AUTONATION INC /FL
Form 10-Q
July 31, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from __________ to __________

Commission File Number: 1-13107

AutoNation, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**73-1105145**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
110 S.E. 6th Street, Fort Lauderdale, Florida	**33301**
(Address of principal executive offices)	(Zip Code)

(954) 769-6000

(Registrant s Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

As of July 27, 2009, the registrant had 178,023,867 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AUTONATION, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share data)

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 128.9	$ 110.1
Receivables, net	330.6	369.7
Inventory	1,257.9	1,749.9
Other current assets	328.5	498.0
Total Current Assets	2,045.9	2,727.7
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $600.3 million and $634.8 million, respectively	1,742.8	1,798.4
GOODWILL, NET (Note 4)	1,121.5	1,122.0
OTHER INTANGIBLE ASSETS, NET (Note 4)	175.9	177.7
OTHER ASSETS	151.1	188.3
Total Assets	$ 5,237.2	$ 6,014.1
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Vehicle floorplan payable - trade	$ 901.1	$ 1,352.4
Vehicle floorplan payable - non-trade	299.6	453.4
Accounts payable	128.5	134.4
Notes payable and current maturities of long-term obligations	13.8	33.3
Other current liabilities	368.2	482.3
Total Current Liabilities	1,711.2	2,455.8
LONG-TERM DEBT, NET OF CURRENT MATURITIES	1,119.2	1,225.6
DEFERRED INCOME TAXES	-	-
OTHER LIABILITIES	116.4	134.6
COMMITMENTS AND CONTINGENCIES (Note 12)		
SHAREHOLDERS EQUITY:		
Preferred stock, par value $0.01 per share; 5,000,000 shares authorized; none issued	-	-
Common stock, par value $0.01 per share; 1,500,000,000 shares authorized; 193,562,149 shares issued at June 30, 2009, and December 31, 2008, including shares held in treasury	1.9	1.9
Additional paid-in capital	484.6	481.8

Retained earnings		2,094.3		2,023.0
Accumulated other comprehensive loss		(0.4)		(0.7)
Treasury stock, at cost; 15,565,959 and 16,708,866 shares held, respectively		(290.0)		(307.9)
Total Shareholders Equity		2,290.4		2,198.1
Total Liabilities and Shareholders Equity	$	5,237.2	$	6,014.1

The accompanying notes are an integral part of these statements.

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AUTONATION, INC.
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Revenue:				
New vehicle	$ 1,339.1	$ 2,062.0	$ 2,524.5	$ 4,133.7
Used vehicle	632.6	868.6	1,224.8	1,771.6
Parts and service	537.4	588.2	1,075.3	1,191.9
Finance and insurance, net	89.0	128.4	166.0	265.0
Other	11.5	16.4	24.9	32.9
TOTAL REVENUE	2,609.6	3,663.6	5,015.5	7,395.1
Cost of Sales:				
New vehicle	1,252.8	1,925.6	2,364.3	3,858.9
Used vehicle	574.3	793.3	1,102.8	1,618.2
Parts and service	301.5	330.9	603.0	671.9
Other	4.5	7.4	10.6	14.6
TOTAL COST OF SALES	2,133.1	3,057.2	4,080.7	6,163.6
Gross Profit:				
New vehicle	86.3	136.4	160.2	274.8
Used vehicle	58.3	75.3	122.0	153.4
Parts and service	235.9	257.3	472.3	520.0
Finance and insurance	89.0	128.4	166.0	265.0
Other	7.0	9.0	14.3	18.3
TOTAL GROSS PROFIT	476.5	606.4	934.8	1,231.5
Selling, general, and administrative expenses	364.1	451.4	717.6	910.8
Depreciation and amortization	19.1	20.8	39.0	42.7
Franchise rights impairment	1.5	-	1.5	-
Other expenses (income), net	(10.5)	0.1	(21.3)	0.4
OPERATING INCOME	102.3	134.1	198.0	277.6
Floorplan interest expense	(9.3)	(19.7)	(19.1)	(42.5)
Other interest expense	(10.5)	(21.6)	(22.3)	(48.4)
Gain on senior note repurchases	0.6	-	12.5	-
Interest income	0.3	0.3	0.6	0.8
Other gains (losses), net	3.5	1.0	1.8	(0.7)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	86.9	94.1	171.5	186.8

PROVISION FOR INCOME TAXES		32.1		38.6		63.7		76.2
NET INCOME FROM CONTINUING OPERATIONS		54.8		55.5		107.8		110.6
Loss from discontinued operations, net of income taxes		(18.1)		(3.7)		(36.5)		(8.1)
NET INCOME	$	36.7	$	51.8	$	71.3	$	102.5
BASIC EARNINGS (LOSS) PER SHARE:								
Continuing operations	$	0.31	$	0.31	$	0.61	$	0.62
Discontinued operations	$	(0.10)	$	(0.02)	$	(0.21)	$	(0.05)
Net income	$	0.21	$	0.29	$	0.40	$	0.57
Weighted average common shares outstanding		177.8		178.0		177.3		179.0
DILUTED EARNINGS (LOSS) PER SHARE:								
Continuing operations	$	0.31	$	0.31	$	0.61	$	0.62
Discontinued operations	$	(0.10)	$	(0.02)	$	(0.21)	$	(0.05)
Net income	$	0.21	$	0.29	$	0.40	$	0.57
Weighted average common shares outstanding		178.8		178.7		178.0		179.6
COMMON SHARES OUTSTANDING, net of treasury stock		178.0		176.7		178.0		176.7

The accompanying notes are an integral part of these statements.

