

**AutoNation, Inc.**  
**Audit Committee Charter**

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of AutoNation, Inc. (the “Company”). The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the Company’s financial reporting and audit processes, and the Company’s systems of internal controls and disclosure controls, including, without limitation: (a) assisting the Board’s oversight of (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the Company’s independent auditor’s qualifications and independence, and (iv) the performance of the Company’s independent auditor and the Company’s internal audit function, and (b) preparing the report required to be prepared by the Committee pursuant to the rules of the Securities and Exchange Commission (the “SEC”) for inclusion in the Company’s annual proxy statement.

**DUTIES AND  
RESPONSIBILITIES**

The Committee shall have the following duties and responsibilities:

1. Select, in its sole discretion, the firm of independent auditors to audit the books, accounts and internal controls of the Company and its subsidiaries for each fiscal year. The Board will seek shareholder ratification of the independent auditor selected by the Committee at the Company’s annual meeting of shareholders, provided that ultimate authority for the appointment of the independent auditor remains vested solely in the Committee.
2. Review the performance of the independent auditor and, where appropriate, terminate and replace the independent auditor. The independent auditor shall report directly to the Committee and the Committee shall oversee the resolution of disagreements between the Company’s management and the independent auditor.
3. Review and approve in advance the terms of the independent auditor’s annual engagement, including the proposed fees, as well as the scope of auditing services to be provided.
4. Develop policies and procedures with respect to the provision of non-audit services by the independent auditor. Review and approve in advance any non-audit services to be provided by the independent auditor (subject to *de minimus* exceptions permitted pursuant to the Securities Exchange Act of 1934, as amended (the “Act”), and approved by the Committee prior to the completion of the audit), and the amount of compensation to be paid to the independent auditor for such non-audit services. Delegate to the Chair or members of the Committee, as appropriate, the authority to review and approve, within guidelines and limits established by the Committee, specific non-audit services to be provided by the independent auditor and the amount of compensation to be paid therefor.
5. At least annually obtain and review a report by the independent auditor describing:
  - (i) the firm’s internal quality-control procedures;
  - (ii) any material issues raised in the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation

by the government or professional authorities, within the preceding five years, respecting one or more audits carried out by the independent auditor, and any steps taken to deal with such issues; and

- (iii) (to assess the independent auditor's independence) all relationships between the independent auditor and the Company, including a description of each category of service provided by the independent auditor to the Company and a list of the fees billed for each such category.

6. Oversee the independence of the Company's independent auditor by, among other things:

- (i) actively engaging in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor, and taking appropriate action to satisfy itself of the auditor's independence;
- (ii) receiving from and discussing with the independent auditor the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees);
- (iii) considering whether the independent auditor's performance of permissible non-audit services is compatible with the auditor's independence;
- (iv) ensuring that the rotation of the lead audit partner and reviewing audit partner or other audit personnel responsible for the audit of the Company's financial statements conforms to the requirements of applicable law (including the Act and the regulations promulgated thereunder) and the rules of the New York Stock Exchange (the "NYSE");
- (v) setting clear hiring policies for employees or former employees of the independent auditor in accordance with the requirements of applicable law; and
- (vi) considering whether there should be a regular rotation of the Company's independent auditor.

7. Review with management, the Company's chief internal audit executive and the independent auditor the Company's significant financial risks or exposures and assess the steps management has taken to minimize, monitor and control such risks or exposures. Discuss with management the Company's policies with respect to risk assessment and risk management, and discuss guidelines and policies to govern the process by which risk management and assessment is undertaken.

8. Review, in consultation with both the Company's chief internal audit executive and the independent auditor: (i) the audit scope and plan of the internal and independent audit functions and all critical accounting policies and practices to be used and (ii) the coordination of effort between the internal and independent audit functions to assure completeness of coverage, reduction of redundant efforts and the effective use of audit resources. Monitor progress under the audit plan during the year and its results.

