

PENSKE AUTOMOTIVE GROUP, INC.

Form DEF 14A

March 16, 2011

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

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. \_\_)

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 Pursuant to §240.14a-12

Penske Automotive Group, 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.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Dear Fellow Stockholder:

You are invited to attend the annual meeting of stockholders of Penske Automotive Group, Inc. to be held at 8:00 a.m., Eastern Daylight Time on May 10, 2011, at our corporate headquarters, 2555 Telegraph Rd., Bloomfield Hills, Michigan.

The agenda for this year's annual meeting includes the annual election of directors, ratification of the selection of our independent auditing firm, an advisory vote regarding our executive officer compensation and an advisory vote regarding the frequency of future advisory votes on executive compensation. The Board of Directors recommends that you vote FOR the director nominees, FOR the ratification of our independent auditors, FOR approval of our executive officer compensation and FOR approval of an advisory vote on executive officer compensation to be held every year. Please refer to the detailed information on each of these proposals and our annual meeting of stockholders in the accompanying materials.

The annual meeting provides an excellent opportunity for stockholders to become better acquainted with the Company and its directors and officers, and I hope that you will attend. Whether or not you plan to attend, we ask that you cast your vote as soon as possible. This will assure your shares are represented at the meeting. Thank you for your continued support of Penske Automotive Group.

Sincerely,

/s/ Roger S. Penske

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

Bloomfield Hills, Michigan

March 16, 2011

**HOW TO VOTE:** *Please complete, date, sign and return the accompanying proxy card or voting instruction card, or vote electronically through the Internet or by telephone. The enclosed return envelope requires no additional postage if mailed in the United States.*

**REDUCE MAILING COSTS:** *If you vote through the Internet, you may elect to have next year's proxy statement and annual report to stockholders delivered to you electronically. We strongly encourage you to enroll in electronic delivery. It is a cost-effective way for us to provide you with proxy materials and annual reports.*

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
and  
NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS**

**May 10, 2011**

We will hold our annual meeting of stockholders at 8:00 a.m., Eastern Daylight Time on May 10, 2011, at our corporate headquarters, 2555 Telegraph Rd., Bloomfield Hills, Michigan. The annual meeting agenda items are:

- (1) election of eleven directors to serve until the next annual meeting of stockholders, or until their successors are duly elected and qualified;
- (2) ratification of the selection of Deloitte & Touche LLP as our independent auditing firm for 2011;
- (3) advisory vote regarding executive compensation;
- (4) advisory vote regarding the frequency of future advisory votes on executive compensation;
- (5) transaction of such other business as may properly come before the annual meeting and any postponement or adjournment thereof.

Stockholders of record as of March 16, 2011 can vote at the annual meeting and any postponements or adjournments of the annual meeting. We will make available for inspection a list of holders of our common stock as of the record date during business hours from April 20, 2011 through May 10, 2011 at our corporate headquarters. This proxy statement and the enclosed proxy card are first being distributed on or about March 18, 2011.

Please complete, date and sign the enclosed proxy card and return it promptly in the enclosed postage prepaid envelope or vote electronically through the Internet or by telephone. Your prompt voting will help to ensure a quorum. If you choose to attend the annual meeting, you may revoke your proxy and vote personally on all matters brought before the annual meeting.

**Important Notice Regarding the Availability of Proxy Materials for the  
Annual Meeting of Stockholders to be Held on May 10, 2011**

The proxy statement and 2010 annual report to stockholders are available at the Investor Relations section of our website at [www.penskeautomotive.com/investorrelations.aspx](http://www.penskeautomotive.com/investorrelations.aspx).

By Order of the Board of Directors,

/s/ Shane M. Spradlin

Shane M. Spradlin  
*Executive Vice President, General Counsel  
and Secretary*

Bloomfield Hills, Michigan  
March 16, 2011

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**PROCEDURAL QUESTIONS ABOUT THE MEETING**

***Q. What am I voting on?***

**A. Proposal 1:** Election of eleven directors to serve until the next annual meeting of stockholders, or until their successors are duly elected and qualified

**Proposal 2:** Ratification of the selection of Deloitte & Touche LLP as our independent auditing firm for 2011

**Proposal 3:** Advisory vote regarding executive compensation

**Proposal 4:** Advisory vote regarding the frequency of future executive compensation advisory votes

***Q. Who can vote?***

**A.** Our stockholders as of the close of business on the record date, March 16, 2011, can vote at the annual meeting. Each share of our common stock gets one vote. Votes may not be cumulated. As of March 16, 2011, there were 92,628,403 shares of our common stock outstanding.

