ASBURY AUTOMOTIVE GROUP INC
Form 424B5
September 19, 2006

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-123505

Prospectus Supplement to Prospectus dated April 4, 2005.

## 8,000,000 Shares

# Asbury Automotive Group, Inc.

## Common Stock

All of the shares of common stock in the offering are being sold by the selling stockholder identified in this prospectus supplement. Asbury Automotive Group, Inc. ("Asbury") will not receive any of the proceeds from the sale of the shares being sold by the selling stockholder.

The common stock is listed on the New York Stock Exchange under the symbol "ABG". The last reported sale price of the common stock on September 18, 2006, was $19.25 per share.

*See "Risk Factors" on page S-8 of this prospectus supplement and page 2 of the accompanying prospectus to read about factors you should consider before buying shares of the common stock.*

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.**

| | Per Share | Total |
|---|---|---|
| Initial price to public | $ 18.50 | $ 148,000,000 |
| Underwriting discount | $ 0.83 | $ 6,640,000 |
| Proceeds, before expenses, to the selling stockholder | $ 17.67 | $ 141,360,000 |

To the extent that the underwriters sell more than 8,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 1,200,000 shares from the selling stockholder at the initial price to public less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on September 22, 2006.

**Goldman, Sachs & Co.**

**Deutsche Bank Securities**

**Wachovia Securities** **Stephens Inc.**

Prospectus Supplement dated September 18, 2006.

**MANUFACTURER DISCLAIMER**

No manufacturer or distributor has been involved, directly or indirectly, in the preparation of this prospectus supplement or the accompanying prospectus, the documents incorporated by reference herein or in the offering being made hereby. No manufacturer or distributor has been authorized to make any statements or representations in connection with this prospectus supplement or the accompanying prospectus, and no manufacturer or distributor has any responsibility for the accuracy or completeness of this prospectus supplement or the accompanying prospectus.

**ABOUT THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common stock. The second part, the base prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to the "prospectus", we are referring to both parts combined, and when we refer to the "accompanying prospectus", we are referring to the base prospectus only.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of the applicable document, or that any information we have incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date of the document incorporated by reference regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sale of shares. Our business, financial condition, results of operations and prospects may have changed since those dates.

*In this prospectus supplement, "we", "our", "us", and "Asbury" refer to Asbury Automotive Group, Inc.*

# BUSINESS

## Our Company

Asbury Automotive Group, Inc. is a national automotive retailer, operating 119 franchises (86 dealership locations) in 21 metropolitan markets within 10 states as of June 30, 2006. We offer an extensive range of automotive products and services, including new and used vehicles, vehicle maintenance, replacement parts, collision repair services, and financing, insurance and service contracts. We offer 33 domestic and foreign brands of new vehicles, including four heavy truck brands. We also operate 24 collision repair centers that serve our markets.

Our retail network is organized into principally four regions and includes ten dealership groups, each marketed under different local brands: (i) Florida (comprising our Coggin dealerships, operating primarily in Jacksonville and Orlando, and our Courtesy dealerships operating in Tampa), (ii) West (comprising our McDavid dealerships operating throughout Texas and our Spirit dealership operating in Los Angeles, California), (iii) Mid-Atlantic (comprising our Crown dealerships operating in North Carolina, South Carolina and Southern Virginia) and (iv) South (comprising our Nalley dealerships operating in Atlanta, Georgia, and our North Point dealerships operating in Little Rock, Arkansas). Our Plaza dealerships operating in St. Louis, Missouri, our Gray Daniels dealerships operating in Jackson, Mississippi and our Northern California dealerships operating in Sacramento and Fresno, California remain standalone operations.

## Our Strengths

Our competitive strengths are as follows:

### Diverse Revenue and Profit Streams

Our operations provide a diversified revenue base that we believe mitigates the impact of fluctuating new car sales volumes. While new vehicle sales draw customers to our dealerships, used vehicle retail sales, fixed operations and finance and insurance provide significantly higher profit margins, account for the majority of our profitability and tend to fluctuate less with economic cycles. Our finance and insurance business, substantially all of which is commission based, has no associated costs of goods sold and generated approximately 3% of our total revenues and 18% of our total gross profit for the year ended December 31, 2005, and for the six months ended June 30, 2006.

**New Vehicle Sales.** Our franchises include a diverse portfolio of 33 American, European and Asian brands. In 2005, we retailed approximately 104,000 new vehicles through our dealerships, and in the six months ended June 30, 2006, we retailed approximately 53,000 new vehicles through our dealerships. New vehicle retail sales were approximately 59% of our total revenues and 28% of our total gross profit for the year ended December 31, 2005, and 57% of our total revenues and 27% of our total gross profit for the six months ended June 30, 2006. We believe that our diverse brand, product and price mix enables us to reduce our exposure to specific product supply shortages and changing customer preferences.

**Used Vehicle Sales.** We sell used vehicles at all of our franchised dealership locations. Retail sales of used vehicles, which, in the aggregate, have higher gross margins than new vehicles, made up approximately 19% of our total revenues and 14% of our total gross profit for the year ended December 31, 2005, and 19% of our total revenues and 16% of our total gross profit for the six months ended June 30, 2006. In 2005, we retailed approximately 60,000 used vehicles through our dealerships, and in the first six months of 2006, we retailed approximately 32,000 used vehicles through our dealerships.

**Parts, Service and Collision Repair.** We refer to the parts, service and collision repair area of our business as "fixed operations". We sell parts and provide maintenance and repair services at all of our franchised dealerships, primarily for the vehicle brands sold at those dealerships. In addition, we maintain 24 free-standing collision repair centers in close proximity to our dealerships. Our dealerships and collision repair centers collectively operate approximately 2,100 service bays. Parts, service and collision repair centers accounted for approximately 12% of our total revenues and 39% of our total gross profit as of December 31, 2005, and for the six months ended June 30, 2006.

**Finance and Insurance.** We generally arrange for the financing of the sale or lease of new and used vehicles to customers through third party vendors. We arranged customer financing with no recourse to us on approximately 60% of the vehicles sold during the year ended December 31, 2005, and during the six months ended June 30, 2006. These transactions result in commissions being paid to us by the third party lenders, including manufacturer captive finance subsidiaries.

### Local Management of Dealership Operations and Centralized Administrative and Strategic Functions

Our strategic direction, financial controls and capital expenditure plans are developed by our corporate office in conjunction with our regional management teams, which disseminate these strategies to our dealerships. Our regional offices are staffed with business line experts who leverage best practices and share ideas throughout the company. Dealership management is responsible for developing and maintaining all customer-facing activities, including customer relationships, inventory stocking plans, methods of advertising, the achievement of corporate directed financial and customer service objectives, and vehicle manufacturers' sales targets. Our dealership operations are complemented by centralized technology that allows corporate and regional management to have access to the financial information of each of our dealerships.

### Experienced and "Incentivized" Corporate and Dealership Management

We have a corporate management team that has served in prominent leadership positions at other Fortune 500 companies. Furthermore, we believe that our leadership at the store level represents some of the best talent in the industry. We tie compensation of our senior dealership management to performance by relying upon an incentive-based pay system. We compensate our general managers based on dealership profitability, and our department managers and salespeople are similarly compensated based upon departmental profitability and individual performance.

### Commitment to Customer Service

We are focused on providing a high level of customer service to meet the needs of an increasingly sophisticated and demanding automotive consumer. We attempt to design our dealership service business to meet the needs of our customers and establish relationships that will result in both repeat business and additional business through customer referrals.

## Business Strategy

### Focus on Premier Brand Mix, Strategic Markets and Diversification

We classify our franchise sales lines into luxury, mid-line import, mid-line domestic, value, and heavy trucks. Luxury and mid-line imports together accounted for approximately 73% of our new retail vehicle revenues for the year ended December 31, 2005, and approximately 72% of our new retail vehicle revenues for the six months ended June 30, 2006, and comprise over half of our total franchises. Over the last 25 years, luxury and mid-line imports have gained market share at the expense of mid-line domestic brands.

As of June 30, 2006, Asbury's geographic coverage encompassed 21 different metropolitan markets at 86 locations in 10 states. We believe that our broad geographic coverage, as well as diversification among manufacturers, decreases our exposure to regional economic downturns and manufacturer-specific risks such as warranty issues or production disruption.

**Focus on Higher Margin Products and Services**

While new vehicle sales draw customers to our dealerships, used vehicle retail sales, fixed operations and finance and insurance provide significantly higher profit margins and account for the majority of our profitability. In addition, we have discipline-specific executives at both the corporate and regional levels who focus on increasing the penetration of current services and expanding the breadth of our offerings to customers.

**Maintain Variable Cost Structure and Emphasize Expense Control**

We continually focus on controlling expenses and expanding margins at our dealerships. Our variable cost structure allows us to manage expenses in a variety of economic environments, as approximately 80% of our expense structure either is tied directly to the gross profit generated by the business (such as compensation for salespersons) or can be controlled by us (such as personnel costs, advertising, certain outside services, certain insurance and certain other expenses), which either adjusts or we adjust accordingly as the gross profit goes up or down.