9. Review with the independent auditor, management and the Company's chief internal audit executive the following:

- (i) the audit of the annual financial statements and the Company's internal controls over financial reporting and disclosure and the independent auditor's reports thereon;
- (ii) any significant changes required in the independent auditor's audit plan;
- (iii) any significant difficulties or disputes encountered during the course of the audit (including a review with the independent auditor of any audit problems or difficulties encountered and management's response thereto);
- (iv) the Company's quarterly financial statements and annual audited financial statements, including the Company's disclosures under the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q and the disclosures related to the Company's controls and procedures, and the quality and acceptability of financial reporting decisions and judgments and any major issues related thereto;
- (v) all critical audit matters proposed by the independent auditor to be included in the independent auditor's annual audit report;
- (vi) critical accounting policies and such other accounting policies of the Company as are deemed appropriate for review by the Committee prior to any interim or year-end filings with the SEC or other regulatory body, including any financial reporting issues that could have a material impact on the Company's financial statements;
- (vii) major issues regarding accounting principles and financial statements presentations, including (a) any significant changes in the Company's selection or application of accounting principles and (b) any analyses prepared by managers and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the ramifications and effects of alternative generally accepted accounting principles methods on the Company's financial statements;
- (viii) alternative treatments of financial information that have been discussed by the independent auditor and management, ramifications of the use of such alternative disclosures and treatments, and the treatments preferred by the independent auditor;
- (ix) all other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;
- (x) the effect of regulatory and accounting initiatives, as well as off- balance sheet structures, on the financial statements of the Company; and
- (xi) any other matters related to the conduct of the audit that are required to be communicated to the Committee under generally accepted auditing standards.

10. Discuss privately with the independent auditor any matters deemed significant by the independent auditor, including those matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (the "PCAOB") and the SEC.
11. On a quarterly basis, review and discuss with the independent auditor, management (including the Company's Chief Executive Officer and Chief Financial Officer) and the Company's chief internal audit executive the following:
  - (i) the principal executive officer and principal financial officer certifications required to be made in connection with the Company's periodic reports under the Act and the Sarbanes-Oxley Act of 2002;
  - (ii) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data, including any material weaknesses in internal controls identified by the Company's independent auditor;
  - (iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
  - (iv) any significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.
12. Annually, obtain a written report from management on the effectiveness of internal controls over financial reporting, including controls designed to prevent or mitigate financial statement fraud, and review the effectiveness of internal controls with management, the Company's chief internal audit executive and the independent auditor.
13. Establish procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and (iii) the receipt and treatment of any evidence of a violation of the securities laws or breach of fiduciary duty brought to the Committee's attention by the Company's in-house or external securities counsel.
14. Annually, prepare a written report as required by SEC rules regarding whether the Committee has:
  - (i) reviewed and discussed the audited financial statements with management;
  - (ii) discussed with the independent auditor the matters required to be discussed by the applicable requirements of the PCAOB and the SEC; and
  - (iii) received from the independent auditor disclosures regarding the independent auditor's independence required by Independence Standards Board Standard No. 1, and discussed with the independent auditor its independence.

15. Recommend (if appropriate), based on the review of the audited financial statements and the discussions conducted with, and disclosures received from, management and the independent auditor as contemplated above, to the Board of Directors that the audited financial statements and other financial disclosures be included in the Company's Annual Report on Form 10-K.
16. Review and concur in the appointment, replacement, reassignment, dismissal and performance assessment of the Company's chief audit executive.
17. Review the independence of the Company's chief audit executive and internal audit function.
18. Review with management and the Company's chief audit executive:
  - (i) the internal audit department charter, budget and staffing;
  - (ii) any significant findings and recommendations of the Company's chief internal audit executive, together with management's responses thereto;
  - (iii) any significant difficulties encountered in the course of internal audits, including any restrictions on the scope of work or access to required information; and
  - (iv) any significant changes required in the chief internal audit executive's audit plan.
19. Review and discuss with management the Company's quarterly and annual earnings press releases, including "pro forma" or "adjusted" non-GAAP information, prior to their release to the public.
20. Discuss with management financial information and earnings guidance provided to analysts and rating agencies.
21. Review policies and procedures with respect to executive officers' expense accounts and perquisites, including use of corporate assets, and consider the results of any review of these areas by the internal or independent auditor.
22. Review with management and the independent auditor any correspondence with regulators, government agencies, employees or any published reports that raise material issues regarding the Company's financial statements or accounting policies.
23. Review and approve any contracts or transactions greater than \$100,000 and up to \$500,000 (individually or together in the aggregate if part of a series of related transactions) entered into between the Company and any director, officer or employee of the Company or an affiliate of any such director, officer or employee ("Related Party Transactions"), other than employment- and compensation-related agreements or any purchases of products from the Company by such individuals in the ordinary course as a retail customer. Review with management, as appropriate, any Related Party Transactions up to \$100,000.