***Q. How do I vote?***

1. **YOU MAY VOTE BY MAIL.** If you properly complete, sign and date the accompanying proxy card or voting instruction card and return it in the enclosed envelope, it will be voted in accordance with your instructions. The enclosed envelope requires no additional postage if mailed in the United States.
2. **YOU MAY VOTE BY TELEPHONE OR THROUGH THE INTERNET.** If you are a registered stockholder (that is, if you hold your stock directly and not in street name), you may vote by telephone or through the Internet by following the instructions included on the proxy card. If you vote by telephone or through the Internet, you do not have to mail in your proxy card. Internet and telephone voting are available 24 hours a day. Votes submitted through the Internet or by telephone must be received by 1:00 a.m. Central time on May 10, 2011.

If you are the beneficial owner of shares held in street name, you still may be able to vote your shares electronically by telephone or through the Internet. The availability of telephone and Internet voting will depend on the voting process of the record holder of your shares. We recommend that you follow the instructions set forth on the voting instruction card provided to you.

**NOTE: If you vote through the Internet, you may elect to have next year's proxy statement and annual report to stockholders delivered to you electronically. We strongly encourage you to enroll in electronic delivery. It is a cost-effective way for us to provide you with proxy materials and annual reports.**

3. **YOU MAY VOTE IN PERSON AT THE MEETING.** If you are a registered stockholder and attend the meeting, you may deliver your completed proxy card in person. Additionally, we will pass out ballots to registered stockholders who wish to vote in person at the meeting. If you are a beneficial owner of shares held in street name who wishes to vote at the meeting, you will need to obtain a legal proxy from your record holder and bring it with you to the meeting.

***Q. Can I change my mind after I vote?***

**A.** You may change your vote at any time before the meeting by (1) signing and returning another proxy card with a later date (or voting through the Internet or telephone again), (2) voting at the meeting if you are a registered stockholder or have obtained a legal proxy from your bank or broker or (3) sending a notice to our Corporate Secretary prior to the meeting stating that you are revoking your proxy.

***Q. What if I return my proxy card but do not provide voting instructions?***

**A.** Proxies that are signed and returned but do not contain instructions will be voted (1) FOR the election of the eleven nominees for director, (2) FOR the ratification of our independent auditors (3) FOR approval of our executive officer compensation, (4) FOR approval of an advisory vote on executive officer compensation every year and (5) in accordance with the best judgment of the named proxies on any other matters properly brought before the meeting.





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***Q. Will my shares be voted if I do not provide my proxy instruction form?***

A. If you are a registered stockholder and do not provide a proxy, you must attend the meeting in order to vote your shares. If you hold shares through an account with a bank or broker, your shares may be voted even if you do not provide voting instructions on your instruction form. Brokers have the authority under New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain routine matters. Under these rules, only the proposal to ratify our independent auditing firm is a routine matter being voted on by our shareholders this year.

***Q. May stockholders ask questions at the meeting?***

A. Yes. Our representatives will answer stockholders' questions of general interest at the end of the meeting. In order to give a greater number of stockholders an opportunity to ask questions, individuals or groups may be allowed to ask only one question and repetitive or follow-up questions may not be permitted.

***Q. How many votes must be present to hold the meeting?***

A. Your shares are counted as present at the meeting if you attend the meeting and vote in person or if you properly return a proxy card or vote via the Internet or telephone. In order for us to conduct our meeting, a majority of our outstanding shares of common stock as of March 16, 2011 must be present in person or by proxy at the meeting (46,314,202 shares). This is referred to as a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the meeting.

***Q. How many votes are needed to approve the proposals?***

A. Regarding proposal 1, the eleven nominees receiving the highest number of For votes will be elected as directors. This number is called a plurality. Shares not voted, whether by marking Abstain on the proxy card or otherwise, will have no impact on the election of directors. Regarding proposals 2 and 3, each measure will pass if it receives the affirmative vote of a majority of the shares present and entitled to vote at the meeting. Regarding proposal 4, the option receiving the highest number of For votes (plurality) will be the frequency that stockholders advise to vote on executive compensation and shares not voted, whether by marking Abstain on the proxy card or otherwise, will have no impact.

***Q. How do I vote my 401(k) shares?***

A. If you participate in the Penske Automotive Group 401(k) Plan, you may vote the number of shares credited to your account as of 5:00 p.m. Eastern Daylight Time on March 16, 2011 by instructing the plan's trustee how to vote your shares pursuant to the instruction card being mailed with this proxy statement to plan participants. If you do not provide clear voting instructions, the trustee will not vote the shares in your account.