**Focus on Organic Growth with a Prudent Acquisition Strategy**

The company was built by acquiring large, profitable and well-managed dealership groups with leading market positions. Since acquiring our last dealer group in 2000, we have focused on delivering industry-leading organic growth by disposing of dealerships that are not in our targeted markets and making "tuck-in" acquisitions in our targeted markets that meet our financial objectives and complement our current dealerships. We will continue to focus on this "tuck-in" acquisition strategy, as well as examine opportunities to acquire large dealership groups or enter new markets.

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Our principal executive offices are located at 622 Third Avenue, 37th Floor, New York, New York 10017. Our telephone number is (212) 885-2500. Information contained on our web site or that can be accessed through our web site is not incorporated by reference in this prospectus supplement or the accompanying prospectus. You should not consider information contained on our web site or that can be accessed through our web site to be part of this prospectus supplement or the accompanying prospectus.

## RECENT DEVELOPMENTS

On July 31, 2006, our board of directors approved a quarterly cash dividend of $0.20 per share. The cash dividend was paid on August 24, 2006, to stockholders of record as of August 11, 2006.

**THE OFFERING**

| | |
|---|---|
| Common stock offered | 8,000,000 shares by the selling stockholder. |
| Common stock outstanding as of September 15, 2006 | 33,380,443 shares. |
| Use of proceeds | We will not receive any proceeds from the sale of shares by the selling stockholder. |
| New York Stock Exchange symbol | ABG |
| Risk Factors | For a discussion of certain risks that should be considered in connection with an investment in our common stock, see the description of risks set forth or incorporated in "Risk Factors" in this prospectus supplement. |

**SUMMARY CONSOLIDATED FINANCIAL INFORMATION**

The summary below presents our consolidated financial information and should be read in conjunction with the consolidated financial statements and related notes incorporated by reference in this prospectus. The accompanying income statement data for the years ended December 31, 2005, 2004, and 2003, and for the six months ended June 30, 2005, has been reclassified to reflect the status of our discontinued operations as of June 30, 2006.

| | For the Six Months Ended June 30, | | For the Years Ended December 31, | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2005 | 2004 | 2003 |
| | (dollars in thousands, except per share data) | | | | |
| **Income Statement Data:** | | | | | |
| Revenues: | | | | | |
| New vehicle | $ 1,739,153 | $ 1,643,577 | $ 3,353,499 | $ 3,037,806 | $ 2,548,829 |
| Used vehicle | 742,667 | 668,872 | 1,349,037 | 1,181,839 | 1,047,836 |
| Parts, service and collision repair | 341,924 | 309,672 | 636,778 | 566,690 | 481,565 |
| Finance and insurance, net | 78,844 | 74,554 | 150,617 | 133,110 | 110,138 |
| Total revenues | 2,902,588 | 2,696,675 | 5,489,931 | 4,919,445 | 4,188,368 |
| Cost of sales: | | | | | |
| New vehicle | 1,617,630 | 1,530,845 | 3,121,451 | 2,819,413 | 2,358,476 |
| Used vehicle | 675,102 | 610,233 | 1,229,613 | 1,083,116 | 956,728 |
| Parts, service and collision repair | 169,744 | 151,641 | 313,624 | 274,963 | 233,233 |
| Total cost of sales | 2,462,476 | 2,292,719 | 4,664,688 | 4,177,492 | 3,548,437 |
| Gross profit | 440,112 | 403,956 | 825,243 | 741,953 | 639,931 |
| Operating expenses: | | | | | |
| Selling, general and administrative | 337,364 | 318,552 | 644,410 | 586,847 | 497,337 |
| Depreciation and amortization | 10,088 | 9,460 | 19,670 | 18,208 | 17,562 |
| Income from operations | 92,660 | 75,944 | 161,163 | 136,898 | 125,032 |
| Other income (expense): | | | | | |
| Floor plan interest expense | (20,401) | (13,988) | (28,717) | (19,214) | (14,594) |
| Other interest expense | (22,043) | (19,869) | (40,841) | (39,053) | (39,932) |
| Interest income | 1,748 | 435 | 966 | 744 | 444 |
| Other income, net | 825 | 441 | 226 | 692 | 1,468 |
| Total other expense, net | (39,871) | (32,981) | (68,366) | (56,831) | (52,614) |
| Income before income taxes | 52,789 | 42,963 | 92,797 | 80,067 | 72,418 |
| Income tax expense | 19,796 | 16,111 | 34,744 | 29,848 | 27,519 |
| Income from continuing operations | 32,993 | 26,852 | 58,053 | 50,219 | 44,899 |
| Discontinued operations, net of tax | (1,436) | (1,225) | 3,028 | (146) | (29,712) |

| | For the Six Months Ended June 30, | | For the Years Ended December 31, | | |
|---|---|---|---|---|---|
| Net income | $ 31,557 | $ 25,627 | $ 61,081 | $ 50,073 | $ 15,187 |
| Earnings per common share basic | $ 0.96 | $ 0.79 | $ 1.87 | $ 1.54 | $ 0.47 |
| Earnings per common share diluted | $ 0.94 | $ 0.78 | $ 1.86 | $ 1.53 | $ 0.46 |

| | | | | | |
|---|---|---|---|---|---|
| **Other Data:** | | | | | |
| New retail units sold | 52,887 | 50,934 | 103,810 | 96,343 | 83,760 |
| Used retail units sold | 31,904 | 29,926 | 60,159 | 55,072 | 50,771 |
| **Balance Sheet Data:** | | | | | |
| Working Capital | $ 389,878 | $ 285,816 | $ 346,954 | $ 295,496 | $ 259,784 |
| Inventories | 779,817 | 722,160 | 709,791 | 761,557 | 650,397 |
| Total current assets | 1,230,970 | 1,115,149 | 1,185,180 | 1,143,006 | 1,041,542 |
| Property and equipment, net | 198,825 | 205,982 | 193,457 | 195,788 | 266,991 |
| Goodwill | 450,362 | 464,947 | 457,405 | 461,650 | 404,143 |
| Total assets | 1,974,287 | 1,888,499 | 1,930,800 | 1,897,959 | 1,814,279 |
| Floor plan notes payable | 657,328 | 613,137 | 614,382 | 650,948 | 602,167 |
| Total current liabilities | 841,092 | 829,333 | 838,226 | 847,510 | 781,758 |
| Total debt (including current portion) | 497,000 | 509,344 | 496,949 | 526,416 | 590,658 |
| Total shareholders' equity | 587,630 | 504,456 | 547,766 | 481,732 | 434,825 |

## RISK FACTORS

The risk factors discussed below and under the heading "Risk Factors" in the accompanying prospectus and incorporated by reference from our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, describe the material risks of an investment in the offered securities and should be carefully considered by all potential investors.

**We may not be able to pay or maintain dividends and the failure to do so could adversely affect our share price.**

On July 31, 2006, our board of directors approved a quarterly cash dividend of $0.20 per common share, or an aggregate of approximately $6.6 million. The cash dividend was paid on August 24, 2006, to stockholders of record as of August 11, 2006. These dividends may not be indicative of the amount of any future dividends. We intend to continue to pay regular quarterly dividends to our stockholders. Our ability to pay, maintain or expand cash dividends to our stockholders and to execute our dividend payment strategy is subject to the discretion of our board of directors and will depend on many factors, including, among other things, our ability to operate profitably, our earnings, capital requirements, general business conditions, our liquidity and other factors considered relevant by our board of directors. In addition, certain covenants in the agreements governing our Committed Credit Facility and the indentures governing our public debt restrict our ability to pay dividends. Furthermore, any new shares of common stock issued will substantially increase the cash required to continue to pay cash dividends at current levels. Any common or preferred stock that may be issued in the future to finance acquisitions, upon exercise of stock options or other equity incentives, would have a similar effect, and may hinder our ability to pay cash dividends. The failure to maintain or pay dividends could adversely affect our share price.

## USE OF PROCEEDS

All of the shares of our common stock offered by this prospectus supplement will be sold by the selling stockholder. We will not receive any of the proceeds from the sale of these shares.

## PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Our common stock is traded on the New York Stock Exchange under the symbol "ABG". The following table shows the high and low closing sales price per share of our common stock as reported by the New York Stock Exchange.

| | High | Low |
|---|---|---|
| **Fiscal Year Ended December 31, 2004** | | |
| First Quarter | $ 19.35 | $ 15.71 |
| Second Quarter | 17.36 | 13.31 |
| Third Quarter | 14.97 | 12.59 |
| Fourth Quarter | 14.10 | 12.87 |
| **Fiscal Year Ended December 31, 2005** | | |
| First Quarter | $ 17.39 | $ 13.86 |
| Second Quarter | 15.89 | 13.71 |
| Third Quarter | 18.00 | 15.33 |
| Fourth Quarter | 17.93 | 15.84 |
| **Fiscal Year Ending December 31, 2006** | | |
| First Quarter | $ 20.32 | $ 16.33 |
| Second Quarter | 21.71 | 18.45 |
| Third Quarter (through September 18, 2006) | 21.13 | 19.25 |

On September 18, 2006, the last reported sale price of our common stock on the New York Stock Exchange was $19.25 per share, and there were approximately nineteen record holders of our common stock.

