

UNITED AUTO GROUP INC

Form PRE 14A

February 17, 2004

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SCHEDULE 14A

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

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement

Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2)).

Definitive proxy statement.

Definitive additional materials.

Soliciting material pursuant to §240.14a-12.

United Auto Group, Inc.

(Name of Registrant as Specified in Its Charter)

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

Payment of filing fee (check the appropriate box):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Preliminary Copy

To our Stockholders:

You are cordially invited to attend a special meeting of our stockholders on Friday, March 26, 2004 at 9:00 Eastern Standard Time at the offices of the Company, 2555 Telegraph Road, Bloomfield Hills, MI 48302.

The Notice of Special Meeting and Proxy Statement describe in detail the formal business to be acted upon at the meeting, which is for the stockholders to approve the issuance and sale of shares of our common stock to certain investors and such other business as may properly come before the meeting or any adjournment thereof.

After careful consideration, our Board of Directors has unanimously approved the proposal relating to the issuance and sale of our common stock set forth in the Proxy Statement and recommends that you vote in favor of the proposal.

Your vote is very important. If voting by mail, please complete, date and sign the enclosed proxy card and return it promptly in the enclosed postage prepaid envelope. If voting by the telephone or internet, please follow the instructions on your proxy card.

By Order of the Board of Directors,

/s/ ROBERT H. KURNICK, JR.

Robert H. Kurnick, Jr.
*Executive Vice President, General Counsel
and Secretary*

Bloomfield Hills, Michigan
February 27, 2004

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Preliminary Copy

PROXY STATEMENT

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

March 26, 2004

We will hold a special meeting of our stockholders at our offices located at 2555 Telegraph Road, Bloomfield Hills, MI 48302, on March 26, 2004, at 9:00 a.m., Eastern Standard Time, for the following purposes:

- (1) to approve the issuance and sale of 4,050,000 shares of our common stock to Mitsui & Co., Ltd. and Mitsui & Co. (U.S.A.), Inc. pursuant to the purchase agreement, dated as of February 16, 2004 attached as Annex A hereto; and
- (2) to transact such other business as may properly come before the meeting.

Stockholders of record as of February 25, 2004 can vote at the Special Meeting and any adjournments of our Special Meeting. We will make available for inspection a list of holders of our common stock as of the record date during business hours from March 9, 2004 through March 26, 2004 at our principal executive offices, located at 2555 Telegraph Road, Bloomfield Hills, Michigan 48302. This Proxy Statement is being distributed on or about February 27, 2004.

Your vote is very important. If voting by mail, please complete, date and sign the enclosed proxy card and return it promptly in the enclosed postage prepaid envelope. If voting by the telephone or internet, please follow the instructions on your proxy card. Your prompt return of proxy cards will ensure a quorum. You may revoke your proxy and vote personally on all matters brought before the Special Meeting.

By Order of the Board of Directors,

/s/ ROBERT H. KURNICK, JR.

Robert H. Kurnick, Jr.

Executive Vice President, General Counsel and Secretary

Bloomfield Hills, Michigan
February 27, 2004

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ABOUT THE MEETING

Q. What am I voting on?

- A. You are asked to approve the issuance and sale of 4,050,000 shares of our common stock to Mitsui & Co., Ltd. and Mitsui & Co. (U.S.A.), Inc. (referred to collectively as Mitsui) pursuant to the purchase agreement, dated as of February 16, 2004 attached as Annex A hereto, as well as approve any other business that properly comes before the meeting.

Q. Why am I being asked to vote on this proposal?

- A. Stockholder approval of the issuance and sale of the shares to Mitsui is required under the New York Stock Exchange rules since our common stock is listed on the New York Stock Exchange. Under those rules, because Mitsui owns 3,170,349 shares, or 7.6%, of our outstanding common stock, and they have a representative on our Board of Directors, they may be deemed a related party of ours and the NYSE requires that certain issuances of shares, including the proposed issuance, to related parties be approved by stockholders.