**PROPOSAL 1 Election of Directors**

The first proposal to be voted on at the annual meeting will be the election of eleven director nominees. Our Nominating and Corporate Governance Committee and Board of Directors recommend approval of each of the nominees outlined below. If elected, each will serve a one-year term. Pursuant to a stockholders agreement, certain of our stockholders affiliated with Roger S. Penske and Mitsui & Co., Ltd. have agreed to vote together to elect members of our Board of Directors. See Related Party Transactions for a description of this stockholders agreement.

**Director Nominees.** Our Nominating and Corporate Governance Committee has established minimum qualifications for director nominees, including having personal integrity, loyalty to Penske Automotive and concern for its success and welfare, willingness to apply sound and independent business judgment and having sufficient time available for Penske Automotive matters. Experience in at least one of the following is also desired: high level of leadership experience in business or administration, breadth of knowledge concerning issues affecting Penske Automotive, willingness to contribute special competence to board activities, accomplishments within the director's respective field, and experience reading and understanding financial statements.

The Nominating and Corporate Governance Committee and Board of Directors reviewed the qualities of the Board members as a group, including the diversity of the Board's career experiences, viewpoints, company affiliations, expertise with respect to the various facets of our business operations, and business experiences. The Board did not employ any particular benchmarks with respect to these qualities, but was mindful of achieving an appropriate balance of these qualities with respect to the Board of Directors as a whole. Moreover, the Board of Directors and Nominating and Corporate Governance Committee considered each nominee's overall service to Penske Automotive during the previous term, each nominee's personal integrity and adherence to the standards noted above, as well as the individual

experience of each director noted within their biographies below.

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**Our Board of Directors Recommends a Vote FOR Each of the Following Nominees:**

***John D. Barr***

Chairman and CEO,  
Papa Murphy's  
International Inc.

*Mr. Barr*, 63, has served as a director since December 2002. Mr. Barr has been the Chairman of Papa Murphy's International Inc., a take-and-bake pizza chain, since September 2009 and its Chief Executive Officer since April 2005. From 1999 until April 2004, Mr. Barr served as President and Chief Executive Officer of Automotive Performance Industries, a vehicle transportation service provider. Prior thereto, Mr. Barr was President and Chief Operating Officer, as well as a member of the Board of Directors, of the Quaker State Corporation from June 1995 to 1999. Prior to joining Quaker State, Mr. Barr spent 25 years with The Valvoline Company, a subsidiary of Ashland, Inc., where he was President and Chief Executive Officer from 1987 to 1995. In the previous five years, Mr. Barr was formerly a director of Clean Harbors, Inc., UST, Inc. and James Hardie Industries. *Individual experience:* Extensive oil industry experience from serving ultimately as COO and director of Quaker State Corporation; breadth of knowledge concerning issues affecting our Company; experience with franchise business model as CEO of Papa Murphy's International.

***Michael R. Eisenson***

Managing Director and  
CEO of Charlesbank  
Capital Partners LLC

*Mr. Eisenson*, 55, has served as a director since December 1993. He is a Managing Director and CEO of Charlesbank Capital Partners LLC, a private investment firm and the successor to Harvard Private Capital Group, Inc., which he joined in 1986. Mr. Eisenson is also a director of Animal Health International, Inc. and a number of private companies. In the previous five years, Mr. Eisenson was formerly a director of Catlin Group Limited, Playtex Products, Inc., Caliper Life Sciences, Inc., and Xenogen Corporation. *Individual experience:* Familiarity with all of the Company's key operations from serving as our director since 1993; experience managing Charlesbank and affiliates and their portfolio companies; experience in commercial finance, private equity and leveraged finance; demonstrated success serving as our audit committee chairman.

***Robert H. Kurnick, Jr.***

President of Penske  
Automotive Group

*Mr. Kurnick, Jr.*, 49, has served as our President since April 2008. From March 2006 to April 2008 he served as our Vice Chairman and has been a director since May 2006. From February 2000 until March 2006, Mr. Kurnick served as our Executive Vice President and General Counsel. He also serves as President and a director of Penske Corporation, which he joined in 1995. Penske Corporation is a privately owned diversified transportation services company that holds, through its subsidiaries, interests in a number of businesses. *Individual experience:* Familiarity with all of the Company's key operations; breadth of knowledge concerning issues affecting our Company, extensive automotive industry experience; experience as President of Penske Corporation.