On July 31, 2006, our board of directors approved a quarterly cash dividend of $0.20 per share. The cash dividend was paid on August 24, 2006, to stockholders of record as of August 11, 2006. Certain covenants in the agreements governing our Committed Credit Facility and the indentures governing our public debt prohibit us from declaring or paying cash dividends or other distributions to our stockholders if such covenants are not met. Any future change in our dividend policy will be made at the discretion of our board of directors and will depend on then applicable contractual restrictions contained in our financing credit facilities, indentures and other agreements, our results of operations, earnings, capital requirements and other factors considered relevant by our board of directors. See also, "Risk Factors We may not be able to pay or maintain dividends and the failure to do so could adversely affect our share price" on page S-8.

## CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as of June 30, 2006. You should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", our financial statements and the related notes and the other financial information included or incorporated by reference in this prospectus.

| | As of June 30, 2006 (in thousands, except share and per share data) |
|---|---|
| Cash and cash equivalents | $ 89,097 |
| Current maturities of long-term debt(1) | $ 26,257 |
| Long-term debt | $ 470,743 |
| Stockholders' equity: | |
| Preferred stock, par value $.01 per share, 10,000,000 shares authorized; no shares issued or outstanding | |
| Common stock, par value $.01 per share, 90,000,000 shares authorized; 34,709,443 shares issued and outstanding, including shares held in treasury(2) | 347 |
| Additional paid-in capital | 423,795 |
| Retained earnings | 180,543 |
| Treasury stock, at cost; 1,586,587 shares held | (15,032) |
| Accumulated other comprehensive loss | (2,023) |
| Total stockholders' equity | 587,630 |
| **Total capitalization** | $ 1,058,373 |

(1) Does not include floor plan notes payable of $657.3 million which reflect amounts payable for purchases of specific vehicle inventories.

(2) The number of shares of common stock outstanding does not include an additional 2,636,362 shares issuable upon exercise of outstanding stock options at a weighted average exercise price of $15.46 per share or 2,213,540 shares of common stock reserved for future issuance under our stock option plans as of June 30, 2006.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the financial condition and the results of operation of the company for the three and six months ended on June 30, 2006, reflects the discontinuance of certain operations subsequent to December 31, 2005 (which represents less than one percent of sales as originally reported for the year ended December 31, 2005), and, therefore, was not prepared on the same basis as the management's discussion and analysis for the year ended on December 31, 2005, contained in our annual report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference in this prospectus.

We are one of the largest automotive retailers in the United States, operating 119 franchises (86 dealership locations) in 21 metropolitan markets within 10 states as of June 30, 2006. We offer 33 different brands of new vehicles, including four heavy truck brands. We also operate 24 collision repair centers that serve our markets.

Our revenues are derived primarily from four offerings: (i) the sale of new vehicles to individual retail customers ("new retail") and the sale of new vehicles to commercial customers ("fleet") (the terms "new retail" and "fleet" being collectively referred to as "new"); (ii) the sale of used vehicles to individual retail customers ("used retail") and the sale of used vehicles to other dealers at auction ("wholesale") (the terms "used retail" and "wholesale" being collectively referred to as "used"); (iii) maintenance and collision repair services and the sale of automotive parts (collectively referred to as "fixed operations"); and (iv) the arrangement of vehicle financing and the sale of various insurance and warranty products (collectively referred to as "F&I"). We evaluate the results of our new and used vehicle sales based on unit volumes and gross profit per vehicle retailed ("PVR"), our fixed operations based on aggregate gross profit, and F&I based on gross profit PVR. We assess the organic growth of our revenue and gross profit by comparing the year-to-year results of stores that we have operated for at least twelve months ("same store").

We have grown our business through the acquisition of large dealership groups and numerous "tuck-in" acquisitions. "Tuck-in" acquisitions refer to the purchase of dealerships in the market areas in which we have existing dealerships. We use "tuck-in" acquisitions to increase the number of vehicle brands we offer in a particular market area to create a larger gross profit base over which to spread overhead costs.

Our retail network is currently organized into principally four regions and includes ten dealership groups, each marketed under different local brands: (i) Florida (comprising our Coggin dealerships, operating primarily in Jacksonville and Orlando, and our Courtesy dealerships operating in Tampa), (ii) West (comprising our McDavid dealerships operating throughout Texas and our Spirit dealership operating in Los Angeles, California), (iii) Mid-Atlantic (comprising our Crown dealerships operating in North Carolina, South Carolina and Southern Virginia) and (iv) South (comprising our Nalley dealerships operating in Atlanta, Georgia and our North Point dealerships operating in Little Rock, Arkansas). Our Plaza dealerships operating in St. Louis, Missouri, our Gray Daniels dealerships operating in Jackson, Mississippi and our Northern California Dealerships operating in Sacramento and Fresno, California remain standalone operations.

Our gross profit margin varies with our revenue mix. The sale of vehicles generally results in lower gross profit percentages than our fixed operations. As a result, when fixed operations revenue increases as a percentage of total revenue, we expect our overall gross profit margin to increase.

Selling, general and administrative ("SG&A") expenses consist primarily of fixed and incentive-based compensation, advertising, rent, insurance, utilities and other customary operating expenses. A significant portion of our selling expenses is variable (such as sales commissions), or controllable expenses (such as advertising), generally allowing our cost structure to adapt in response to trends in our business. We evaluate commissions paid to salespeople as a percentage of retail vehicle gross profit and all other SG&A expenses in the aggregate as a percentage of total gross profit. In January 2006, we adopted Statement of Financial Accounting Standards ("SFAS") No. 123R "Share-Based Payment" under the modified prospective transition method and decided to issue restricted stock units to our employees in lieu of stock options. As a result, we have recorded stock-based compensation expense under the fair value method for the three and six months ended June 30, 2006. Prior to January 2006, including the three and six months ended June 30, 2005, we accounted for stock-based compensation expense under the intrinsic value method.

Sales of vehicles (particularly new vehicles) have historically fluctuated with general macroeconomic conditions, including consumer confidence, availability of consumer credit and fuel prices. Although these factors may impact our business, we believe that any future negative trends will be mitigated by (i) our advantageous brand mix, which is weighted towards luxury and mid-line import brands, (ii) increased used vehicle sales, (iii) stability of our fixed operations, (iv) our variable cost structure and (v) our regional diversity. We believe that, historically, we have been less affected by market volatility than the U.S. automobile industry as a whole as a result of our brand mix. We expect the recent industry-wide gain in market share of the luxury and mid-line import brands to continue in the near future.

Our operations are generally subject to seasonal variations as we tend to generate more revenue and operating income in the second and third quarters than in the first and fourth quarters. Generally, the seasonal variations in our operations are caused by many factors, including weather conditions, changes in manufacturer incentive programs, model changeovers and consumer buying patterns. Over the past several years, certain automobile manufacturers have used a combination of vehicle pricing and financing incentive programs to generate increased customer demand for new vehicles. We anticipate that the manufacturers will continue to use these incentive programs in the future. In addition, we will continue to expand our service capacity in order to meet anticipated future demand, as we expect the recent increases in market share of the mid-line import and luxury import brands and our focused effort on creating and maintaining customer relationships will drive future service demand at our dealership locations.

Interest rates have continued to increase through the first half of 2006. We do not believe that changes in interest rates significantly impact customer overall buying patterns, as changes in interest rates do not dramatically increase the monthly payment of a financed vehicle. For example, the monthly payment for a typical vehicle financing transaction in which a customer finances $25,000 at 8.5% over 60 months increases by approximately $6.05 with each 50 basis-point increase in short-term interest rates.