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AUTONATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
(In millions, except share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
BALANCE AT DECEMBER 31, 2008	193,562,149	$ 1.9	$ 481.8	$ 2,023.0	$ (0.7)	$ (307.9)	$ 2,198.1
Exercise of stock options, including income tax benefit of $2.5 million	-	-	(5.7)	-	-	18.0	12.3
Purchases of treasury stock	-	-	-	-	-	(0.1)	(0.1)
Stock-based compensation expense	-	-	8.5	-	-	-	8.5
Other comprehensive income	-	-	-	-	0.3	-	0.3
Net income	-	-	-	71.3	-	-	71.3
BALANCE AT JUNE 30, 2009	193,562,149	$ 1.9	$ 484.6	$ 2,094.3	$ (0.4)	$ (290.0)	$ 2,290.4

The accompanying notes are an integral part of these statements.

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AUTONATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income	$ 71.3	$ 102.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations	36.5	8.1
Depreciation and amortization	39.0	42.7
Amortization of debt issue costs and discounts	1.9	1.4
Stock option expense	8.5	12.3
Deferred income tax provision	15.6	3.9
Franchise rights impairment	1.5	-
Non-cash impairment charges	1.2	0.4
Gain on senior note repurchases	(12.5)	-
Gain on corporate headquarters sale-leaseback	(12.9)	-
Net gain on asset sales and dispositions	(7.6)	-
Other	(2.5)	-
Changes in assets and liabilities, net of effects from business combinations and divestitures:		
Receivables	39.0	138.4
Inventory	492.7	(20.0)
Other assets	30.6	11.3
Vehicle floorplan payable-trade, net	(451.3)	50.7
Accounts payable	(5.9)	(15.6)
Other liabilities	(36.6)	(12.3)
Net cash provided by continuing operations	208.5	323.8
Net cash provided by discontinued operations	22.4	7.0
Net cash provided by operating activities	230.9	330.8
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchases of property and equipment	(34.1)	(39.2)
Property operating lease buy-outs	(0.1)	(1.9)
Proceeds from the sale of property and equipment	11.1	0.1
Proceeds from assets held for sale	0.9	-
Insurance recoveries on property and equipment	0.4	-
Cash used in business acquisitions, net of cash acquired	(0.2)	(29.4)
Net change in restricted cash	0.1	(6.0)
Purchases of restricted investments	-	(2.7)
Proceeds from the sale of restricted investments	3.0	4.8
Cash received from business divestitures, net of cash relinquished	40.5	12.3
Other	0.2	(0.2)

Net cash provided by (used in) continuing operations	21.8	(62.2)
Net cash provided by (used in) discontinued operations	0.1	(0.4)
Net cash provided by (used in) investing activities	21.9	(62.6)

The accompanying notes are an integral part of these statements.

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AUTONATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Continued)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Purchases of treasury stock	(0.1)	(55.9)
Repurchase of floating rate senior unsecured notes	(31.2)	-
Repurchase of 7% senior unsecured notes	(33.5)	-
Proceeds from revolving credit facility	-	519.0
Payment of revolving credit facility	-	(779.0)
Net payments of vehicle floor plan payable non-trade	(154.8)	61.5
Payments of mortgage facilities	(3.4)	(3.2)
Payments of notes payable and long-term debt	(0.5)	(2.1)
Proceeds from the exercise of stock options	9.8	1.0
Tax benefit from stock options	2.5	0.1
Other	-	7.0
Net cash used in continuing operations	(211.2)	(251.6)
Net cash used in discontinued operations	(22.8)	(7.1)
Net cash used in financing activities	(234.0)	(258.7)
INCREASE IN CASH AND CASH EQUIVALENTS	18.8	9.5
CASH AND CASH EQUIVALENTS at beginning of period	110.1	33.3
CASH AND CASH EQUIVALENTS at end of period	$ 128.9	$ 42.8

The accompanying notes are an integral part of these statements.

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AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In millions, except share and per share data)

1. INTERIM FINANCIAL STATEMENTS

Business and Basis of Presentation

AutoNation, Inc., through its subsidiaries, is the largest automotive retailer in the United States. As of June 30, 2009, we owned and operated 264 new vehicle franchises from 210 stores located in major metropolitan markets, predominantly in the Sunbelt region of the United States. We offer a diversified range of automotive products and services, including new vehicles, used vehicles, parts and automotive repair and maintenance services, and automotive finance and insurance products. We also arrange financing for vehicle purchases through third-party finance sources. For convenience, the terms AutoNation, Company, and we are used to refer collectively to AutoNation, Inc. and its subsidiaries, unless otherwise required by the context. Our dealership operations are conducted by our subsidiaries.

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of AutoNation, Inc. and its subsidiaries; all significant intercompany accounts and transactions have been eliminated. The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information related to our organization, significant accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States has been condensed or omitted. These Unaudited Condensed Consolidated Financial Statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to fairly state, in all material respects, our financial position and results of operations for the periods presented.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates. We periodically evaluate estimates and assumptions used in the preparation of the financial statements and make changes on a prospective basis when adjustments are necessary. Significant estimates made by AutoNation in the accompanying Unaudited Condensed Consolidated Financial Statements include certain assumptions related to goodwill, intangible, and long-lived assets, allowances for doubtful accounts, accruals for chargebacks against revenue recognized from the sale of finance and insurance products, accruals related to self-insurance programs, certain legal proceedings, estimated tax liabilities, estimated losses from disposals of discontinued operations, and certain assumptions related to stock option compensation.

Operating results for interim periods are not necessarily indicative of the results that can be expected for a full year. These interim financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto included in our most recent Annual Report on Form 10-K.

Certain reclassifications of amounts previously reported have been made to the accompanying Unaudited Condensed Consolidated Financial Statements in order to maintain consistency and comparability between periods presented.

New Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 165, *Subsequent Events*. SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009. The adoption of SFAS No. 165 did not have an impact on our consolidated financial statements for the three months ended June 30, 2009, as it is our continuing policy to evaluate subsequent events through the date our financial statements are issued.

For the quarterly period ended June 30, 2009, we have evaluated subsequent events through July 31, 2009, which is the date our financial statements were issued and filed with the SEC.

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AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162*. SFAS No. 168 establishes the *FASB Accounting Standards Codification* (the ASC) as the source of authoritative principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We do not anticipate that the adoption of SFAS No. 168 will have a material impact on our consolidated financial statements. However, references to authoritative accounting literature contained in our financial statements will be made in accordance with the ASC commencing with our quarterly report for the period ending September 30, 2009.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*. SFAS No. 141R is a revision to SFAS No. 141 and includes substantial changes to the acquisition method used to account for business combinations (formerly the purchase accounting method), including broadening the definition of a business, as well as revisions to accounting methods for contingent consideration and other contingencies related to the acquired business, accounting for transaction costs, and accounting for adjustments to provisional amounts recorded in connection with acquisitions. SFAS No. 141R retains the fundamental requirement of SFAS No. 141 that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. SFAS No. 141R is applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We adopted SFAS No. 141R effective January 1, 2009. The adoption of SFAS No. 141R did not have a material impact on our consolidated financial statements for the three and six months ended June 30, 2009.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value and applies to other accounting pronouncements that require or permit fair value measurements and expands disclosures about fair value measurements. SFAS No. 157 was effective for financial assets and liabilities in fiscal years beginning after November 15, 2007, and for nonfinancial assets and liabilities in fiscal years beginning after November 15, 2008.

Our adoption of the provisions of SFAS No. 157 on January 1, 2008, with respect to financial assets and liabilities measured at fair value, did not have a material impact on our fair value measurements or our financial statements. Our adoption of the provisions of SFAS No. 157 on January 1, 2009, with respect to nonfinancial assets and liabilities, including the valuation of our reporting units for the purpose of assessing goodwill impairment, the valuation of our franchise rights when assessing franchise impairments, the valuation of property and equipment when assessing long-lived asset impairment, and the valuation of assets acquired and liabilities assumed in business combinations, did not have a material impact on our fair value measurements or our financial statements for the three and six months ended June 30, 2009. See Note 16 of the Notes to Unaudited Condensed Consolidated Financial Statements for disclosures of our fair value measurements.

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

2. RECEIVABLES, NET

The components of receivables, net of allowance for doubtful accounts, are as follows:

	June 30, 2009	December 31, 2008
Trade receivables	$ 79.0	$ 96.3
Manufacturer receivables	87.8	103.2
Other	30.6	22.2
	197.4	221.7
Less: Allowances	(5.1)	(6.2)
	192.3	215.5
Contracts-in-transit and vehicle receivables	128.2	141.7
Income tax refundable (See Note 6)	10.1	12.5
Receivables, net	$ 330.6	$ 369.7

Contracts-in-transit and vehicle receivables primarily represent receivables from financial institutions for the portion of the vehicle sales price financed by our customers.

3. INVENTORY AND VEHICLE FLOORPLAN PAYABLE

The components of inventory are as follows:

	June 30, 2009	December 31, 2008
New vehicles	$ 954.0	$ 1,485.9
Used vehicles	194.3	139.7
Parts, accessories, and other	109.6	124.3
	$ 1,257.9	$ 1,749.9

The components of vehicle floorplan payables are as follows:

	June 30, 2009	December 31, 2008
Vehicle floorplan payable trade	$ 901.1	$ 1,352.4
Vehicle floorplan payable non-trade	299.6	453.4
	$ 1,200.7	$ 1,805.8

Vehicle floorplan payable-trade reflects amounts borrowed to finance the purchase of specific new vehicle inventories with the corresponding manufacturers captive finance subsidiaries (trade lenders). Vehicle floorplan payable-non-trade represents amounts borrowed to finance the purchase of specific new and, to a lesser extent, used vehicle inventories with non-trade lenders. Changes in vehicle floorplan payable-trade are reported as operating cash flows and changes in vehicle floorplan payable-non-trade are reported as financing cash flows in the accompanying Unaudited Condensed Consolidated Statements of Cash Flows.

On April 30, 2009, GMAC Financial Services (GMAC) entered into an agreement with Chrysler LLC to provide automotive financing products and services to Chrysler dealers and their customers. As a result of this agreement, we have treated new Chrysler vehicles financed by GMAC after April 30, 2009, as vehicle floorplan payable-non-trade. Vehicles financed by Chrysler Financial prior to this agreement continue to be classified as vehicle floorplan payable-trade.

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AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Floorplan facilities are due on demand, but in the case of new vehicle inventories, are generally paid within several business days after the related vehicles are sold. Our manufacturer agreements generally require that the manufacturer have the ability to draft against the new floorplan facilities so the lender directly funds the manufacturer for the purchase of new vehicle inventory. Floorplan facilities are primarily collateralized by vehicle inventories and related receivables.