***William J. Lovejoy***

Manager of Lovejoy &  
Associates

*Mr. Lovejoy*, 70, has served as a director since March 2004. Since September 2003, Mr. Lovejoy has served as Manager of Lovejoy & Associates, an automotive consulting firm. From January 2000 until December 2002, Mr. Lovejoy served as Group Vice President, North American vehicle sales, service and marketing for General Motors Corporation. From 1994 until December 1999, Mr. Lovejoy served as Vice President of General Motors service and parts operation. From 1962 until 1992, Mr. Lovejoy served in various capacities for General Motors Acceptance Corporation (GMAC) and ultimately President of GMAC in 1990. Mr. Lovejoy also serves on the Advisory Board of On My Own of Michigan. *Individual experience:* Extensive automotive industry experience with General Motors, including its sales and service and parts operations;

automotive finance experience culminating with experience as President of GMAC;  
breadth of knowledge concerning issues affecting our Company.

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**Kimberly J. McWaters**  
CEO of Universal Technical  
Institute, Inc.

*Ms. McWaters*, 46, has served as a director since December 2004. Since October 2003, Ms. McWaters has served as CEO of Universal Technical Institute, Inc. ( UTI ), a nationwide provider of technical educational training for individuals seeking careers as professional automotive technicians. Since February 2000, Ms. McWaters has served as President of UTI. From 1984 until 2000, Ms. McWaters held several positions at UTI including Vice President of Marketing and Vice President of Sales and Marketing. *Individual experience:* Automotive industry experience with Universal Technical Institute; accomplishment within her field culminating with leadership experience as Chief Executive Officer of UTI; expertise relating to service and parts operations and particularly service technicians.

**Yoshimi Namba** Senior  
Vice President International  
Business Development of  
Penske Automotive Group

*Mr. Namba*, 45, has served as a director and our Senior Vice President International Business Development since October 2010. Mr. Namba has held several positions at Mitsui & Co., Ltd. (Japan) since August 2001. Most recently, Mr. Namba served as the Deputy General Manager of Mitsui's Second Motor Vehicles Division. From May 2009 to June 2010 he served as the General Manager of Mitsui's Mining and Construction Machinery First Department. From November 2005 to May 2009, Mr. Namba first served as the Deputy General Manager and then the General Manager of Mitsui's Yamaha Business Department. Mr. Namba began his career at Mitsui in August 2001 serving as the Chief Operating Officer and Vice President of its PT Bussan Auto Finance (Indonesia) subsidiary until November 2005. *Individual experience:* Global automotive industry experience; breadth of knowledge concerning international opportunities; affiliation with Mitsui & Co., Ltd. and Mitsui & Co, (USA), Inc., collectively, the Company's second largest shareholder.

**Lucio A. Noto** Retired Vice  
Chairman of ExxonMobil  
Corporation

*Mr. Noto*, 72, has served as a director since March 2001. Mr. Noto retired as Vice Chairman of ExxonMobil Corporation in January 2001, a position he had held since the merger of Exxon and Mobil companies in November 1999. Before the merger, Mr. Noto was Chairman and CEO of Mobil Corporation, where he had been employed since 1962. Mr. Noto is a managing partner of Midstream Partners LLC, an investment company specializing in energy and transportation projects. He is also a director of Philip Morris International, an Emeritus member of Temasek's International Advisory Panel, and was formerly a director of Commercial International Bank of Egypt, International Business Machines Corporation, Stem Cell Innovations, Inc. and Shinsei Bank in the previous five years. *Individual experience:* Extensive oil industry experience culminating with appointments as CEO of Mobil Corporation and Vice Chairman of ExxonMobil Corporation; breadth of knowledge concerning issues affecting our Company; experience as an executive and a director of some of the world's leading global corporations.

**Roger S. Penske** Chairman  
of the Board and CEO of  
Penske Automotive Group

*Mr. Penske*, 74, has served as our Chairman and CEO since May 1999. Mr. Penske has also been Chairman of the Board and CEO of Penske Corporation since 1969. Mr. Penske has also been Chairman of the Board of Penske Truck Leasing Corporation since 1982. Mr. Penske serves as a member of the Boards of Directors of General Electric Company and Universal Technical Institute, and was formerly a director of Internet Brands, Inc. in the previous five years. Mr. Penske also is Vice Chairman of the Downtown Detroit Partnership and a director of Business Leaders

for Michigan. *Individual experience:* Extensive automotive industry experience; relationships with our key automotive partners; familiarity with all of the Company's key operations; experience as an executive and a director of some of the world's leading companies; significant ownership position of our stock through Penske Corporation and other affiliates.