**RESULTS OF OPERATIONS**
**Three Months Ended June 30, 2006, Compared to the Three Months Ended June 30, 2005**

| | For the Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | % of Gross Profit | 2005 | % of Gross Profit | Increase (Decrease) | % Change |
| | (Dollars in thousands, except per share data) | | | | | |
| REVENUES: | | | | | | |
| New Vehicle | $ 918,116 | | $ 872,308 | | $ 45,808 | 5% |
| Used Vehicle | 384,561 | | 348,416 | | 36,145 | 10% |
| Parts, service and collision repair | 172,036 | | 157,999 | | 14,037 | 9% |
| Finance and insurance, net | 43,224 | | 39,064 | | 4,160 | 11% |
| Total revenues | 1,517,937 | | 1,417,787 | | 100,150 | 7% |
| COST OF SALES | 1,289,155 | | 1,208,328 | | 80,827 | 7% |
| GROSS PROFIT | 228,782 | 100% | 209,459 | 100% | 19,323 | 9% |
| OPERATING EXPENSES: | | | | | | |
| Selling, general and administrative | 171,715 | 75% | 160,185 | 76% | 11,530 | 7% |
| Depreciation and amortization | 5,113 | 2% | 4,768 | 2% | 345 | 7% |
| Income from operations | 51,954 | 23% | 44,506 | 21% | 7,448 | 17% |
| OTHER INCOME (EXPENSE): | | | | | | |
| Floor plan interest expense | (11,239) | (5)% | (7,458) | (4)% | 3,781 | 51% |
| Other interest expense | (11,139) | (5)% | (10,269) | (5)% | 870 | 8% |
| Interest and other income, net | 1,502 | 1% | 503 | % | 999 | 199% |
| Total other expense | (20,876) | (9)% | (17,224) | (9)% | 3,652 | 21% |
| Income before income taxes | 31,078 | 14% | 27,282 | 13% | 3,796 | 14% |
| INCOME TAX EXPENSE | 11,654 | 5% | 10,231 | 5% | 1,423 | 14% |
| INCOME FROM CONTINUING OPERATIONS | 19,424 | 9% | 17,051 | 8% | 2,373 | 14% |
| DISCONTINUED OPERATIONS, net of tax | (420) | % | (1,065) | (1)% | 645 | 61% |
| NET INCOME | $ 19,004 | 9% | $ 15,986 | 7% | $ 3,018 | 19% |
| EARNINGS PER COMMON SHARE (DILUTED): | | | | | | |
| Continuing Operations | $ 0.58 | | $ 0.52 | | $ 0.06 | 12% |
| Discontinued Operations | (0.02) | | (0.03) | | | |
| Net income | $ 0.56 | | $ 0.49 | | $ 0.07 | 14% |

Net income increased 19%, or $0.07 per diluted share, to $19.0 million, or $0.56 per diluted share, for the three months ended June 30, 2006, from $16.0 million, or $0.49 per diluted share, for the three months ended June 30, 2005.

Income from continuing operations increased 14%, or $0.06 per diluted share, to $19.4 million, or $0.58 per diluted share, for the three months ended June 30, 2006, from $17.1 million, or $0.52 per diluted share, for the three months ended June 30, 2005. Income from continuing operations for the three months ended June 30, 2006, includes (i) a $2.1 million (net of tax) gain related to the sale of our remaining interest in a pool of extended service contracts ("corporate generated F&I gain"), (ii) $0.9 million (net of tax) of costs associated with our decision to abandon certain strategic projects, and (iii) $0.6 million (net of tax) of stock-based compensation expense. Excluding these items, adjusted income from continuing operations increased 10% to $18.8 million for the three months ended June 30, 2006, from $17.1 million for the three months ended June 30, 2005. We believe that excluding these items provides a more accurate representation of our year over year financial performance.

The increase in adjusted income from continuing operations resulted from several factors, including: (i) a 20% increase in used retail gross profit and an 8% increase in fixed operations gross profit as a result of our focused investments in our high margin businesses; (ii) a 6% increase in new retail gross profit despite a challenging new vehicle sales environment and a highly incentivized environment in the prior period; (iii) several expense control initiatives, including our regional reorganization in 2005 and new vehicle advertising, both of which contributed to a 140 basis point improvement in our adjusted SG&A expenses as a percentage of adjusted gross profit. These factors were partially offset by a 51% increase in floor plan interest expense resulting primarily from a 200 basis point increase in short-term interest rates.

Total revenues increased 7% to $1.5 billion for the three months ended June 30, 2006, from $1.4 billion for the three months ended June 30, 2005. The increase in total revenues was a result of a 5% increase in new vehicle revenue and a 10% increase in used vehicle revenue. We expect total revenue to increase as we (i) continue to benefit from our brand mix as mid-line import and luxury brands continue to increase their market share, (ii) continue to expand our service capacity, (iii) benefit from improved performance of our high margin businesses as a result of our focused investments in these areas and (iv) acquire dealerships.

Total gross profit increased 9% to $228.8 million for the three months ended June 30, 2006, from $209.5 million for the three months ended June 30, 2005. Total gross profit, excluding the corporate generated F&I gain, increased 8% to $225.4 million for the three months ended June 30, 2006, from $209.5 million for the three months ended June 30, 2005. The increase in gross profit was driven by solid performances in new retail, used retail and fixed operations, led by a 20% increase in used retail gross profit.

| | For the Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | 2005 | | Increase (Decrease) | % Change |
| | (Dollars in thousands, except PVR data) | | | | | |
| ***New Vehicle*** | | | | | | |
| Revenues: | | | | | | |
| New retail revenues same store(1) | | | | | | |
| Luxury | $ 262,800 | 30% | $ 272,594 | 32% | $ (9,794) | (4)% |
| Mid-line import | 366,909 | 42% | 328,809 | 39% | 38,100 | 12% |
| Mid-line domestic | 124,224 | 14% | 148,769 | 18% | (24,545) | (16)% |
| Value | 19,759 | 2% | 22,290 | 3% | (2,531) | (11)% |
| Heavy trucks | 103,262 | 12% | 66,523 | 8% | 36,739 | 55% |
| Total new retail revenues same store(1) | 876,954 | 100% | 838,985 | 100% | 37,969 | 5% |
| New retail revenues acquisitions | 10,114 | | | | | |
| Total new retail revenues | 887,068 | | 838,985 | | 48,083 | 6% |
| Fleet revenues same store(1) | 30,639 | | 33,323 | | (2,684) | (8)% |
| Fleet revenues acquisitions | 409 | | | | | |
| Total fleet revenues | 31,048 | | 33,323 | | (2,275) | (7)% |
| New vehicle revenues, as reported | $ 918,116 | | $ 872,308 | | $ 45,808 | 5% |
| New retail units: | | | | | | |
| New retail units same store(1) | | | | | | |
| Luxury | 5,803 | 21% | 6,155 | 22% | (352) | (6)% |
| Mid-line import | 15,107 | 54% | 13,700 | 50% | 1,407 | 10% |
| Mid-line domestic | 4,403 | 16% | 5,233 | 20% | (830) | (16)% |
| Value | 975 | 3% | 1,142 | 4% | (167) | (15)% |
| Heavy trucks | 1,698 | 6% | 1,219 | 4% | 479 | 39% |
| Total new retail units same store(1) | 27,986 | 100% | 27,449 | 100% | 537 | 2% |
| New retail units acquisitions | 343 | | | | | |
| Retail units actual | 28,329 | | 27,449 | | 880 | 3% |
| New revenue PVR same store(1) | $ 31,335 | | $ 30,565 | | $ 770 | 3% |
| New revenue PVR actual | $ 31,313 | | $ 30,565 | | $ 748 | 2% |

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

| | For the Three Months Ended June 30, | | | | Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|
| | 2006 | | 2005 | | | |
| | (Dollars in thousands, except PVR data) | | | | | |
| Gross Profit: | | | | | | |
| New retail gross profit same store(1) | | | | | | |
| Luxury | $ 19,938 | 32% | $ 20,647 | 35% | $ (709) | (3)% |
| Mid-line import | 25,224 | 42% | 21,694 | 37% | 3,530 | 16% |
| Mid-line domestic | 8,928 | 14% | 10,159 | 17% | (1,231) | (12)% |
| Value | 1,210 | 2% | 2,035 | 3% | (825) | (41)% |
| Heavy trucks | 6,462 | 10% | 4,605 | 8% | 1,857 | 40% |
| Total new retail gross profit same store(1) | 61,762 | 100% | 59,140 | 100% | 2,622 | 4% |
| New retail gross profit acquisitions | 704 | | | | | |
| Total retail gross profit | 62,466 | | 59,140 | | 3,326 | 6% |
| Fleet gross profit same store(1) | 1,240 | | 829 | | 411 | 50% |
| Fleet gross profit acquisitions | 20 | | | | | |
| Total fleet gross profit | 1,260 | | 829 | | 431 | 52% |
| New vehicle gross profit, as reported | $ 63,726 | | $ 59,969 | | $ 3,757 | 6% |
| New gross profit PVR same store(1) | $ 2,207 | | $ 2,155 | | $ 52 | 2% |
| New gross profit PVR actual | $ 2,205 | | $ 2,155 | | $ 50 | 2% |
| New retail gross margin same store(1) | 7.0% | | 7.0% | | % | % |
| New retail gross margin actual | 7.0% | | 7.0% | | % | % |

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

New vehicle revenues increased 5% to $918.1 million for the three months ended June 30, 2006, from $872.3 million for the three months ended June 30, 2005. The increase in new vehicle revenues is a result of a 3% increase in new retail unit sales driven by our mid-line import brands, which increased 10%. In addition, new revenue PVR increased 2%, driven by an 11% increase from our heavy trucks business in Atlanta, Georgia. Our brand mix, heavily weighted toward luxury and mid-line import, continues to help us outperform the industry in new vehicle unit sales as these brands continue to take market share. As a result, we experienced flat passenger vehicle unit sales (excluding heavy trucks) despite a 5% decline in U.S. passenger vehicle unit sales. In addition, we have seen a significant increase in our heavy truck business as we believe future changes in emission laws on heavy trucks has created a significant current period demand.