Q. Who can vote?

- A. Common stockholders of United Auto Group, Inc. as of the close of business on the record date, February 25, 2004, can vote at the Special Meeting. Each share of United Auto Group common stock gets one vote.

Q. How do I vote before the meeting?

- A. You have three voting options:

Over the internet, which we encourage if you have internet access, at the address shown on your proxy card;

By telephone, through the number shown on your proxy card; or

By mail, by completing, signing and returning the enclosed proxy card.

If you hold your shares through an account with a bank or broker, your ability to vote by telephone or the internet depends on their voting procedures. Please follow the directions that your bank or broker provides.

Q. May I vote at the meeting?

- A. You may vote your shares at the meeting if you attend in person. If you hold your shares through an account with a bank or broker, you must obtain a legal proxy from the bank or broker in order to vote at the meeting. Even if you plan to attend the meeting, we encourage you to vote your shares by proxy. You may vote by proxy through the internet, by telephone or by mail.

Q. Can I change my mind after I vote?

- A. You may change your vote at any time before the polls close at the meeting. You may do this by (1) signing another proxy card with a later date and returning it to us prior to the meeting, (2) voting again by telephone or over the internet prior to March 26, 2004 or (3) voting at the meeting if you are a registered stockholder or have obtained a legal proxy from your bank or broker.

Q. What if I return my Proxy Card but do not provide voting instructions?

- A. Proxies that are signed and returned but do not contain instructions will be voted (1) FOR the issuance and sale of the shares to Mitsui, and (2) in accordance with the best judgment of the named proxies on any other matters properly brought before the meeting.

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

- A. If you are a registered stockholder and do not provide a proxy, you must attend the meeting in order to vote your shares. If you hold shares through an account with a bank or broker, your shares will not be voted if you do not provide voting instructions on your instruction form. Brokerage firms have the authority under the New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain routine matters. The current proposal is not considered a routine matter for which brokerage firms may vote without specific instructions. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a broker non-vote .

Q. May stockholders ask questions at the meeting?

- A. Yes. Representatives of the Company will answer stockholders questions of general interest at the end of the meeting. In order to give a greater number of stockholders an opportunity to ask questions, individuals or groups will be allowed to ask only one question and no repetitive or follow-up questions will be permitted.

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

- A. As of the record date, there were 41,787,121 shares outstanding. In order for us to conduct our meeting, a majority of our outstanding shares of common stock as of the record date must be present in person or by proxy at the meeting. This is referred to as a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the meeting. Your shares are counted as present at the meeting if you attend the meeting and vote in person or if you properly return a proxy by internet, telephone or mail.

Q. How many votes are needed to approve the proposal?

- A. Assuming a quorum is present, approval of the issuance and sale of the shares requires that a majority of the votes cast at the meeting be voted For the proposal.

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PROPOSAL I ISSUANCE AND SALE OF SHARES

Overview. On February 16, 2004, we entered into a Purchase Agreement providing for the issuance and sale of 3,240,000 shares of our common stock to Mitsui & Co., Ltd. and 810,000 shares of our common stock to Mitsui & Co. (U.S.A.), Inc. We refer to these two companies collectively as Mitsui. In exchange for these 4,050,000 shares, Mitsui will pay us \$119,434,500, or \$29.49 per share, which per share purchase price is the average of the closing trading prices for our common stock for the twenty business days prior to signing the purchase agreement.

If this proposal is approved and the other conditions to the Purchase Agreement are satisfied, promptly following the special meeting we will issue and sell to Mitsui the 4,050,000 shares of common stock and receive in exchange \$119,434,500. We will use the proceeds of the sale for general corporate purposes which may initially include reducing the outstanding indebtedness under our revolving credit facility, and may consist of additional capital improvements, potential acquisitions or other investments. If the sale is completed, we, Mitsui and other investors affiliated with Penske Corporation will terminate the existing stockholders agreement relating to our common stock and Mitsui and the Penske affiliated entities will enter into a new stockholders agreement. In addition, we are granting registration rights to Mitsui, and Mitsui and the Penske affiliated entities are agreeing to certain standstill provisions in our favor, all as more fully described below and in the agreements attached to this proxy statement.