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<p><b><i>Richard J. Peters</i></b>                  Managing Director of                  Transportation                  Resource Partners, LP</p>	<p><i>Mr. Peters</i>, 63, has served as a director since May 1999. Since January 2003, Mr. Peters has been a Managing Director of Transportation Resource Partners, an organization that undertakes investments in transportation-related industries ( TRP ). Since 1997, Mr. Peters has also served as President and CEO of R.J. Peters &amp; Company, LLC, a private investment company. Mr. Peters has been a member of the Board of Directors of Penske Corporation since 1990 and serves as a member of the Board of Directors of various TRP portfolio companies. In the previous five years, Mr. Peters was formerly a director of Autocam Corporation. <i>Individual experience:</i> Extensive transportation industry experience; familiarity with all of the Company s key operations; experience as an executive and a director of numerous transportation companies; general industry knowledge concerning other transportation companies; experience in commercial finance, private equity and leveraged finance.</p>
<p><b><i>Ronald G. Steinhart</i></b>                  Retired Chairman and                  CEO, Commercial                  Banking Group, Bank                  One Corporation</p>	<p><i>Mr. Steinhart</i>, 70, has served as a director since March 2001. Mr. Steinhart served as Chairman and CEO, Commercial Banking Group, of Bank One Corporation from December 1996 until his retirement in January 2000. From January 1995 to December 1996, Mr. Steinhart was Chairman and CEO of Bank One, Texas, N.A. Mr. Steinhart joined Bank One in connection with its merger with Team Bank, which he founded in 1988. Mr. Steinhart also serves as a director of Animal Health International, Inc., Susser Holdings Corporation, Texas Industries Inc., and as a Trustee of the MFS/Compass Group of mutual funds. In the previous five years, Mr. Steinhart was formerly a director of Penson Worldwide, Inc. <i>Individual experience:</i> Extensive experience in banking and commercial lending industries; experience with respect to automotive retail finance and insurance operations; extensive public company audit committee experience.</p>
<p><b><i>H. Brian Thompson</i></b>                  Executive Chairman of                  Global Telecom &amp;                  Technology (GTT)</p>	<p><i>Mr. Thompson</i>, 71, has served as a director since March 2002. Mr. Thompson is Executive Chairman of Global Telecom &amp; Technology (GTT). Mr. Thompson continues to head his own private equity investment and advisory firm, Universal Telecommunications, Inc. From December 2002 to June 2007, Mr. Thompson was Chairman of Comsat International, one of the largest independent telecommunications operators serving all of Latin America. He also served as Chairman and Chief Executive Officer of Global TeleSystems Group, Inc. from March 1999 through September of 2000. Mr. Thompson was Chairman and CEO of LCI International from 1991 until its merger with Qwest Communications International Inc. in June 1998. Mr. Thompson became Vice Chairman of the board for Qwest until his resignation in December 1998. Mr. Thompson previously served as Executive Vice President of MCI Communications Corporation from 1981 to 1990, and prior to MCI, was a management consultant with the Washington, DC offices of McKinsey &amp; Company for nine years, where he specialized in the management of telecommunications. He currently serves as a member of the board of directors of Axcelis Technologies, Inc, ICO Global Communications (Holdings) Ltd, and Sonus Networks, Inc., and was formerly a director of Bell Canada International, Inc. in the previous five years. Thompson received his MBA from Harvard s Graduate School of Business, and holds an undergraduate degree in chemical engineering from the University of Massachusetts. <i>Individual experience:</i> Extensive experience as an executive and director of numerous public companies; experience in a leadership role directing international corporations; perspective gained from leadership role in ultra-competitive communications industry; demonstrated success serving as our</p>

lead independent director.



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<b>CURRENT DIRECTORS</b>	<b>BOD</b>	<b>Audit</b>	<b>Compensation &amp; Management Development</b>	<b>Nominating &amp; Corporate Governance</b>	<b>Executive</b>
John D. Barr	X	X			
Michael R. Eisenson	X	C			X
Robert H. Kurnick, Jr.	X				
William J. Lovejoy	X		X		
Kimberly J. McWaters	X			C	
Yoshimi Namba	X				
Lucio A. Noto	X		X		X
Roger S. Penske	C				C
Richard J. Peters	X				X
Ronald G. Steinhart	X	X			
H. Brian Thompson	X		C	X	
No. of Meetings 2010	6	10	5	2	0

\* Chairperson of each committee is denoted by a C.

Our Board of Directors has four standing committees: the Audit Committee, the Compensation and Management Development Committee, the Nominating and Corporate Governance Committee and the Executive Committee. Charters for the Audit, Compensation and Management Development, and Nominating and Corporate Governance committees are available on our website, [www.penskeautomotive.com](http://www.penskeautomotive.com), under the tab Corporate Governance. The principal responsibilities of each committee are described below. Collectively, our directors attended over 95% of our board and committee meetings in 2010, and each director attended at least 88% of their meetings. All of our directors are encouraged to attend the annual meeting and all directors serving at that time attended the annual meeting in 2010.

