will be discontinued at that time (but the outstanding awards under the 2008 Plan will continue to remain in effect in accordance with their terms). No awards have been granted under the 2008 Plan during 2017, and if the 2017 Plan is approved by our stockholders, no additional awards will be granted under the 2008 Plan, and the remaining shares available under the 2008 Plan will no longer be available for issuance. The 2017 Plan is also intended to replace the Executive Incentive Plan. The last performance period under the Executive Incentive Plan ended on December 31, 2016. See “Items To Be Voted On - Proposal 5: Approval of the AutoNation, Inc. 2017 Employee Equity and Incentive Plan.”

Also in January 2017, the Committee, advised by PM and based on a review of peer group data, our financial performance, and the performance of our senior executives, adjusted the compensation levels and modified our long-term incentive award program for our named executive officers as described below.

Base Salary Adjustments. Effective February 16, 2017, Mr. Berman’s annual base salary is \$925,000, Ms. Miller’s is \$650,000, and Ms. Parlapiano’s is \$650,000.

2017 Annual Incentive Awards. In January 2017, the Committee established, under the 2017 Plan, an annual cash incentive compensation program for our named executive officers and other executive officers, subject to stockholder approval of the 2017 Plan at the Annual Meeting, based on a specific performance goal for 2017.

The performance goal that the Committee established for 2017 under the 2017 Plan is based upon the achievement of a specified level of adjusted operating income per basic share (with a net charge to actual results for capital deployed for share repurchases) during 2017, subject to adjustment for acquisitions and certain extraordinary or other items. This performance goal also constitutes the performance goal that has been established for incentive award-eligible, corporate-level employees of the Company under the AOP to ensure that the corporate management team is fully aligned. Incentive awards under both the AOP and the 2017 Plan will be payable on a sliding scale based on our actual achievement relative to the predetermined goals, with the possibility that awards earned may exceed or be less than the targeted level. The Committee will have absolute “negative discretion” to eliminate or reduce the amount of any award under the AOP and the 2017 Plan.

The target awards for our named executive officers under the 2017 annual cash incentive compensation program are based on the same percentages of salary used for 2016, except for Ms. Parlapiano, whose target award was increased to 70% of her base salary. In addition, for 2017, the maximum award for each of our named executive officers under the program was set at two times the applicable base salary target percentage.

2017 Long-Term Incentive Awards. In the first quarter of 2017, the Committee approved the 2017 long-term incentive plan that includes stock-based awards subject to performance goals for our named executive officers under the 2017 Plan. Our named executive officers and other executive officers received four RSU grants on March 1, 2017: grant 1 is a grant of RSUs subject to a one-year performance period (2017) based on a measure of earnings and a four-year vesting schedule pursuant to which 25% of the grant vests on each of the first four anniversaries of the grant date; and grants 2 through 4 are grants of RSUs subject to a one-year performance period (2017) based on a measure of earnings and a three-year performance period (2017-2019) that commences on the same date (based on an additional measure of earnings for grant 2, a measure of return on invested capital for grant 3, and certain customer satisfaction indices for grant 4), which cliff vest following the three-year performance period based on actual performance. The eligible, non-executive officer employees received grants of RSUs, also on March 1, 2017, subject to a four-year vesting schedule pursuant to which 25% of the award vests on each of the first four anniversaries of the grant date.

Company Policy on Section 162(m) Limits on Deductibility of Compensation

Section 162(m) of the Code places a limit of \$1,000,000 on the amount of compensation that we may deduct in any year with respect to compensation paid to our Chief Executive Officer and each of our three other highest-paid named executive officers, other than our Chief Financial Officer, unless such compensation is performance-based as provided by Section 162(m) and related regulations. Although we generally have attempted to structure executive compensation so as to preserve deductibility, we also believe that there may be circumstances in which our interests are best served by maintaining flexibility in the manner in which compensation is provided, even if that might result in the non-deductibility of certain compensation under the Code. Accordingly, the Committee has from time to time approved elements of compensation for certain senior officers that are not fully deductible, and the Committee reserves the right to do so in the future.

Executive Stock Ownership Guidelines

In order to further align the long-term interests of management and stockholders and to ensure an owner-oriented culture, the Board has set stock ownership guidelines for our Chief Executive Officer, President, and each Executive Vice President. In January 2017, the Board amended these guidelines to provide that a covered executive is expected to retain 50% of any shares of our common stock, net of applicable tax withholding and the payment of any exercise or purchase price (if applicable), he or she receives upon the vesting or settlement of any equity awards or the exercise of any employee stock options, until the applicable threshold under the guidelines is met. In addition, the amended guidelines provide that each covered executive is expected to satisfy the guidelines by the later of January 31, 2022 or five years after he or she became a covered executive.

The following table sets forth information regarding the number and dollar value of shares held by our named executive officers as of February 21, 2017 and lists the specific ownership requirements under the ownership guidelines.