New vehicle gross profit increased 6% to $63.7 million for the three months ended June 30, 2006, from $60.0 million for the three months ended June 30, 2005. The increase in new vehicle gross profit was driven by a $3.5 million, or 16% increase in mid-line import retail gross profit as these brands continue their strong performance, and a $1.9 million, or 40% increase, from our heavy trucks business. These increases were offset by the performance of our mid-line domestic brands, which were down $1.2 million, or 12%. During the second quarter 2005 the employee pricing sales campaign was introduced by the domestic manufacturers, which created a significant demand for domestic vehicles, particularly General Motors.

| | For the Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2006 | 2005 | Increase (Decrease) | % Change |
| | (Dollars in thousands, except PVR data) | | | |
| ***Used Vehicle*** | | | | |
| Revenues: | | | | |
| Retail revenues same store(1) | $ 295,268 | $ 265,220 | $ 30,048 | 11% |
| Retail revenues acquisitions | | | | |
| Total used retail revenues | 295,268 | 265,220 | 30,048 | 11% |
| Wholesale revenues same store(1) | 89,293 | 83,196 | 6,097 | 7% |
| Wholesale revenues acquisitions | | | | |
| Total wholesale revenues | 89,293 | 83,196 | 6,097 | 7% |
| Used vehicle revenues, as reported | $ 384,561 | $ 348,416 | $ 36,145 | 10% |
| Gross Profit: | | | | |
| Retail gross profit same store(1) | $ 35,897 | $ 29,818 | $ 6,079 | 20% |
| Retail gross profit acquisitions | | | | |
| Total used retail gross profit | 35,897 | 29,818 | 6,079 | 20% |
| Wholesale gross profit same store(1) | (1,259) | 119 | (1,378) | NM |
| Wholesale gross profit acquisitions | | | | |
| Total wholesale gross profit | (1,259) | 119 | (1,378) | NM |
| Used vehicle gross profit, as reported | $ 34,638 | $ 29,937 | $ 4,701 | 16% |
| Used retail units same store(1) | 16,414 | 15,425 | 989 | 6% |
| Used retail units acquisitions | | | | |
| Used retail units actual | 16,414 | 15,425 | 989 | 6% |
| Used revenue PVR same store(1) | $ 17,989 | $ 17,194 | $ 795 | 5% |
| Used revenue PVR actual | $ 17,989 | $ 17,194 | $ 795 | 5% |
| Used gross profit PVR same store(1) | $ 2,187 | $ 1,933 | $ 254 | 13% |

| | For the Three Months Ended June 30, | | | |
|---|---|---|---|---|
| Used gross profit PVR actual | $ 2,187 | $ 1,933 | $ 254 | 13% |
| Used retail gross margin same store(1) | 12.2% | 11.2% | 1.0% | 9% |
| Used retail gross margin actual | 12.2% | 11.2% | 1.0% | 9% |

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

Used vehicle revenues increased 10% to $384.6 million for the three months ended June 30, 2006, from $348.4 million for the three months ended June 30, 2005. The increase in used vehicle revenues was a result of a 5% and 6% increase in used revenue PVR and used retail unit sales, respectively. The strength of the used vehicle market during the second quarter, our sharing of internal best practices, including centralized used car teams, and our used vehicle merchandising initiatives have continued to result in increased used vehicle unit sales and improved used revenue PVR.

Used vehicle gross profit increased 16% to $34.6 million for the three months ended June 30, 2006, from $29.9 million for the three months ended June 30, 2005. Used retail gross profit increased 20% to $35.9 million as a result of our investment in new software to better value trade-ins, improved inventory management and the execution by our regional management teams dedicated to the used vehicle business.

***Fixed Operations***

| | For the Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | **2006** | **2005** | **Increase (Decrease)** | **% Change** |
| | (Dollars in thousands) | | | |
| Revenues: | | | | |
| Revenues same store(1) | | | | |
| Parts and service | $ 153,942 | $ 142,040 | $ 11,902 | 8% |
| Collision repair | 16,811 | 15,959 | 852 | 5% |
| Total revenues same store(1) | 170,753 | 157,999 | 12,754 | 8% |
| Revenues acquisitions | 1,283 | | | |
| Parts, service and collision repair revenues, as reported | $ 172,036 | $ 157,999 | $ 14,037 | 9% |
| Gross Profit: | | | | |
| Gross profit same store(1) | | | | |
| Parts and service | $ 77,148 | $ 71,628 | $ 5,520 | 8% |
| Collision repair | 9,379 | 8,861 | 518 | 6% |
| Total gross profit same store(1) | 86,527 | 80,489 | 6,038 | 8% |
| Gross profit acquisitions | 667 | | | |
| Parts, service and collision repair gross profit, as reported | $ 87,194 | $ 80,489 | $ 6,705 | 8% |
| Parts and service gross margin same store(1) | 50.1% | 50.4% | (0.3) | (1)% |
| Collision repair gross margin same store(1) | 55.8% | 55.5% | 0.3 | 1% |

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

Fixed operations revenues increased 9% to $172.0 million for the three months ended June 30, 2006, from $158.0 million for the three months ended June 30, 2005. Fixed operations revenues increased primarily due to an 11% increase in our "customer pay" parts and service businesses. The growth in our "customer pay" business is a result of facility expansion, increased

capacity utilization, equipment upgrades and continued focus on customer retention initiatives. Our warranty business continued its positive performance driven by the increase in retail unit sales and increased work on imported vehicles, which typically generate higher revenue than domestic brands. We will continue to add service stalls and service technicians during 2006 in order to meet anticipated future demand, as we expect the recent increases in market share of the mid-line import and luxury import brands to continue to provide increased service work.

Fixed operations gross profit increased 8% to $87.2 million for the three months ended June 30, 2006, from $80.5 million for the three months ended June 30, 2005. The increase in fixed operations gross profit is primarily a result of increased gross profit from our "customer pay" parts and service businesses.

***Finance and Insurance, net***

| | For the Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | **2006** | **2005** | **Increase (Decrease)** | **% Change** |
| | **(Dollars in thousands, except PVR data)** | | | |
| Dealership generated F&I, net same store(1) | $ 38,840 | $ 37,697 | $ 1,143 | 3% |
| Dealership generated F&I, net acquisitions | 292 | | | |
| Dealership generated F&I, net | 39,132 | 37,697 | 1,435 | 4% |
| Corporate generated F&I | 692 | 1,367 | (675) | (49)% |
| Corporate generated F&I gain | 3,400 | | | |
| Finance and insurance, net as reported | $ 43,224 | $ 39,064 | $ 4,160 | 11% |
| Dealership generated F&I PVR same store(1)(2) | $ 875 | $ 879 | $ (4) | (1)% |
| Dealership generated F&I PVR actual(2) | $ 875 | $ 879 | $ (4) | (1)% |
| F&I PVR actual | $ 966 | $ 911 | $ 55 | 6% |

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

(2) Refer to "Reconciliation of Non-GAAP Financial Information" for further discussion regarding dealership generated F&I PVR.

F&I increased 11% to $43.2 million for the three months ended June 30, 2006, from $39.1 million for the three months ended June 30, 2005. Included in F&I was a $3.4 million gain related to the sale of our remaining interest in a pool of extended service contracts. This pool of contracts had been the source of our corporate generated F&I. Excluding this item F&I increased 2% to $39.8 million. The increase in F&I was primarily a result of the 4% increase in retail units sales as dealership generated F&I PVR was relatively flat at $875. We anticipate F&I will increase in the near future as a result of (i) our expectation of growth of new and used retail vehicle sales (ii) the implementation of new corporate-sponsored programs and (iii) improvement of the F&I operations at our under-performing franchises. Dealership generated F&I excludes retrospective commissions from contracts negotiated by our corporate office, which are attributable to retail units sold during prior periods and the corporate generated F&I gain. Corporate generated F&I was $0.7 million for the three months ended June 30, 2006 and $1.4 million for the three months ended

June 30, 2005. As a result of the aforementioned sale of our remaining interest in a pool of extended service contracts, we do not anticipate recognizing any significant corporate generated F&I in the future.