**Committee Member Qualifications.** Each of the members of our Audit, Compensation and Management Development, and Nominating and Corporate Governance Committees are independent under New York Stock Exchange guidelines and our guidelines for director independence. The Board of Directors has determined that all members of the Audit Committee are independent and financially literate under New York Stock Exchange rules and applicable law, and each is an audit committee financial expert, as that term is defined in Securities and Exchange Commission rules.

**Audit Committee.** This committee assists the Board of Directors in fulfilling its oversight responsibility relating to the:

- integrity of our financial statements, financial reporting processes and systems of internal accounting and financial controls
- activities of the internal audit function
- engagement of the Company's independent auditing firms and the evaluation of their qualifications, independence and performance
- annual independent audit of our financial statements
- review of our financial statements prior to being filed with the Securities and Exchange Commission
- review with management of significant business risks or exposures and evaluating the steps management has taken to assess, monitor and mitigate such risks or exposures
- fulfillment of the other responsibilities set out in the Audit Committee charter

**Compensation and Management Development Committee.** This committee assists the Board of Directors in discharging its responsibility relating to the:

- determination of each element of our executive officers' compensation
- compensation and benefits of other employees
- administration of our equity incentive plans

development of recommendations to the Board of Directors with respect to director compensation  
review of management progression and succession plans

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***Nominating and Corporate Governance Committee.*** This committee:

- identifies individuals qualified to become members of the Board of Directors
- recommends director nominees for each annual meeting of stockholders and any interim vacancies the Board of Directors determines to fill
- develops and recommends to the Board of Directors corporate governance principles
- leads the annual review of our corporate governance policies and the Board of Directors performance evaluation
- oversees our compliance with legal and regulatory requirements

***Executive Committee.*** Our Executive Committee's primary function is to assist our Board of Directors by acting upon matters when the Board of Directors is not in session. The Executive Committee has the full power and authority of the Board of Directors, except to the extent limited by law or our certificate of incorporation or bylaws or other governance documents. This committee did not meet in 2010.

***Corporate Governance Documents.*** Our corporate governance guidelines and the other documents referenced in this section are posted on our website, [www.penskeautomotive.com](http://www.penskeautomotive.com), under the tab Corporate Governance. We have also adopted a Code of Business Conduct and Ethics that applies to all of our employees and directors. We also intend to disclose waivers, if any, for our executive officers or directors from the code on our website. We have a securities trading policy which applies to all of our directors and officers, which restricts trading in our securities while in possession of material nonpublic information and prohibits our directors and officers from engaging in short sales and other speculative trading techniques without the approval of our General Counsel. No such approvals were granted in 2010.

***Risk Management.*** We have designed and implemented processes to manage risk in our operations. The Board of Director's role in risk management is primarily one of oversight. Management is responsible for the implementation and execution of our risk management initiatives. Our Board of Directors executes its oversight role directly and also through its various committees as set forth below.

***Audit Committee.***

- principally responsible for implementing the Board's risk management oversight role
- reviews management's assessment of the key risks facing our Company, including the key controls we rely on to mitigate those risks
- monitors certain key risks at each of its regularly scheduled meetings, such as liquidity risk, risk relating to compliance with credit covenants, and related party transaction risk

***Nominating and Corporate Governance Committee.***

- oversees compliance with legal and regulatory requirements
- reviews risks relating to our governance structure.

***Compensation and Management Development Committee.***

- reviews risks inherent in our compensation policies
- reviews the Company's succession planning

***Full Board of Directors.***

- reviews strategic and operational risk in the context of reports from corporate management, regional executives and other officers
- receives reports on all significant committee activities at each regular meeting
- reviews the risks inherent in any significant Company transactions

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***Board Structure and Lead Director.*** Roger S. Penske is the Chairman of our Board of Directors and our Chief Executive Officer. We believe the combination of these two offices represents the most appropriate approach for our company due to Mr. Penske's significant ownership position through Penske Corporation, his extensive automotive industry experience, his relationships with our key automotive partners and his experience as an executive and a director of some of the world's leading companies. In light of the combination of the Chairman of the Board and Chief Executive Officer positions, one of our governance principles is to have an independent Lead Director. Our Lead Director is responsible for:

- coordinating and leading the activities of the outside directors
- establishing the agenda for executive sessions of the outside directors
- presiding at the executive sessions of the outside directors which generally occur as part of each Board meeting
- facilitating communication between the outside directors as a group and our management team

Our Lead Director is H. Brian Thompson. He may be contacted by leaving a message at the following telephone number: 800-469-1634. All messages will be reviewed by our Corporate Secretary's office and all (other than frivolous messages) will be forwarded to the Lead Director. Any written communications to the independent directors as a group or the entire Board of Directors may be sent care of the Corporate Secretary to our principal executive office. These communications (other than frivolous messages) will also be forwarded to the Lead Director.