EXECUTIVE STOCK OWNERSHIP GUIDELINES

Name	Ownership as of February 21, 2017		
	Number of Shares(1)	Dollar Value of Shares(2)	Ownership Requirement
Mike Jackson	114,463	\$5,525,129	\$5,000,000 (4 x Salary)
William R. Berman	—	—	\$3,700,000 (4 x Salary)
Cheryl Miller	5,351	\$258,293	\$1,300,000 (2 x Salary)
Jonathan P. Ferrando	50,000	\$2,413,500	\$1,500,000 (2 x Salary)
Donna Parlapiano	3,367	\$162,525	\$1,300,000 (2 x Salary)

(1) Includes common stock beneficially owned by each executive and excludes shares underlying stock options and unvested restricted stock.

(2) The value of the shares is based on the closing price of our common stock on February 21, 2017 (\$48.27).

Conclusion

The Committee believes that our compensation programs appropriately reward executive performance and align the interests of our named executive officers and key employees with the long-term interests of our stockholders, while also enabling the Company to attract and retain talented executives. The Committee will continue to evolve and administer our compensation program in a manner that the Committee believes will be in the best interests of our stockholders.

COMPENSATION TABLES

Summary Compensation Table

The following table provides information regarding compensation earned by each of our named executive officers for 2016, 2015, and 2014, except in the case of Mr. Berman and Ms. Parlapiano who were not named executive officers in 2014.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	Change in Pension Value and Non-Deferral Compensation Earnings (\$)	All Other Compensation (\$)(3)	Total (\$)
Mike Jackson Chairman of the Board and Chief Executive Officer	2016	1,250,000	—	—	7,717,160	2,024,250 (4)	—	109,968 (5)	11,101,378
	2015	1,250,000	—	—	7,074,586	1,699,313 (4)	—	114,905	10,138,804
	2014	1,250,000	—	—	7,110,567	2,082,375 (4)	—	163,654	10,606,596
William R. Berman President and Chief Operating Officer	2016	771,875	—	—	1,884,002	627,518	—	45,315 (6)	3,328,710
	2015	687,731	—	—	2,156,578	507,528	—	431,113	3,782,950
Cheryl Miller Executive Vice President and Chief Financial Officer	2016	596,875	—	—	1,557,924	340,074	—	43,811 (7)	2,538,684
	2015	522,917	—	—	1,078,289	309,275	—	43,056	1,953,537
	2014	446,552	—	190,172	1,797,871	316,521	—	22,570	2,773,686
Jonathan P. Ferrando Executive Vice President - General Counsel, Corporate Development and Human Resources	2016	747,917	—	—	2,608,618	607,275	—	43,212 (8)	4,007,022
	2015	700,000	—	—	2,970,749	570,969	—	33,921	4,275,639
	2014	700,000	—	—	2,985,859	699,678	—	30,708	4,416,245
Donna Parlapiano Executive Vice President, Franchise Operations and Corporate Real Estate	2016	532,084	(9) —	315,180	322,889	257,485	—	17,571 (10)	1,445,209
	2015	515,208	102,000	286,207	266,263	193,722	—	17,393	1,380,793

The amounts reported reflect the aggregate grant date fair value of each award computed in accordance with FASB ASC Topic 718 for each year shown in the table. For a description of the assumptions used in the calculation of these amounts, see Note 10 of the Notes to Consolidated Financial Statements in our Annual Reports on Form 10-K for the years ended December 31, 2016, 2015, and 2014, respectively.

The amounts reported represent amounts paid under the Executive Incentive Plan for Messrs. Jackson, Berman, and Ferrando and Ms. Miller, in each case in respect of the year shown. For Ms. Parlapiano, the amounts reported represent amounts paid under the Executive Incentive Plan for 2016 and under the AOP for 2015.

The amounts reported for personal usage by Mr. Jackson of corporate aircraft are calculated based on the aggregate incremental cost to the Company. Such incremental cost to the Company is calculated based on the direct operating costs to the Company, including fuel costs, crew fees and travel expenses, trip-related repairs and maintenance, landing fees, and other direct operating costs. The amounts reported for personal usage of cars are based on imputed income attributable to each named executive officer calculated in accordance with Treasury regulations, which amounts we believe are equal to or greater than our incremental costs of providing such usage. In addition to the perquisites and other benefits identified in the footnotes below, our named executive officers also are eligible to

use our on-site fitness facility, and from time to time, use our tickets for sporting and entertainment events for personal purposes, and receive occasional secretarial support with respect to personal matters.

- (4) Includes amounts that are subject to the terms of the Deferred Bonus Program established for Mr. Jackson. See “Compensation Discussion and Analysis - Annual Incentive Awards.”
- (5) Includes \$39,374 for personal usage of corporate aircraft, \$45,000 for a vehicle allowance, and \$23,464 for group term life insurance premiums, as well as the cost of a Company paid executive health examination.
- (6) Includes \$40,408 for demonstrator vehicle usage and a vehicle allowance.

(7) Includes \$38,341 for demonstrator vehicle usage, as well as the cost of a Company paid executive health examination.