***Selling, General and Administrative***

| | For the Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | % of Gross Profit | 2005 | % of Gross Profit | Increase (Decrease) | % Change |
| | (Dollars in thousands) | | | | | |
| Personnel costs | $ 78,561 | 34.3% | $ 73,372 | 35.0% | $ 5,189 | 7% |
| Sales compensation | 26,712 | 11.7% | 24,091 | 11.5% | 2,621 | 11% |
| Stock-based compensation | 927 | 0.4% | | % | 927 | 100% |
| Outside services | 14,561 | 6.4% | 13,831 | 6.6% | 730 | 5% |
| Advertising | 12,913 | 5.6% | 13,780 | 6.6% | (867) | (6)% |
| Rent | 13,434 | 5.9% | 11,814 | 5.6% | 1,620 | 14% |
| Utilities | 4,380 | 1.9% | 4,014 | 1.9% | 366 | 9% |
| Insurance | 3,845 | 1.7% | 3,675 | 1.8% | 170 | 5% |
| Other | 16,382 | 7.2% | 15,608 | 7.5% | 774 | 5% |
| Selling, general and administrative | $ 171,715 | 75.1% | $ 160,185 | 76.5% | $ 11,530 | 7% |
| Abandoned strategic project expenses | (1,417) | | | | | |
| Stock-based compensation | (927) | | | | | |
| Adjusted selling, general and administrative | $ 169,371 | 75.1% | $ 160,185 | 76.5% | $ 9,186 | 6% |
| Gross Profit | $ 228,782 | | $ 209,459 | | $ 19,323 | 9% |
| Corporate generated F&I gain | (3,400) | | | | | |
| Adjusted gross profit | $ 225,382 | | $ 209,459 | | $ 15,923 | 8% |

SG&A expenses increased 7% to $171.7 million for the three months ended June 30, 2006, from $160.2 million for the three months ended June 30, 2005. SG&A expenses include $0.9 million of stock-based compensation expense and $1.4 million of abandoned strategic project expenses during the three months ended June 30, 2006. Excluding these items, adjusted SG&A expense increased 6% to $169.4 million for the three months ended June 30, 2006, from $160.2 million for the three months ended June 30, 2005. Adjusted SG&A expense as a percentage of adjusted gross profit (excluding the $3.4 million corporate generated F&I gain) for the three months ended June 30, 2006 improved 140 basis points to 75.1%, from 76.5% for the three months ended June 30, 2005. The improvement in adjusted SG&A as a percentage of adjusted gross profit is a result of several strategic expense control initiatives including our regional reorganization in 2005 and our advertising expense initiatives, which focus on the most effective use of our resources. These improvements were offset by increased rent resulting from our strategy to reduce our ownership of real estate through the use of sale-leaseback transactions. During 2005, we sold approximately $33.1 million of real estate in connection with seven sale-leaseback transactions. We estimate the incremental annualized rent expense from these seven sale-leaseback transactions will be approximately $3.0 million.

In January 2006, we adopted SFAS No. 123R under the modified prospective transition method and decided to issue restricted stock units to our employees in lieu of stock options. As a result, we have recorded stock-based compensation expense of $0.9 million under the fair value method for the three months ended June 30, 2006. Prior to January 2006, including the three month period ended June 30, 2005, we accounted for stock-based compensation awards under the intrinsic value method. We expect stock-based compensation expense to total approximately $5.1 million, or $0.10 per diluted share, for the year ending December 31, 2006. Certain of our stock-based awards have conditions based on our performance that may affect the number of awards ultimately issued. Therefore, the amount of stock-based compensation expense recorded may differ from our current estimate.

*Depreciation and Amortization*

Depreciation and amortization expense increased 7% to $5.1 million for the three months ended June 30, 2006, from $4.8 million for the three months ended June 30, 2005. This increase is primarily related to property and equipment acquired between July 1, 2005 and June 30, 2006. We expect to continue to incur capital expenditures to remodel and upgrade our facilities and expand our service capacity and therefore expect depreciation expense to increase in the future.

*Other Income (Expense)*

Floor plan interest expense increased 51% to $11.2 million for the three months ended June 30, 2006 from $7.5 million for the three months ended June 30, 2005. This increase was the result of a 200 basis point increase in short-term interest rates.

During the first quarter of 2006, two of our cash flow swaps on our floor plan notes payable expired. As a result, we will recognize additional floor plan interest expense of approximately $0.7 million during 2006. We expect further increases in floor plan interest in 2006 due to increases in short-term interest rates.

Other interest expense increased 8% to $11.1 million for the three months ended June 30, 2006, from $10.3 million for the three months ended June 30, 2005. The increase in other interest expense is a result of a higher effective interest rate on our 8% Senior Subordinated Notes ("8% Notes") due to the expiration of a fair value swap on the 8% Notes. As a result, our 8% Notes, which had a variable rate while the fair value swap was in place, are now fixed at 8% until maturity in 2014. We anticipate that the expiration of the swap will increase our other interest expense by approximately $5.4 million in 2006.

*Income Tax Expense*

Income tax expense increased 14% to $11.7 million for the three months ended June 30, 2006, from $10.2 million for the three months ended June 30, 2005. Our effective tax rate for the three months ended June 30, 2006 and 2005 was 37.5%. As we operate nationally, our effective tax rate is dependent upon our geographic revenue mix. We evaluate our effective tax rate periodically based on our revenue sources. We will continue to evaluate our effective tax rate in the future, and expect that our future annual effective tax rate will fluctuate between 37% and 38%.

*Discontinued Operations*

| | For the Three Months Ended June 30, 2006 | | | For the Three Months Ended June 30, 2005 | | |
|---|---|---|---|---|---|---|
| | **Sold** | **Pending Disposition** | **Total** | **Sold(2)** | **Pending Disposition(1)** | **Total** |
| | | | (Dollars in thousands) | | | |
| Franchises | 3 | 1 | 4 | 14 | 1 | 15 |
| Ancillary businesses | | 1 | 1 | 1 | 1 | 2 |
| Income (loss) from operations | $ (3,152) | $ 611 | $ (2,541) | $ (598) | $ 470 | $ (128) |
| Other expense, net | (273) | (32) | (305) | (1,183) | (17) | (1,200) |
| Gain (loss) on disposition of discontinued operations | 2,564 | | 2,564 | (376) | | (376) |
| Income tax benefit (expense) | 79 | (217) | (138) | 809 | (170) | 639 |
| Discontinued operations, net of tax | $ (782) | $ 362 | $ (420) | $ (1,348) | $ 283 | $ (1,065) |

(1) Businesses were pending disposition as of June 30, 2006.

(2) Businesses were sold between April 1, 2005, and June 30, 2006.

During the three months ended June 30, 2006, we sold three franchises (three dealership locations), and as of June 30, 2006, we were actively pursuing the sale of one franchise and one ancillary business. The $0.4 million loss from discontinued operations is primarily attributable to operating losses of the four franchises mentioned above offset by the $2.6 million gain ($1.6 million, net of tax) on the sale of three franchises during the three months ended June 30, 2006. The $1.1 million loss from discontinued operations for the three months ended June 30, 2005 is a result of operating losses of the franchises mentioned above and franchises and an ancillary business sold between April 2005 and March 2006 and a $0.4 million ($0.2 million, net of tax) net loss on the sale of two franchises (one dealership location) sold during the second quarter of 2005.

We continuously evaluate the financial and operating results of our franchises, specifically the 10% contributing the least amount of operating income, and we will look to divest dealerships that do not meet our expectations. Based on the performance of our current brand mix, we do not anticipate a significant amount of divestitures in the near future.

**Six Months Ended June 30, 2006, Compared to the Six Months Ended June 30, 2005**

| | For the Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | **2006** | **% of Gross Profit** | **2005** | **% of Gross Profit** | **Increase (Decrease)** | **% Change** |
| | (Dollars in thousands, except per share data) | | | | | |
| REVENUES: | | | | | | |
| New Vehicle | $ 1,739,153 | | $ 1,643,577 | | $ 95,576 | 6% |
| Used Vehicle | 742,667 | | 668,872 | | 73,795 | 11% |
| Parts, service and collision repair | 341,924 | | 309,672 | | 32,252 | 10% |
| Finance and insurance, net | 78,844 | | 74,554 | | 4,290 | 6% |
| Total revenues | 2,902,588 | | 2,696,675 | | 205,913 | 8% |
| COST OF SALES | 2,462,476 | | 2,292,719 | | 169,757 | 7% |
| GROSS PROFIT | 440,112 | 100% | 403,956 | 100% | 36,156 | 9% |
| OPERATING EXPENSES: | | | | | | |
| Selling, general and administrative | 337,364 | 77% | 318,552 | 79% | 18,812 | 6% |
| Depreciation and amortization | 10,088 | 2% | 9,460 | 2% | 628 | 7% |
| Income from operations | 92,660 | 21% | 75,944 | 19% | 16,716 | 22% |
| OTHER INCOME (EXPENSE): | | | | | | |
| Floor plan interest expense | (20,401) | (5)% | (13,988) | (3)% | 6,413 | 46% |
| Other interest expense | (22,043) | (5)% | (19,869) | (5)% | 2,174 | 11% |
| Interest and other income, net | 2,573 | 1% | 876 | % | 1,697 | 194% |
| Total other expense | (39,871) | 9% | (32,981) | (8)% | 6,890 | 21% |
| Income before income taxes | 52,789 | 12% | 42,963 | 11% | 9,826 | 23% |
| INCOME TAX EXPENSE | 19,796 | 5% | 16,111 | 5% | 3,685 | 23% |
| INCOME FROM CONTINUING OPERATIONS | 32,993 | 7% | 26,852 | 6% | 6,141 | 23% |
| DISCONTINUED OPERATIONS, net of tax | (1,436) | % | (1,225) | % | (211) | (17)% |
| NET INCOME | $ 31,557 | 7% | $ 25,627 | 6% | $ 5,930 | 23% |
| EARNINGS PER COMMON SHARE (DILUTED): | | | | | | |

| | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|
| Continuing Operations | $ 0.98 | $ 0.82 | $ 0.16 | 20% |
| Discontinued Operations | (0.04) | (0.04) | | |
| Net income | $ 0.94 | $ 0.78 | $ 0.16 | 21% |

Net income increased 23%, or $0.16 per diluted share, to $31.6 million, or $0.94 per diluted share, for the six months ended June 30, 2006, from $25.6 million, or $0.78 per diluted share, for the six months ended June 30, 2005.