***Director Independence.*** A majority of our Board of Directors is independent and each of the members of our audit, compensation and nominating committees is independent. The Board of Directors has determined that Ms. McWaters and Messrs. Barr, Eisenson, Lovejoy, Noto, Steinhart and Thompson are each independent in accordance with the listing requirements of the New York Stock Exchange and our guidelines for independent directors which can be found in our corporate governance guidelines on our website [www.penskeautomotive.com](http://www.penskeautomotive.com) and as set forth below. As required by New York Stock Exchange rules, our Board of Directors determined that no material relationship exists which would interfere with the exercise of independent judgment in carrying out the responsibilities of the independent directors.

For a director to be considered independent under our corporate governance guidelines, the Board of Directors must determine that the director does not have any direct or indirect material relationship with us. In addition to applying these guidelines, the Board of Directors considers relevant facts and circumstances in making the determination of independence, and not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. With respect to our independent directors, the Board considers the transactions, relationships and arrangements described under "Related Party Transactions" in its independence determination. The Board also considers any ownership of our securities by the directors and any of their affiliates, ownership by our management team of any securities of affiliates of directors, as well as any direct or indirect investments with Transportation Resource Partners, an affiliate of Penske Corporation.

Under our guidelines, which are more stringent than the New York Stock Exchange guidelines, a director will not be independent if:

1. The director is employed by us, or an immediate family member is one of our executive officers.
2. The director receives any direct compensation from us, other than director fees and deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
3. The director is affiliated with or employed by one of our independent auditing firms, or an immediate family member is affiliated with or employed in a professional capacity by one of our independent auditing firms.
4. An executive officer of ours serves on the compensation committee of the board of directors of a company that employs the director or an immediate family member as an executive officer.
5. The director is an executive officer or employee, or if an immediate family member is an executive officer, of another company that does business with us and the sales by that company to us or purchases by that company from us, in any single fiscal year during the evaluation period, are more than the greater of one percent of the annual revenues of that company or \$1 million.
6. The director is an executive officer or employee, or an immediate family member is an executive officer, of another company that is indebted to us and the total amount of the other company's indebtedness to us at the end of the last completed fiscal year is more than one percent of the other company's total consolidated

assets.

7. The director serves as an officer, director or trustee of a charitable organization, and our charitable contributions to the organization are more than the greater of \$250,000 or one percent of that organization's total annual charitable receipts during its last completed fiscal year.

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**Controlled Company.** Under the New York Stock Exchange rules, if a company is controlled it need not have a majority of independent directors or solely independent compensation or nominating committees. We are a controlled company because more than 50% of the voting power for the election of directors is collectively held by Penske Corporation, Mitsui & Co. and their affiliates. These entities are considered a group due to the provisions of the stockholders agreement between these parties described under Related Party Transactions. Even though we are a controlled company, we are fully compliant with the New York Stock Exchange rules for non-controlled companies.

**Director Candidates.** When considering new candidates for our Board of Directors, the Nominating and Corporate Governance Committee uses the network of contacts of the Board of Directors to compile potential candidates, but may also engage, if it deems appropriate, a professional search firm. The committee considers whether the nominee would be independent and meets with each candidate to discuss and consider his or her qualifications. The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders pursuant to procedures outlined below. Stockholder proposals for nominees should be addressed to our Corporate Secretary, Penske Automotive Group, 2555 Telegraph Road, Bloomfield Hills, MI 48302. The committee's evaluation of stockholder-proposed candidates will be the same as for any other candidates.

Director candidate submissions are to include:

- sufficient biographical information concerning the recommended individual, including age, employment history with employer names and description of the employer's business
- whether such individual can read and understand basic financial statements
- a list of board memberships and other affiliations of the nominee
- a written consent of the individual to stand for election and serve if elected by the stockholders
- a statement of any relationships between the person recommended and the person submitting the recommendation
- a statement of any relationships between the candidate and any automotive retailer, manufacturer or supplier
- proof of ownership by the person submitting the recommendation of 500 shares of our common stock for one year

Recommendations received by November 16, 2011, will be considered for nomination at the 2012 annual meeting of stockholders. Recommendations received after November 16, 2011 will be considered for nomination at the 2013 annual meeting of stockholders.