Our Board of Directors has approved the proposed transaction, after having received a unanimous recommendation for approval from the disinterested members of our Board. We have obtained a fairness opinion from McDonald Investments Inc. that the consideration to be received by the Company in the proposed sale of stock to Mitsui is fair to the Company from a financial point of view.

New York Stock Exchange Requirements. Stockholder approval of the issuance of shares of common stock in this transaction is required by the New York Stock Exchange rules since our common stock is listed on the New York Stock Exchange. Under these rules, because Mitsui currently owns 3,170,349 shares, or 7.6% of our outstanding common stock, and they have a representative on our Board of Directors, they may be deemed a related party of ours and the NYSE requires that certain issuances of shares, including the proposed issuance, to related parties be approved by stockholders. Under the New York Stock Exchange rules, approval by a majority of the stockholder votes cast at the Special Meeting is required before we can issue the shares of common stock under the Purchase Agreement.

Background. We are currently a party to a stockholders agreement between us, International Motor Cars Group, I, L.L.C. (IMCGI), International Motor Cars Group II, L.L.C. (IMCGII), Mitsui, Penske Corporation and Penske Automotive Holdings Corp. We refer to IMCGI, IMCGII, Penske Corporation and Penske Automotive Holdings Corp. as the Penske affiliated companies. As a condition to this transaction, the existing stockholders agreement will be terminated. Roger S. Penske, our Chairman of the Board and Chief Executive Officer, is also Chairman of the Board and Chief Executive Officer of Penske Corporation and through the Penske affiliated companies, our largest stockholder.

The Transaction Documents. The following is a summary of the documents and terms relating to this transaction. Copies of the Purchase Agreement, the form of Registration Rights Agreement and the form of Stockholders Agreement are attached as annexes to this proxy statement. This summary is qualified in its entirety by reference to these documents. You should read these documents for a complete understanding of the proposed transaction. Our current stockholders agreement and the current registration rights agreement with Mitsui are each summarized under Related Party Transactions below, and have been filed previously as exhibits to our reports filed with the Securities and Exchange Commission.

The Purchase Agreement. The Purchase Agreement provides that we will sell 4,050,000 shares of our common stock to Mitsui in exchange for \$119,434,500, or \$29.49 per share. This per share price is the average of the closing trading prices on the New York Stock Exchange of our common stock for the twenty business days prior to signing the Purchase Agreement. The transaction is subject to customary closing conditions (which may be waived) as well as: (1) expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; and (2) approval of our stockholders, as more fully

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discussed above under New York Stock Exchange Requirements. If these conditions are not satisfied, then the sale of the shares will not occur. While we expect the parties to satisfy all of the closing conditions, we cannot assure you that this transaction will be consummated.

The Purchase Agreement also contains other agreements between the parties. The Penske affiliated companies and Mitsui have agreed to certain standstill provisions. Until termination of the new Stockholders Agreement, among other things and with some exceptions, the parties have agreed not to acquire or seek to acquire any of our capital stock or assets, enter into or propose business combinations involving us, participate in a proxy contest with respect to us or initiate or propose any stockholder proposals with respect to us. Notwithstanding the prior sentence, the Purchase Agreement permits (1) any transaction approved by either a majority of disinterested members of the Board of Directors or a majority of the disinterested stockholders, (2) in the case of Mitsui, the acquisition of securities if, after giving effect to such acquisition, the beneficial ownership in us is less than or equal to 49%, (3) in the case of the Penske affiliated companies, the acquisition of securities if, after giving effect to such acquisition, the beneficial ownership in us is less than or equal to 65%, and (4) the acquisition of securities resulting from equity grants by the Board of Directors to individuals for compensatory purposes.