Income from continuing operations increased 23%, or $0.16 per diluted share, to $33.0 million, or $0.98 per diluted share, for the six months ended June 30, 2006, from $26.9 million, or $0.82 per diluted share, for the six months ended June 30, 2005. Income from continuing operations for the six months ended June 30, 2006 includes (i) a $2.1 million (net of tax) gain related to the sale of our remaining interest in a pool of extended service contracts ("corporate generated F&I gain"), (ii) $1.0 million (net of tax) of costs associated with our decision to abandon certain strategic projects, and (iii) $1.4 million (net of tax) of stock-based compensation expense. Income from continuing operations for the six months ended June 30, 2005 includes $2.2 million (net of tax) of costs associated with our regional reorganization. Excluding these items, adjusted income from continuing operations increased 15% to $33.3 million for the six months ended June 30, 2006, from $29.1 million for the six months ended June 30, 2005.

The increase in adjusted income from continuing operations resulted from several factors, including: (i) a 15% increase in used vehicle gross profit and a 9% increase in fixed operations gross profit as a result of a strategic focus on our high margin businesses; (ii) the very solid performance of our new retail business, which delivered a 7% increase in gross profit; and (iii) several expense control initiatives, including our regional reorganization and new vehicle advertising, both of which contributed to a 170 basis point improvement in adjusted SG&A expenses as a percentage of adjusted gross profit (excluding the $3.4 million corporate generated F&I gain). These factors were partially offset by a 46% increase in floor plan interest expense as a result of a 200 basis point increase in short-term interest rates.

Total revenues increased 8% to $2.9 billion for the six months ended June 30, 2006, from $2.7 billion for the six months ended June 30, 2005. The increase in total revenues was a result of a 6% increase in new vehicle revenue and an 11% increase in used vehicle revenue.

Total gross profit increased 9% to $440.1 million for the six months ended June 30, 2006, from $404.0 million for the six months ended June 30, 2005. Total gross profit, excluding the corporate generated F&I gain, increased 8% to $436.7 million for the six months ended June 30, 2006 from $404.0 million for the six months ended June 30, 2005. The increase in total gross profit was driven by a $14.1 million, or 9% increase in fixed operations gross profit as well as almost $9.0 million increases in both used vehicle and new vehicle gross profit, representing a 15% and 8% increase, respectively.

***New Vehicle***

| | For the Six Months Ended June 30, 2006 | | For the Six Months Ended June 30, 2005 | | Increase (Decrease) | % Change |
|---|---|---|---|---|---|---|
| | (Dollars in thousands, except PVR data) | | | | | |
| Revenues: | | | | | | |
| New retail revenues same store(1) | | | | | | |
| Luxury | $ 510,935 | 31% | $ 507,112 | 32% | $ 3,823 | 1% |
| Mid-line import | 675,851 | 42% | 617,299 | 40% | 58,552 | 9% |
| Mid-line domestic | 240,142 | 15% | 273,430 | 17% | (33,288) | (12)% |
| Value | 37,442 | 2% | 39,580 | 3% | (2,138) | (5)% |
| Heavy trucks | 166,603 | 10% | 126,095 | 8% | 40,508 | 32% |
| Total new retail revenues same store(1) | 1,630,973 | 100% | 1,563,516 | 100% | 67,457 | 4% |
| New retail revenues acquisitions | 27,076 | | | | | |
| Total new retail revenues | 1,658,049 | | 1,563,516 | | 94,533 | 6% |
| Fleet revenues same store(1) | 80,285 | | 80,061 | | 224 | % |
| Fleet revenues acquisitions | 819 | | | | | |
| Total fleet revenues | 81,104 | | 80,061 | | 1,043 | 1% |
| New vehicle revenues, as reported | $ 1,739,153 | | $ 1,643,577 | | $ 95,576 | 6% |
| New retail units: | | | | | | |
| New retail units same store(1) | | | | | | |
| Luxury | 11,310 | 22% | 11,435 | 22% | (125) | (1)% |
| Mid-line import | 27,536 | 54% | 25,530 | 50% | 2,006 | 8% |
| Mid-line domestic | 8,493 | 16% | 9,599 | 19% | (1,106) | (12)% |
| Value | 1,798 | 3% | 2,006 | 4% | (208) | (10)% |
| Heavy trucks | 2,774 | 5% | 2,364 | 5% | 410 | 17% |
| Total new retail units same store(1) | 51,911 | 100% | 50,934 | 100% | 977 | 2% |
| New retail units acquisitions | 976 | | | | | |
| Retail units actual | 52,887 | | 50,934 | | 1,953 | 4% |
| New revenue PVR same store(1) | $ 31,419 | | $ 30,697 | | $ 722 | 2% |
| New revenue PVR actual | $ 31,351 | | $ 30,697 | | $ 654 | 2% |

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

| | For the Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | 2005 | | Increase (Decrease) | % Change |
| | (Dollars in thousands, except PVR data) | | | | | |
| Gross Profit: | | | | | | |
| New retail gross profit same store(1) | | | | | | |
| Luxury | $ 38,249 | 33% | $ 39,054 | 35% | $ (805) | (2)% |
| Mid-line import | 46,991 | 40% | 40,098 | 36% | 6,893 | 17% |
| Mid-line domestic | 17,906 | 15% | 19,818 | 18% | (1,912) | (10)% |
| Value | 2,634 | 2% | 3,542 | 3% | (908) | (26)% |
| Heavy trucks | 11,824 | 10% | 8,832 | 8% | 2,992 | 34% |
| Total new retail gross profit same store(1) | 117,604 | 100% | 111,344 | 100% | 6,260 | 6% |
| New retail gross profit acquisitions | 1,837 | | | | | |
| Total retail gross profit | 119,441 | | 111,344 | | 8,097 | 7% |
| Fleet gross profit same store(1) | 2,069 | | 1,388 | | 681 | 49% |
| Fleet gross profit acquisitions | 13 | | | | | |
| Total fleet gross profit | 2,082 | | 1,388 | | 694 | 50% |
| New vehicle gross profit, as reported | $ 121,523 | | $ 112,732 | | $ 8,791 | 8% |
| New gross profit PVR same store(1) | $ 2,265 | | $ 2,186 | | $ 79 | 4% |
| New gross profit PVR actual | $ 2,258 | | $ 2,186 | | $ 72 | 3% |
| New retail gross margin same store(1) | 7.2% | | 7.1% | | 0.1% | 1% |
| New retail gross margin actual | 7.2% | | 7.1% | | 0.1% | 1% |

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

New vehicle revenues increased 6% to $1.7 billion for the six months ended June 30, 2006, from $1.6 billion for the six months ended June 30, 2005. The increase in new vehicle revenues was a result of a 2% increase in new revenue PVR, led by a 13% increase from our heavy trucks business in Atlanta, Georgia. New retail unit sales increased 4% driven by our mid-line import brands, which increased 8%, as well as a 2% from franchises we acquired within the last nine months.

New vehicle gross profit increased 8% to $121.5 million for the six months ended June 30, 2006, from $112.7 million for the six months ended June 30, 2005. New retail gross profit increased 7%, driven by a 17% increase in mid-line import gross profit as these brands continued their strong performance, and a 34% increase from our heavy trucks business. These increases were offset by the performance of our mid-line domestic brands, which were down 10%, with the majority of the decrease as a result of the new vehicle incentive environment in the second quarter of 2005.