Our vehicle floorplan facilities, which utilize LIBOR-based interest rates, averaged 2.5% for the six months ended June 30, 2009, and 4.0% for the six months ended June 30, 2008. At June 30, 2009, aggregate capacity under our floorplan credit agreements with various lenders to finance a portion of our used vehicle inventory was $170.0 million, of which $61.5 million was outstanding at June 30, 2009. At June 30, 2009, aggregate capacity under all of our floorplan credit facilities to finance vehicles was approximately $2.8 billion, of which $1.2 billion total was outstanding.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and intangible assets, net, consist of the following:

	June 30, 2009	December 31, 2008
Goodwill	$ 1,121.5	$ 1,122.0
Franchise rights indefinite-lived	$ 172.4	$ 173.9
Other intangibles	7.6	7.6
	180.0	181.5
Less: accumulated amortization	(4.1)	(3.8)
Other intangibles assets, net	$ 175.9	$ 177.7

Goodwill

Goodwill is tested for impairment annually on April 30 or more frequently when events or circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. We completed our annual impairment tests as of April 30, 2009, and no goodwill impairment charges resulted from the required goodwill impairment test. During 2008, we recorded impairment charges of $1.61 billion ($1.37 billion after-tax) associated with goodwill. For a complete discussion of these impairment charges, please see Note 5 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

The test for goodwill impairment, as defined by SFAS No. 142, is a two-step approach. The first step of the goodwill impairment test requires a determination of whether or not the fair value of a reporting unit is less than its carrying value. If so, the second step is required, which involves an analysis reflecting the allocation of the fair value determined in the first step (as if it was the purchase price in a business combination). This process may result in the determination of a new amount of goodwill. If the calculated fair value of the goodwill resulting from this allocation is lower than the carrying value of the goodwill in the reporting unit, the difference is reflected as a non-cash impairment loss.

We estimate the fair value of our reporting units using an income valuation approach, which discounts projected free cash flows (DCF) of the reporting unit at a computed weighted average cost of capital as the discount rate. The future cash flows and weighted average cost of capital are estimated by management consistent with a market participant perspective. In connection with this process, we also reconcile the estimated aggregate fair values of our reporting units to our market capitalization, including consideration of a control premium that represents the estimated amount an investor would pay for our equity securities to obtain a controlling interest. We believe that this reconciliation process is also consistent with a market participant perspective.

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AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Goodwill allocated to our reporting units and changes in the carrying amount of goodwill for the six months ended June 30, 2009, were as follows:

	Domestic	Import	Premium Luxury	Corporate and other	Consolidated
Goodwill at January 1, 2009	$ 152.0	$ 500.4	$ 469.6	$ -	$ 1,122.0
Acquisitions and other adjustments	0.2	(0.4)	(0.3)	-	(0.5)
Goodwill at June 30, 2009	$ 152.2	$ 500.0	$ 469.3	$ -	$ 1,121.5

Other Intangible Assets

Our principal identifiable intangible assets are individual store rights under franchise agreements with vehicle manufacturers, which have indefinite lives and are tested at least annually on April 30 for impairment. The impairment test for intangibles with indefinite lives requires the comparison of estimated fair value to its carrying value by store. Fair values of rights under franchise agreements are estimated by discounting expected future cash flows of the store. We completed our annual impairment tests as of April 30, 2009, and we recorded $1.5 million ($0.9 million after-tax) of non-cash impairment charges related to rights under an Import store s franchise agreement. This non-cash impairment charge was recorded to reduce the carrying value of the store s franchise agreement to its estimated fair value.

During 2008, we recorded impairment charges of $146.5 million ($90.8 million after-tax) associated with franchise rights. We reclassified impairment charges of $5.1 million ($3.0 million after-tax) that were recorded during the three months ended June 30, 2008, to Loss from Discontinued Operations in our consolidated income statements as the stores associated with these impairment charges were reclassified to discontinued operations during 2009. For a discussion of these impairment charges, please see Note 5 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

5. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

	June 30, 2009	December 31, 2008
Floating rate senior unsecured notes, due 2013	$ 156.5	$ 194.5
7% senior unsecured notes, due 2014	132.6	172.6
Term loan facility, due 2012	600.0	600.0
Revolving credit facility, due 2012	-	-
Mortgage facility, due 2017	229.9	233.3
Other debt, due from 2010 to 2025	14.0	58.5
	1,133.0	1,258.9
Less: current maturities	(13.8)	(33.3)
Long-term debt, net of current maturities	$ 1,119.2	$ 1,225.6

Senior Unsecured Notes and Credit Agreement

At June 30, 2009, we had outstanding $156.5 million of floating rate senior unsecured notes due April 15, 2013, and $132.6 million of 7% senior unsecured notes due April 15, 2014, in each case at par. The floating rate senior unsecured notes bear interest at a rate equal to three-month LIBOR plus 2.0% per annum, adjusted quarterly, and may be redeemed by us currently at 102% of principal, on or after April 15, 2010, at 101% of principal, and on or after April 15, 2011, at 100% of principal. The 7% senior unsecured notes may be redeemed by us currently at 105.25% of principal, on or after April 15, 2010, at 103.5% of principal, on or after April 15, 2011, at 101.75% of principal, and on or after April 15, 2012, at 100% of principal.

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During the three months ended June 30, 2009, we repurchased $6.0 million aggregate principal amount of our floating rate senior unsecured notes due April 15, 2013, for an aggregate total consideration of $5.4 million.

During the six months ended June 30, 2009, we repurchased $38.0 million aggregate principal amount of our floating rate senior unsecured notes due April 15, 2013, for an aggregate total consideration of $31.4 million. We also repurchased $40.0 million aggregate principal amount of our 7% senior unsecured notes due April 15, 2014, for an aggregate total consideration of $34.5 million.

We recorded a gain of $0.6 million during the three months ended June 30, 2009, and $12.5 million during the six months ended June 30, 2009 in connection with these repurchases, net of the write-off of related unamortized debt issuance costs. The gain is classified as Gain on Senior Note Repurchases in the accompanying Unaudited Condensed Consolidated Income Statements.