Assuming consummation of this transaction, Mitsui will own approximately 15.8 percent of our outstanding common stock and the Penske affiliated companies will own approximately 40.1 percent of our outstanding common stock. We have also agreed to grant Mitsui the right to an observer to our Board of Directors as long as they own at least 2.5% of our outstanding common stock, and the right to have an appointee designated as a senior vice president of the Company, as long as they own at least 10% of our outstanding common stock. We also agreed not to take any action that would restrict the ability of a stockholder to propose, nominate or vote for any person as a director of us, subject to certain limitations. The Purchase Agreement is attached to this proxy statement as Annex A.

The Registration Rights Agreement. In connection with the sale of the shares, we have agreed to amend and restate our existing registration rights agreements with Mitsui. Under prior agreements, if we propose to register any of the Penske affiliated company registrable securities as a result of a demand pursuant to the Penske registration rights agreements, Mitsui is entitled to request inclusion of all or any part of its common stock in any registration of securities by us on Forms S-1, S-2 and S-3 under the Securities Act.

Under the new amended and restated agreement, Mitsui will retain these rights as to any similar equity offering by the Company, including a Penske registration. In addition, pursuant to the new agreement, Mitsui may require us on two occasions to register all or part of their common stock. We have agreed to pay all expenses (subject to some limitations) incident to the registration and disposition of the securities registered pursuant to the Registration Rights Agreement (other than underwriting discounts and commissions). The Penske affiliated companies will be entitled to include securities in any registration demanded by Mitsui based on amounts set forth in the Registration Rights Agreement. The form of Registration Rights Agreement is attached to Annex B.

The Stockholders Agreement. We are currently party to a stockholders agreement with the Penske affiliated companies and Mitsui, which will be terminated if this transaction is completed. The existing stockholders agreement requires that the parties (other than us) vote their shares of common stock to elect Roger S. Penske, four additional persons nominated by the Penske entities, one person nominated by Mitsui and three independent persons as our directors. The Penske entities' nominees to the Board of Directors are Richard J. Peters, James A. Hislop and Eustace W. Mita. The Penske entities are entitled to nominate one more director. Motokazu Yoshida is the nominee to the Board of Directors by Mitsui. In addition, those parties have also agreed to use their reasonable best efforts to have our compensation committee of our Board of Directors consist of Roger S. Penske, one additional designee of the Penske entities and two independent directors. The Penske entities have not designated a member of our compensation committee and Mr. Penske does not currently serve on our compensation committee.

Also under the existing agreement, among other matters, the Penske entities agreed that if they transfer any shares, other than to certain permitted transferees or affiliates, Mitsui would be entitled to tag along by transferring a pro rata amount of their shares upon similar terms and conditions.

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If the sale of stock by the Company to Mitsui is completed, the existing stockholders agreement will be terminated and Mitsui and the Penske affiliated companies will enter into a new Stockholders Agreement. Under the new Stockholders Agreement, the Penske affiliated companies will agree to vote their shares for one director who is a representative of Mitsui. In turn, Mitsui will agree to vote their shares for up to fourteen directors voted for by the Penske affiliated companies. In addition, the tag-along right contained in the existing stockholders agreement and discussed above will be renewed, subject to the right of the Penske affiliated companies to transfer, in the aggregate, up to five percent of their current ownership without complying with the tag-along provisions. This agreement terminates on its tenth anniversary, upon the mutual consent of the parties or when either party no longer owns any of our common stock. The form of Stockholders Agreement is attached as Annex C.

Certain Considerations. While the disinterested members of the Board of Directors (as well as the full Board of Directors) believes that the issuance of common stock in the proposed transaction in exchange for the agreed upon purchase price is advisable and in the best interests of the Company and its stockholders, you should consider the following factors, together with the other information contained in this proxy statement, in evaluating this proposal.