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*Used Vehicle*

| | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2006 | 2005 | Increase (Decrease) | % Change |
| | (Dollars in thousands, except PVR data) | | | |
| Revenues: | | | | |
| Retail revenues same store(1) | $ 561,891 | $ 503,825 | $ 58,066 | 12% |
| Retail revenues acquisitions | 3,523 | | | |
| Total used retail revenues | 565,414 | 503,825 | 61,589 | 12% |
| Wholesale revenues same store(1) | 176,373 | 165,047 | 11,326 | 7% |
| Wholesale revenues acquisitions | 880 | | | |
| Total wholesale revenues | 177,253 | 165,047 | 12,206 | 7% |
| Used vehicle revenues, as reported | $ 742,667 | $ 668,872 | $ 73,795 | 11% |
| Gross Profit: | | | | |
| Retail gross profit same store(1) | $ 67,922 | $ 57,429 | $ 10,493 | 18% |
| Retail gross profit acquisitions | 493 | | | |
| Total used retail gross profit | 68,415 | 57,429 | 10,986 | 19% |
| Wholesale gross profit same store(1) | (883) | 1,210 | (2,903) | (173)% |
| Wholesale gross profit acquisitions | 33 | | | |
| Total wholesale gross profit | (850) | 1,210 | (2,060) | (170)% |
| Used vehicle gross profit, as reported | $ 67,565 | $ 58,639 | $ 8,926 | 15% |
| Used retail units same store(1) | 31,675 | 29,926 | 1,749 | 6% |
| Used retail units acquisitions | 229 | | | |
| Used retail units actual | 31,904 | 29,926 | 1,978 | 7% |
| Used revenue PVR same store(1) | $ 17,739 | $ 16,836 | $ 903 | 5% |
| Used revenue PVR actual | $ 17,722 | $ 16,836 | $ 886 | 5% |
| Used gross profit PVR same store(1) | $ 2,144 | $ 1,919 | $ 225 | 12% |
| Used gross profit PVR actual | $ 2,144 | $ 1,919 | $ 225 | 12% |
| Used retail gross margin same store(1) | 12.1% | 11.4% | 0.7% | 6% |

| | | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|---|
| Used retail gross margin | actual | 12.1% | 11.4% | 0.7% | 6% |

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

Used vehicle revenues increased 11% to $742.7 million for the six months ended June 30, 2006, from $668.9 million for the six months ended June 30, 2005. Used retail revenues increased 12% to $565.4 million for the six months ended June 30, 2006, as a result of a 7% and 5% increase in used retail unit sales and used revenue PVR, respectively. The strength of the used vehicle market and our used vehicle merchandising initiatives have resulted in increased used vehicle sales and improved used revenue PVR.

Used vehicle gross profit increased 15% to $67.6 million for the six months ended June 30, 2006, from $58.6 million for the six months ended June 30, 2005. Used retail gross profit increased

19% to $68.4 million primarily as a result of our investment in new software to better value trade-ins, improve inventory management and the execution by our regional management teams dedicated to the used vehicle business.

***Fixed Operations***

| | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2006 | 2005 | Increase (Decrease) | % Change |
| | (Dollars in thousands) | | | |
| Revenues: | | | | |
| Revenues same store(1) | | | | |
| Parts and service | $ 304,490 | $ 277,468 | $ 27,022 | 10% |
| Collision repair | 34,076 | 32,204 | 1,872 | 6% |
| Total revenues same store(1) | 338,566 | 309,672 | 28,894 | 9% |
| Revenues acquisitions | 3,358 | | | |
| Parts, service and collision repair revenues, as reported | $ 341,924 | $ 309,672 | $ 32,252 | 10% |
| Gross Profit: | | | | |
| Gross profit same store(1) | | | | |
| Parts and service | $ 151,470 | $ 140,071 | $ 11,399 | 8% |
| Collision repair | 18,986 | 17,960 | 1,026 | 6% |
| Total gross profit same store(1) | 170,456 | 158,031 | 12,425 | 8% |
| Gross profit acquisitions | 1,724 | | | |
| Parts, service and collision repair gross profit, as reported | $ 172,180 | $ 158,031 | $ 14,149 | 9% |
| Parts and service gross margin same store(1) | 49.7% | 50.5% | (0.8)% | (2)% |
| Collision repair gross margin same store(1) | 55.7% | 55.8% | (0.1)% | % |

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

Fixed operations revenues increased 10% to $341.9 million for the six months ended June 30, 2006, from $309.7 million for the six months ended June 30, 2005. Fixed operations gross profit increased 9% to $172.2 million for the six months ended June 30, 2006, from $158.0 million for the six months ended June 30, 2005. Fixed operations revenues and gross profit increased primarily due to a 14% and 13% increase in our "customer pay" parts and service businesses, respectively.

***Finance and Insurance, net***

| | For the Six Months Ended June 30, 2006 | For the Six Months Ended June 30, 2005 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| | (Dollars in thousands, except PVR data) | | | |
| Dealership generated F&I same store(1) | $ 72,700 | $ 71,984 | $ 716 | 1% |
| Dealership generated F&I acquisitions | 1,059 | | | |
| Dealership generated F&I, net | 73,759 | 71,984 | 1,775 | 2% |
| Corporate generated F&I | 1,685 | 2,570 | (885) | (34)% |
| Corporate generated F&I gain | 3,400 | | | |
| Finance and insurance, net as reported | $ 78,844 | $ 74,554 | $ 4,290 | 6% |
| Dealership generated F&I PVR same store(1)(2) | $ 870 | $ 890 | $ (20) | (2)% |
| Dealership generated F&I PVR actual(2) | $ 870 | $ 890 | $ (20) | (2)% |
| F&I PVR actual | $ 930 | $ 922 | $ 8 | 1% |

(1) Same store amounts include the results of dealerships for the identical months for each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

(2) Refer to "Reconciliation of Non-GAAP Financial Information" for further discussion regarding dealership generated F&I profit PVR.

F&I increased 6% to $78.8 million for the six months ended June 30, 2006, from $74.6 million for the six months ended June 30, 2005. Included in F&I was a $3.4 million gain related to sale of our remaining interest in a pool of extended service contracts. Excluding this item, F&I increased 1% to $75.4 million for the six months ended June 30, 2006, from $74.6 million for the six months ended June 30, 2005. The increase in F&I was primarily a result of the 5% increase in retail units sales as dealership F&I PVR decreased $20. The decrease in dealership generated F&I PVR was primarily a result of the decrease of our captive finance company loan portfolio. As of June 30, 2006, we had approximately $23.8 million of notes receivable outstanding compared to $35.0 million as of June 30, 2005. We expect to maintain between $20.0 and $25.0 million of notes receivable. Corporate generated F&I was $1.7 million for the six months ended June 30, 2006, and $2.6 million for the six months ended June 30, 2005. As a result of the aforementioned sale of our remaining interest in a pool of extended service contracts, we do not anticipate to recognize any further corporate generated F&I in the future.

***Selling, General and Administrative***

| | For the Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | % of Gross Profit | 2005 | % of Gross Profit | Increase (Decrease) | % Change |
| | (Dollars in thousands) | | | | | |
| Personnel costs | $ 156,914 | 35.7% | $ 149,419 | 37.0% | $ 7,495 | 5% |
| Sales compensation | 50,177 | 11.4% | 45,654 | 11.3% | 4,523 | 10% |
| Stock-based compensation | 2,296 | 0.5% | | % | 2,296 | 100% |
| Outside services | 27,983 | 6.4% | 27,425 | 6.8% | 558 | 2% |
| Advertising | 24,826 | 5.6% | 26,265 | 6.5% | (1,439) | (5)% |
| Rent | 26,628 | 6.1% | 23,765 | 5.9% | 2,863 | 12% |
| Utilities | 9,336 | 2.1% | 8,501 | 2.1% | 835 | 10% |
| Insurance | 7,798 | 1.8% | 7,205 | 1.8% | 593 | 8% |
| Other | 31,406 | 7.1% | 30,318 | 7.5% | 1,088 | 4% |
| Selling, general and administrative | $ 337,364 | 76.7% | $ 318,552 | 78.9% | $ 18,812 | 6% |
| Abandoned strategic project expenses | (1,658) | | | | | |
| Stock-based compensation | (2,296) | | | | | |
| Reorganization expenses | | | (3,566) | | | |
| Adjusted selling, general and administrative | $ 333,410 | 76.3% | $ 314,986 | 78.0% | $ 18,424 | 6% |
| Gross Profit | $ 440,112 | | $ 403,956 | | $ 36,156 | 9% |
| Corporate generated F&I gain | (3,400) | | | | | |
| Adjusted gross profit | $ 436,712 | | $ 403,956 | | $ 32,756 | 8% |

SG&A expenses increased 6% to $337.4 million for the six months ended June 30, 2006, from $318.6 million for the six months ended June 30, 2005. SG&A expenses includes $2.3 million of stock-based compensation expense and $1.7 million of abandoned strategic project expenses during the six months ended June 30, 2006, and $3.6 million of reorganization costs during the six months ended June 30, 2005. Excluding these items, adjusted SG&A expense increased 6% to $333.4 million for the six months ended June 30, 2006, from $315.0 million for the six months ended June 30, 2005. Adjusted SG&A expense as a percentage of adjusted gross profit (excluding the $3.4 million corporate generated F&I gain) for the six months ended June 30, 2006 imp