Under our amended credit agreement which terminates on July 18, 2012, we have a $700.0 million revolving credit facility that provides for various interest rates on borrowings generally at LIBOR plus 0.725% and a $600.0 million term loan facility bearing interest at a rate equal to LIBOR plus 0.875%. We also have a letter of credit sublimit as part of our revolving credit facility. The amount available to be borrowed under the revolving credit facility is reduced on a dollar-for-dollar basis by the cumulative amount of any outstanding letters of credit, which totaled $71.5 million at June 30, 2009. As of June 30, 2009, we had no borrowings outstanding under the revolving credit facility, leaving $628.5 million of borrowing capacity. As of June 30, 2009, this borrowing capacity was limited under the maximum consolidated leverage ratio contained in our amended credit agreement to approximately $271 million.

The credit spread charged for the revolving credit facility and term loan facility is impacted by our senior unsecured credit ratings from Standard & Poor s (BB+, with negative outlook) and Moody s (Ba2, with negative outlook). For instance, under the current terms of our amended credit agreement, a one-notch downgrade of our senior unsecured credit rating by either Standard & Poor s or Moody s would result in a 25 basis point increase in the credit spread under our term loan facility, a 20 basis point increase in the credit spread under our revolving credit facility, and a 5 basis point increase in the facility fee applicable to our revolving credit facility.

Our senior unsecured notes and borrowings under the amended credit agreement are guaranteed by substantially all of our subsidiaries. Within the meaning of Regulation S-X, Rule 3-10, AutoNation, Inc. (the parent company) has no independent assets or operations, the guarantees of its subsidiaries are full and unconditional and joint and several, and any subsidiaries other than the guarantor subsidiaries are minor.

Other Debt

At June 30, 2009, we had $229.9 million outstanding under a mortgage facility with an automotive manufacturer s captive finance subsidiary due December 1, 2017. The mortgage facility utilizes a fixed interest rate of 5.864% and is secured by 10-year mortgages on certain of our store properties.

In 2000, we sold our corporate headquarters facility and leased it back in a transaction that was originally accounted for as a financing. During the first quarter of 2009, we amended this lease, resulting in a change in accounting method from financing to sale-leaseback. As a result of this change, we derecognized $21.4 million of assets and a $37.9 million financing liability during the first quarter of 2009, when we also recognized a $7.6 million gain on the sale, which is recorded in Other Expenses (Income), Net. The remaining gain of $8.9 million and remaining rent expense of $9.1 million are being recognized on a straight-line basis through the third quarter of 2009. During the three months ended June 30, 2009, we recognized $5.3 million of gain and $5.5 million of rent expense related to this transaction.

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Restrictions and Covenants

Our amended credit agreement, the indenture for our floating rate and 7% senior unsecured notes, our vehicle floorplan payable facilities, and our mortgage facility contain numerous customary financial and operating covenants that place significant restrictions on us, including our ability to incur additional indebtedness or prepay existing indebtedness, to declare cash dividends, to create liens or other encumbrances, to sell (or otherwise dispose of) assets, and to merge or consolidate with other entities.

For example, under the amended credit agreement, we are required to maintain a maximum consolidated leverage ratio, as defined (3.0 times at each quarter-end through September 30, 2009, after which it will revert to 2.75 times on December 31, 2009). In March 2008, we amended our credit agreement to provide that non-cash impairment losses associated with goodwill and intangible assets as well as certain other non-cash charges would be excluded from the computation of the maximum consolidated leverage ratio. We are also required to maintain a maximum capitalization ratio (65%), as defined.

In addition, the indenture for the floating rate and 7% senior unsecured notes contains a debt incurrence restriction based on a minimum fixed charge coverage ratio (2:1), and the mortgage facility contains covenants regarding maximum cash flow leverage and minimum interest coverage.

Our failure to comply with the covenants contained in our debt agreements could permit acceleration of all of our indebtedness. Our debt agreements have cross-default provisions that trigger a default in the event of an uncured default under other material indebtedness of AutoNation.

In the event of a downgrade in our senior unsecured credit ratings, none of the covenants described above would be impacted. In addition, availability under the amended credit agreement described above would not be impacted should a downgrade in the senior unsecured debt credit ratings occur. Certain covenants in the indenture for the floating rate and 7% senior unsecured notes would be eliminated with an upgrade of our senior unsecured credit ratings to investment grade by either Standard & Poor s or Moody s.

6. INCOME TAXES

Income taxes refundable included in Accounts Receivable totaled $10.1 million at June 30, 2009, and $12.5 million at December 31, 2008.

We file income tax returns in the U.S. federal jurisdiction and various states. As a matter of course, various taxing authorities, including the IRS, regularly audit us. Currently, the IRS is auditing the tax years from 2005 to 2006. These audits may result in proposed assessments where the ultimate resolution may result in our owing additional taxes. We believe that our tax positions comply with applicable tax law and that we have adequately provided for these matters.

It is our continuing policy to account for interest and penalties associated with income tax obligations as a component of provision for income taxes in the accompanying Unaudited Condensed Consolidated Financial Statements.

7. SHAREHOLDERS EQUITY

During the six months ended June 30, 2009, we did not repurchase any shares of our common stock other than 6,174 shares that were surrendered to AutoNation to satisfy tax withholding obligations in connection with restricted stock issued to retirement-eligible employees. As of June 30, 2009, $142.7 million remained available for share repurchases under the existing repurchase program approved by our Board of Directors. Future share repurchases are subject to limitations contained in the indenture relating to our floating rate and 7% senior unsecured notes.

During the six months ended June 30, 2008, we repurchased 3.8 million shares of our common stock for an aggregate purchase price of $54.1 million (average purchase price per share of $14.37).

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We issued 1.0 million shares of common stock in connection with the exercise of stock options during the six months ended June 30, 2009, and 0.1 million shares during the six months ended June 30, 2008. The proceeds from the exercise of stock options were $9.8 million (average exercise price per share of $10.14) during the six months ended June 30, 2009, and $1.0 million (average exercise price per share of $10.85) during the six months ended June 30, 2008.