(8) Includes \$36,709 for demonstrator vehicle usage, as well as a nominal service award.

Includes \$11,250 earned in the form of supplemental salary pursuant to the Brand Champions Program and related

(9) compensatory arrangement established for 2015 and described in our 2016 proxy statement. The compensatory arrangement established for the Brand Champions Program was discontinued for 2016.

(10) Includes \$15,600 for vehicle allowance.

Employment Agreement with CEO. On January 15, 2015, we entered into an amended employment agreement with Mr. Jackson pursuant to which he serves as our Chairman and Chief Executive Officer. The agreement, which expires on December 31, 2019 (subject to earlier termination in certain circumstances), provides for a continuation of his base salary of \$1,250,000 per year, subject to future increases as determined by the Compensation Committee.

Mr. Jackson's employment agreement also provides for his participation in the Executive Incentive Plan (or any successor or substitute to the Plan), with bonus eligibility and performance objectives as established by the Compensation Committee, provided that the target award level will be no less than 150% of his base salary. For 2016, Mr. Jackson's target award under the Executive Incentive Plan was equal to 200% of his base salary. A portion of his annual incentive awards is payable on a deferred basis (without interest), subject to certain terms and conditions, as described above under "Compensation Discussion and Analysis - Annual Incentive Awards." The agreement provides that Mr. Jackson will participate in our equity awards program during each year of his employment at the discretion of the Compensation Committee. See "Potential Payments Upon Termination or Change in Control" for a description of certain provisions in his employment agreement that provide for payments or benefits to him at, following, or in connection with, termination under certain circumstances. The agreement also contains non-competition covenants and provides that Mr. Jackson is entitled to certain benefits during his employment, including limited personal use of our corporate aircraft.

Grants of Plan-Based Awards in Fiscal 2016

The following table sets forth certain information with respect to (i) the 2016 non-equity incentive plan awards granted to Messrs. Jackson, Berman, and Ferrando and Ms. Miller and Parlapiano under the Executive Incentive Plan, and (ii) the 2016 stock-based awards granted to each of our named executive officers under the 2008 Plan. The material terms of these awards are described above in the sections titled "Annual Incentive Awards" and "Long-Term Incentive Awards" under "Compensation Discussion and Analysis."

GRANTS OF PLAN-BASED AWARDS IN FISCAL 2016

Name	Award Type	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other All		
				Threshold (\$)	Target (\$)	Maximum (\$)	Stock Awards	Option Awards	Exercise or Grant Date
Mike Jackson	Option Annual Cash	3/1/2016	2/18/2016	507,750	2,500,000	5,000,000	426,000	52.53	7,717,160
William R. Berman	Option Annual Cash	3/1/2016	2/18/2016	157,403	775,000	5,000,000	104,000	52.53	1,884,002
Cheryl Miller	Option	3/1/2016	2/18/2016	85,302	420,000	5,000,000	86,000	52.53	1,557,924

Jonathan P. Ferrando	Annual Cash					
	Option	3/1/2016	2/18/2016		144,000	52.53 2,608,618
Donna Parlapiano	Annual Cash			152,325	750,000	5,000,000
	Restricted Stock	3/1/2016	2/18/2016		6,000	315,180
	Option	3/1/2016	2/18/2016		17,824	52.53 322,889
	Annual Cash			64,586	318,001	5,000,000

(1) \$5,000,000 is the maximum allowable award under the Executive Incentive Plan.

(2) Amounts reported in this column are based on the grant date fair value of awards computed in accordance with FASB ASC Topic 718.

Outstanding Equity Awards at End of Fiscal 2016

The following table provides information concerning unexercised options and unvested restricted stock held by our named executive officers as of December 31, 2016.

OUTSTANDING EQUITY AWARDS AT END OF FISCAL 2016

Name	Grant Date	Option Awards(1)		Option Exercise Price (\$)	Option Expiration Date	Stock Awards(1)	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable			Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)
Mike Jackson(2)	9/1/2009	33,006	—	18.02	3/2/2019	—	—
	3/1/2010	37,104	—	18.20	3/1/2020	—	—
	6/1/2010	37,104	—	19.64	3/1/2020	—	—
	9/1/2010	37,104	—	23.21	3/1/2020	—	—
	12/1/2010	37,104	—	26.49	3/1/2020	—	—
	3/1/2011	32,231	—	32.50	3/1/2021	—	—
	6/1/2011	32,231	—	34.51	3/1/2021	—	—
	9/1/2011	32,231	—	40.37	3/1/2021	—	—
	12/1/2011	32,231	—	35.99	3/1/2021	—	—
	3/1/2012	29,294	—	34.09	3/1/2022	—	—
	6/1/2012	29,294	—	35.00	3/1/2022	—	—
	9/4/2012	29,294	—	41.16	3/1/2022	—	—
	12/3/2012	29,294	—	38.63	3/1/2022	—	—
	3/1/2013	18,987	10,875	43.45	3/1/2023	—	—
	6/3/2013	18,987	10,875	46.22			