**Compensation Committee Interlocks and Insider Participation.** An entity (the Investor) controlled by one of our directors, Lucio A. Noto, owns a 13.4% interest in one of our subsidiaries, UAG Connecticut I, LLC (UAG Connecticut I), pursuant to an agreement which entitles the Investor to 20% of the operating profits of UAG Connecticut I. This agreement also provides the Investor with the right to appoint one of three directors, and tag-along rights in the event we intend to sell our interest in UAG Connecticut I. We have a right of first refusal with respect to any potential sale by the Investor of its interest. From time to time, we provide UAG Connecticut I with working capital and other debt financing. The Investor paid \$381,671 to us in 2011 pursuant to its option to purchase up to a 20% interest in UAG Connecticut I. In addition, UAG Connecticut I makes periodic pro rata distributions pursuant to which the Investor was paid \$341,208 during 2010.

### **PROPOSAL 2 Ratification of the Selection of our Independent Auditors**

Our Audit Committee has selected Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively referred to as Deloitte) as our principal independent auditing firm for 2011. In performing its services for 2011, we anticipate Deloitte will not audit our subsidiaries which own the majority of our international operations and their opinions, insofar as they relate to those operations, will be based solely on the report of the independent auditor of those operations KPMG Audit Plc. (KPMG). We have determined to submit the selection of auditors to shareholder ratification, even though it is not required by our governing documents or Delaware law. If the selection of Deloitte as our independent auditing firm is not ratified by our stockholders, our Audit Committee will re-evaluate its selection, taking into consideration the stockholder vote on the ratification and the advisability of selecting new auditors prior to completion of the 2011 audit. Our Audit Committee is solely responsible for selecting, engaging and terminating our independent auditing firm, and may do so at any time at its discretion. It is anticipated that a representative of Deloitte will be present at the annual meeting with the opportunity to make a statement and to answer appropriate questions.



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**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF DELOITTE & TOUCHE AS OUR INDEPENDENT AUDITORS  
AUDIT COMMITTEE REPORT**

The Audit Committee of the Board of Directors is responsible for providing independent, objective oversight of our accounting functions and internal controls as more fully discussed above under Our Corporate Governance. The Audit Committee has the sole authority to retain and terminate our independent auditing firms, and is responsible for recommending to the Board of Directors that our financial statements be included in our annual report on Form 10-K. The Audit Committee took a number of steps in making this recommendation for our 2010 annual report. The Audit Committee discussed with our independent auditing firms those matters required to be discussed by the Public Company Accounting Oversight Board ( PCAOB ), including information regarding their independence and the scope and results of their audit. These communications and discussions were intended to assist the Audit Committee in overseeing the financial reporting and disclosure process. The Audit Committee also discussed the independent auditing firms independence and received the letters and written disclosures from the independent auditing firms required by the PCAOB. Finally, the Audit Committee reviewed and discussed the annual audited financial statements with our management and the independent auditing firms in advance of the public release of operating results, and before the filing of our annual and quarterly reports with the Securities and Exchange Commission. Based on the foregoing, and such other matters deemed relevant and appropriate by the Audit Committee, the Audit Committee recommended to the Board of Directors that our audited financial statements be included in our 2010 annual report on Form 10-K as filed with the SEC on February 25, 2011.

**The Audit Committee of the Board of Directors**

Michael R. Eisenson (Chairman)  
John D. Barr  
Ronald G. Steinhart

**INDEPENDENT AUDITING FIRMS**

We anticipate that Deloitte will audit our consolidated financial statements for 2011. In 2010, Deloitte did not audit our subsidiaries which own the majority of our international operations and Deloitte s opinions, insofar as they relate to those operations, are based solely on the report of KPMG the independent auditor of those operations. We anticipate that this arrangement will continue in 2011. We refer to Deloitte and KPMG collectively as our independent auditing firms. We paid the independent auditing firms the fees described below for the enumerated services in 2010 and 2009, all of which services were approved by our Audit Committee:

**Audit Services:**

- audits of our consolidated financial statements
- audits of management s assessment of internal control over financial reporting
- reviews of quarterly financial statements
- other services normally provided in connection with statutory or regulatory engagements

**Audit Related Services:**

- services in connection with our communications with the Securities & Exchange Commission and registration statements
- acquisition due diligence
- audits of benefit plans
- accounting research and consultation

**Tax Fees:**

- services rendered by the independent auditing firms in connection with tax compliance, planning and advice.





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All Other Fees:

primarily related to employee benefit plan advisory services.

	<b>Deloitte</b>		<b>KPMG</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Audit Fees	\$ 1,296,200	\$ 1,173,200	\$ 492,800	\$ 474,400
Audit Related Fees	205,000	218,000	60,000	84,800
Tax Fees				
Tax Compliance	33,050	31,000		
Other Tax Fees	212,260	155,400		16,000