We granted 0.2 million shares of restricted stock during the six months ended June 30, 2009, in connection with our annual restricted stock award grant. See Note 9 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information.

8. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding adjusted for the dilutive effect of stock options. Anti-dilutive options totaling 8.5 million for the three months ended June 30, 2009, and 8.7 million for the six months ended June 30, 2009, have been excluded from the computation of diluted earnings per share. Anti-dilutive options totaling 9.0 million for the three months ended June 30, 2008, and 9.0 million for the six months ended June 30, 2008, have been excluded from the computation of diluted earnings per share.

The computation of weighted-average common and common equivalent shares used in the calculation of basic and diluted earnings (loss) per share is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Weighted average shares outstanding used in calculating basic earnings per share	177.8	178.0	177.3	179.0
Effect of dilutive stock-based awards	1.0	0.7	0.7	0.6
Weighted average common and common equivalent shares used in calculating diluted earnings per share	178.8	178.7	178.0	179.6

9. STOCK BASED COMPENSATION

The AutoNation, Inc. 2008 Equity and Incentive Plan (2008 Plan) provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based and cash-based awards. A maximum of 12.0 million shares may be issued under the 2008 Plan, provided that no more than 2.0 million shares may be issued pursuant to the grant of awards, other than options or stock appreciation rights, that are settled in shares. The exercise price of all stock options and stock appreciation rights granted under the 2008 Plan, is equal to or above the closing price of our common stock on the date such awards are granted, or if the date of grant is not a trading day, on the next trading day.

In February 2009, the Executive Compensation Subcommittee (the Subcommittee) of the Compensation Committee of our Board of Directors approved annual stock option awards to our named executive officers and other employees under the 2008 Plan. Prior to 2009, the Subcommittee s practice had been to award stock options during the third quarter with an effective grant date after the public release of the Company s second-quarter earnings results. For 2009, the Subcommittee modified its practice by approving the annual stock option awards to our named executive officers and other employees in the first quarter and granting the awards in four equal increments over the year, subject to continuous employment through each grant date. The Subcommittee approved a total of 1.2 million employee stock options for 2009. One-fourth of each stock option award that was approved in February 2009 was granted on March 2, 2009, and on June 1, 2009, and an additional one-fourth of each such stock option award will be granted on the first New York Stock Exchange trading day of each of September and December 2009. The options granted on March 2, 2009, and June 1, 2009, have an exercise price equal to the closing price per share on the grant date ($9.92 on March 2, 2009 and $16.99 on June 1, 2009), and each subsequent option grant will have an exercise price equal to the closing price of our common stock on the applicable grant date in accordance with the 2008 Plan. In February 2009, the Subcommittee also approved a total of 0.2 million shares of restricted stock, all of which were granted to restricted stock-eligible employees on March 2, 2009.

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The AutoNation, Inc. 2007 Non-Employee Director Stock Option Plan (Non-Employee Director Plan) provides for the grant of stock options to our non-employee directors. The exercise price of all stock options granted under the Non-Employee Director Plan is equal to or above the closing price of our common stock on the trading day immediately prior to the date of grant. In accordance with the terms of the Non-Employee Director Plan, on January 2, 2009, each of our non-employee directors was automatically granted an option to purchase 20,000 shares of our common stock (for a total of 120,000 options) at an exercise price equal to $9.88 per share, the closing price per share of Company common stock on December 31, 2008.

No additional options may be issued under our other stock option plans (Prior Plans). Under our Prior Plans, stock options were granted with exercise prices equal to or above the closing price of our common stock on the trading day immediately prior to the date of grant.

Stock Options

Stock options granted under all plans are non-qualified. Upon exercise, shares of common stock are issued from our treasury stock. Generally, employee stock options granted in 2008 and prior years have a term of 10 years from the date of grant and vest in increments of 25% per year over a four-year period on the anniversary of the grant date. Stock options granted in 2009 have a term of 10 years from the first date of grant in 2009 (i.e., all options granted or to be granted in 2009 will expire on March 2, 2019) and vest in equal installments over four years commencing on June 1, 2010. Stock options granted to non-employee directors have a term of 10 years from the date of grant and vest immediately upon grant.

We use the Black-Scholes valuation model to determine compensation expense and amortize compensation expense over the requisite service period of the grants on a straight-line basis. Certain of our equity-based compensation plans contain provisions that provide for vesting of awards upon retirement. Accordingly, the related compensation cost for awards granted subsequent to our adoption on January 1, 2006, of SFAS No. 123 (revised 2004), *Shared-Based Payment* (SFAS No. 123R), must be recognized over the shorter of the stated vesting period or the period until employees become retirement-eligible.

The following table summarizes the assumptions used relating to the valuation of our stock options during the six months ended June 30, 2009 and 2008:

	March 31, 2009	**March 31, 2008**
Risk-free interest rate	1.64% 4.87%	3.12% 4.87%
Expected dividend yield		
Expected term	4 7 years	4 7 years
Expected volatility	20% 52%	20% 40%

The risk-free interest rate is based on the U.S. Treasury yield curve at the time of the grant. The expected term of stock options granted is derived from historical data and represents the period of time that stock options are expected to be outstanding. The expected volatility is based on historical volatility, implied volatility, and other factors impacting us.