24. Address or take action with respect to any other matter specifically delegated to the Committee from time to time by the Board.

### **MEMBERSHIP**

25. The Committee shall be comprised of at least three members designated by the Board. The Members of the Committee shall be appointed and replaced, and the Chair of the Committee shall be designated, by the Board based on the recommendation of the Corporate Governance and Nominating Committee; provided that, if the Board does not so designate a Chair of the Committee, the members of the Committee, by a majority vote, may designate a Chair
26. Any vacancy on the Committee shall be filled by a majority vote of the Board. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.
27. The Committee must be comprised of members that meet the independence requirements of applicable laws (including the Act) and rules promulgated thereunder and the NYSE listing standards.
28. As determined by the Board, (i) each member of the Committee shall be financially literate and at least one member of the Committee must have sufficient accounting or related financial management expertise in accordance with applicable NYSE listing standards, and (ii) at least one member of the Committee shall be an “audit committee financial expert” as defined in the Act and the applicable regulations promulgated thereunder.

### **MEETINGS AND PROCEDURES**

29. The Committee may fix its own rules of procedure, which shall be consistent with the Amended and Restated Bylaws (the “By-Laws”) of the Company and this Charter.
30. The Committee shall meet as often as it determines necessary to carry out its duties and responsibilities, but no less frequently than four times annually.
31. The Chair or a majority of the members of the Committee may call meetings of the Committee upon such notice as is required for special Board meetings in accordance with the Company’s Bylaws. The Committee may meet by telephone conference call or by any other means permitted by law or the Company’s Bylaws.
32. The Committee shall conduct periodic separate executive sessions with management, with the Company’s chief internal audit executive, and with the independent auditor.
33. A majority of the members of the Committee, present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, shall constitute a quorum.

34. The Chair of the Committee shall be responsible for leadership of the Committee, including preparing the agenda, presiding over Committee meetings, making Committee assignments and reporting the Committee's actions to the Board as contemplated below.
35. The Committee may request that any Director, officer or employee of the Company, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests.
36. The Chair of the Committee (or other member designated by the Chair or the Committee in the Chair's absence) shall regularly report to the full Board on the Committee's proceedings and any actions that it takes.
37. The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

### **PERFORMANCE EVALUATION**

38. The Committee shall conduct a self-evaluation of its performance annually.
39. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope.
40. In conducting this review, the Committee shall address all matters that it considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.
41. The Committee shall present to the Board the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies and procedures.

### **OUTSIDE ADVISORS**

42. The Committee has the authority to, and will, obtain advice and assistance from outside legal, accounting or other advisors, at the Company's expense, as the Committee determines appropriate or advisable to carry out its duties. The Company shall provide appropriate funding, as determined by the Committee, for compensation to the independent auditor and to any advisors that the Committee chooses to engage. Additionally, the Committee shall have the authority to call upon the appropriate corporate staff for assistance in the conduct of its responsibilities.

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While the members of the Committee have the duties and responsibilities set forth in this Charter, nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of members of the Committee, except to the extent otherwise provided under applicable federal or state law.