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A summary of stock option activity is as follows for the six months ended June 30, 2009:

	Stock Options					
	Shares (in millions)	Weighted-Average Exercise Price		Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)	
Options outstanding at January 1	14.6	$	16.01			
Granted *	0.7	$	12.86			
Exercised	(1.0)	$	10.14			
Forfeited	(0.1)	$	17.84			
Expired	(1.4)	$	14.98			
Options outstanding at June 30	12.8	$	16.34	6.0	$	29.8
Options exercisable at June 30	8.4	$	16.25	4.9	$	19.3
Options available for future grants at June 30	11.4					

* The options granted during the six months ended June 30, 2009, are primarily related to our employee quarterly stock option award grants in March and June 2009 and our non-employee director annual stock option award grant in January 2009.

The total intrinsic value (which equals the spread between the market value of the stock and the exercise price) of stock options exercised was $6.5 million during the six months ended June 30, 2008, and $0.3 million during the six months ended June 30, 2008.

Restricted Stock

Restricted stock awards are considered nonvested share awards as defined under SFAS No. 123R and are issued from our treasury stock. Restricted stock awards granted in 2008 vest in increments of 25% per year over a four-year period on the anniversary of the grant date. Restricted stock awards granted in 2009 vest in equal installments over four years commencing on June 1, 2010. Compensation cost for restricted stock awards is recognized over the shorter of the stated vesting period or the period until employees become retirement-eligible based on the closing price of our common stock on the date of grant.

The following table summarizes information about vested and unvested restricted stock for the six months ended June 30, 2009:

	Restricted Stock		
	Shares (in millions)	Weighted-Average Grant Date Fair Value	
Nonvested at January 1	0.2	$	10.17
Granted **	0.2	$	9.97
Vested	-	$	-
Forfeited	-	$	-
Nonvested at June 30	0.4	$	10.07

** The restricted stock awards granted during the six months ended June 30, 2009, are primarily related to our employee annual restricted stock award grant in March 2009.

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Compensation Expense

The following table summarizes the total stock-based compensation expense recognized in Selling, General, and Administrative Expenses in the 2009 and 2008 Unaudited Condensed Consolidated Income Statement:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Stock options (1)	$ 4.5	$ 8.5	$ 8.0	$ 12.3
Restricted stock	0.2	-	0.5	-
Total stock-based compensation expense	$ 4.7	$ 8.5	$ 8.5	$ 12.3

(1) Stock-based compensation expense for the three and six months ended June 30, 2008, includes $5.3 million of additional stock-based compensation expense that was recorded in the second quarter of 2008 to reflect the correction of our expense attribution method to accelerate stock-based compensation expense for employees who are or will become retirement-eligible prior to the stated vesting period of the award.

As of June 30, 2009, there was $14.3 million of total unrecognized compensation cost related to non-vested stock-based compensation arrangements, of which $11.5 million relates to stock options and $2.8 million relates to restricted stock. These amounts are expected to be recognized over a weighted average period of 1.7 years.

10. COMPREHENSIVE INCOME

Comprehensive income is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income	$ 36.7	$ 51.8	$ 71.3	$ 102.5
Other comprehensive income (loss)	0.3	(0.1)	0.3	
Comprehensive income	$ 37.0	$ 51.7	$ 71.6	$ 102.5

11. ACQUISITIONS

We acquired one automotive retail franchise and related assets during each of the six months ended June 30, 2009 and 2008. Acquisitions are included in the Unaudited Condensed Consolidated Financial Statements from the date of acquisition.

12. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are involved, and will continue to be involved, in numerous legal proceedings arising out of the conduct of our business, including litigation with customers, employment related lawsuits, class actions, purported class actions, and actions brought by governmental authorities.

We are a party to numerous legal proceedings that arose in the conduct of our business. We do not believe that the ultimate resolution of these matters will have a material adverse effect on our results of operations, financial condition, or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, results of operations, and cash flows.

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Other Matters

AutoNation, acting through its subsidiaries, is the lessee under many real estate leases that provide for the use by our subsidiaries of their respective dealership premises. Pursuant to these leases, our subsidiaries generally agree to indemnify the lessor and other related parties from certain liabilities arising as a result of the use of the leased premises, including environmental liabilities, or a breach of the lease by the lessee. Additionally, from time to time, we enter into agreements with third parties in connection with the sale of assets or businesses in which we agree to indemnify the purchaser or related parties from certain liabilities or costs arising in connection with the assets or business. Also, in the ordinary course of business in connection with purchases or sales of goods and services, we enter into agreements that may contain indemnification provisions. In the event that an indemnification claim is asserted, liability would be limited by the terms of the applicable agreement.

From time to time, primarily in connection with dispositions of automotive stores, our subsidiaries assign or sublet to the dealership purchaser the subsidiaries interests in any real property leases associated with such stores. In general, our subsidiaries retain responsibility for the performance of certain obligations under such leases to the extent that the assignee or sublessee does not perform, whether such performance is required prior to or following the assignment or subletting of the lease. Additionally, AutoNation and its subsidiaries generally remain subject to the terms of any guarantees made by us and our subsidiaries in connection with such leases. Although we generally have indemnification rights against the assignee or sublessee in the event of non-performance under these leases, as well as certain defenses, we estimate that lessee rental payment obligations during the remaining terms of these leases are approximately $82 million at June 30, 2009. We do not have any material known commitments that we or our subsidiaries will be called on to perform under any such assigned leases or subleases at June 30, 2009. Our exposure under these leases is difficult to estimate and there can be no assurance that any performance of AutoNation or its subsidiaries required under these leases would not have a material adverse effect on our business, financial condition, and cash flows.

At June 30, 2009, surety bonds, letters of credit, and cash deposits totaled $109.4 million, including $71.5 million of letters of credit. In the ordinary course of business, we are required to post performance and surety bonds, letters of credit, and/or cash deposits as financial guarantees of our performance. We do not currently provide cash collateral for outstanding letters of credit.

In the ordinary course of business, we are subject to numerous laws and regulations, including automotive, environmental, health and safety, and other laws and regulations. We do not anticipate that the costs of such compliance will have a material adverse effect on our business, consolidated results of operations, cash flows, or financial condition, although such outcome is possible given the nature of our operations and the extensive legal and regulatory framework applicable to our business. We do not have any material known environmental commitments or contingencies.

13. DISCONTINUED OPERATIONS

Discontinued operations are related to stores that were sold or terminated, that we have entered into an agreement to sell or terminate, or for which we otherwise deem a proposed sales transaction or termination to be probable, with no material changes expected. Generally, the sale of a store is completed within 60 to 90 days after the date of a sale agreement.

We received proceeds (net of cash relinquished) of $40.5 million during the six months ended June 30, 2009, and $12.3 million during the same period in 2008 related to discontinued operations.

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Changes in the number of stores not yet sold or closed in discontinued operations for the three and six months ended June 30, 2009, are as follows:

	Number of Stores Not Yet Sold or Closed in Discontinued Operations
Stores not yet sold or closed in discontinued operations at December 31, 2008	-
Classified as discontinued operations during first quarter of 2009	17
Sold or closed during first quarter of 2009	(3)
Stores not yet sold or closed in discontinued operations at March 31, 2009	14
Classified as discontinued operations during second quarter of 2009 (1)	11
Sold or closed during second quarter of 2009 (2)	(18)
Stores not yet sold or closed in discontinued operations at June, 2009 (3)	7

(1) In the second quarter of 2009, five of the stores classified as discontinued operations were Chrysler stores that were closed in connection with the Chrysler bankruptcy, and three of the stores were General Motors stores that we agreed to close in the future in connection with the General Motors bankruptcy. Chrysler

terminated the franchise rights associated with a total of seven stores, however, two of those stores did not meet the criteria to be classified as discontinued operations due to the expected migration of certain revenues associated with those stores to other continuing operations stores. We agreed to close a total of four General Motors dealerships, however, one of the General Motors dealerships had franchise rights that were terminated by Chrysler and is included in the five Chrysler stores referenced above.

(2) Six of the stores that were sold or closed during the second quarter of 2009 were classified as discontinued operations in the second quarter of 2009, including the five Chrysler stores discussed above, and 12 of

the stores were classified as discontinued operations in the first quarter of 2009.

(3) Of the seven remaining stores in discontinued operations at June 30, 2009, two were classified as discontinued operations in the first quarter of 2009 and five were classified as discontinued operations in the second quarter of 2009, including the General Motors stores that we agreed to close in connection with the General Motors bankruptcy.

The accompanying Unaudited Condensed Consolidated Financial Statements for all the periods presented have been adjusted to classify these stores as discontinued operations. Assets and liabilities of discontinued operations are reported in the Corporate and other category of our segment information in Note 14 of the Notes to Unaudited Condensed Consolidated Financial Statements below. Selected income statement data for our discontinued operations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Total revenue	$ 105.5	$ 273.4	$ 244.9	$ 582.7
Pre-tax loss from discontinued operations	$ (5.6)	(7.6)	$ (6.6)	(8.5)
Pre-tax gain (loss) on disposal of discontinued operations	(18.1)	1.4	(42.2)	2.4
	(23.7)	(6.2)	(48.8)	(6.1)
Income tax benefit	(5.6)	(2.5)	(12.3)	(2.0)
	$ (18.1)	$ (3.7)	$ (36.5)	$ (8.1)

Loss from discontinued operations, net of income taxes

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A summary of the total assets and liabilities of discontinued operations included in Other Current Assets and Other Current Liabilities is as follows:

	June 30, 2009	December 31, 2008
Inventory	$ 25.8	$ 127.6
Other current assets	14.1	22.0
Property and equipment, net	106.4	170.5
Goodwill	6.0	32.4
Other non-current assets	4.6	7.9
Total assets	$ 156.9	$ 360.4
Vehicle floorplan payable-trade	$ 12.9	$ 89.2
Vehicle floorplan payable-non-trade	11.3	34.1
Other current liabilities	12.7	21.8
Total liabilities	$ 36.9	$ 145.1

Responsibility for our vehicle floorplan payable at the time of divestiture is assumed by the buyer. Cash received from business divestitures is net of vehicle floorplan payable assumed by the buyer.

14. SEGMENT INFORMATION

At June 30, 2009, we had three operating and reportable segments: (1) Domestic, (2) Import, and (3) Premium Luxury. Our Domestic segment is comprised of retail automotive franchises that sell new vehicles manufactured by Ford, General Motors, and Chrysler. Our Import segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Toyota, Honda, and Nissan. Our Premium Luxury segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Mercedes, BMW, and Lexus. The franchises in each segment also sell used vehicles, parts and automotive services, and automotive finance and insurance products. Prior period amounts have been reclassified to reflect our operating segment structure at June 30, 2009.

Corporate and other is comprised of our other businesses, including collision centers, E-commerce activities, and auction operations, each of which generates revenues, as well as unallocated corporate overhead expenses.

The operating segments identified above are the business activities of the Company for which discrete financial information is available and for which operating results are regularly reviewed by our chief operating decision maker to allocate resources and assess performance. Our chief operating decision maker is our Chief Executive Officer. We have determined that our three operating segments also represent our reportable segments.

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Reportable segment revenues and segment income (loss) are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
Domestic	$ 842.4	$ 1,147.9	$ 1,622.5	$ 2,422.2
Import	1,004.4	1,500.1	1,897.0	2,961.8
Premium Luxury	733.9	988.3	1,437.8	1,950.7
Corporate and other	28.9	27.3	58.2	60.4
Total revenues	$ 2,609.6	$ 3,663.6	$ 5,015.5	$ 7,395.1