Parties Are Significant Stockholders. If our stockholders approve the issuance of common stock in the proposed transaction, Mitsui will hold approximately 15.8% of our outstanding common stock and the Penske affiliated companies will hold approximately 40.1% of our outstanding common stock. As significant stockholders, these parties will be able to significantly influence matters submitted to our stockholders for a vote, especially the election of directors. These parties have agreed under the Purchase Agreement to certain restrictions on their actions relating to proposals or transactions not approved by the disinterested members of the Board of Directors that would result in a change of control of the Company. See The Purchase Agreement.

Related Parties. This transaction involves the issuance of shares to a related party and, in connection with this transaction, the Penske affiliated companies and Mitsui are entering into a new Stockholders Agreement. Roger S. Penske, our Chairman of the Board and Chief Executive Officer is also Chairman of the Board and Chief Executive Officer of Penske Corporation and through the Penske affiliated companies, our largest stockholder. James A. Hislop, one of our directors, is the President, Chief Executive Officer and a managing member of Penske Capital Partners (which is the managing member of IMCGI and IMCGII), a director of Penske Corporation and a managing director of Transportation Resource Partners, an organization affiliated with Roger S. Penske which undertakes investments in transportation related industries. Richard J. Peters, one of our directors, is a director of Penske Corporation and a managing director of Transportation Resource Partners. Eustace W. Mita is an appointee to the Board of Directors of the Penske entities under the existing stockholders agreement and is an investor in Transportation Resource Partners. Robert H. Kurnick, Jr., our General Counsel, is also the President and a director of Penske Corporation and Paul F. Walters, our Executive Vice President Human Resources serves in a similar capacity for Penske Corporation. As a result, Messrs. Penske, Hislop, Peters, Mita, Kurnick and Walters have indirect interests in the Penske affiliated companies. Mr. Yoshida, one of our directors, is a representative to the Board of Mitsui under the existing stockholders agreement. As a result, Mr. Yoshida may be deemed to have an indirect interest in the purchasers. For a complete summary of these relationships, see Related Party Transactions.

Possible Effect on Market Price. Under the Registration Rights Agreement, Mitsui will have certain demand and piggyback registration rights in connection with the resale of their shares. These registration rights will facilitate the resale of the shares into the public market and, if Mitsui sells shares, increase the number of shares of common stock available for public trading. Resales of the shares issued could create downward pressure on the market price of the common stock. In addition, the issuance of additional shares will be dilutive to our earnings per share, which may create downward pressure on the market price of the common stock.

The Board of Directors has considered these potential disadvantages and concluded that they were outweighed by the advantages gained by the Company from the Purchase Agreement, including the \$119,434,500 of cash proceeds resulting from the sale of common stock.

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Potential Consequences If the Proposal Is Not Approved. We may use the proceeds from the sale of the shares to Mitsui to reduce our financial leverage, which will assist us in accomplishing our business objectives. If stockholder approval is not obtained for this proposal, we will not receive the \$119,434,500 of sale proceeds and we may seek alternative sources of financing. There can be no assurance regarding the availability or terms of any such alternative financing, and the Company could be adversely affected if it is unable to obtain such other financing or if the terms of any such additional financing are not as favorable to the Company as the terms of the Purchase Agreement.

Vote Required for Approval. Assuming the presence of a quorum, the affirmative vote of a majority of the shares of common stock present in person or by proxy and voting will be required for the approval of issuance of the common stock. Abstentions and broker non-votes with respect to voting on this matter will have the effect of a negative vote. Unless a contrary instruction is indicated, we plan to vote all proxies solicited hereby in favor of this proposal.

Board of Directors Recommendation. The Board of Directors of the Company reviewed and considered the proposed transaction and issuance of shares. The Board of Directors unanimously approved the transaction, after receiving the unanimous recommendation of its members who were viewed to be disinterested (unrelated to the Company, Mitsui and the Penske affiliated companies), who deliberated separately to provide their recommendation. These independent directors, and our Board as a whole, believe that it is desirable and in the best interest of the Company and our stockholders to consummate the proposed issuance and sale of the common stock. As required by the terms of our indenture governing the 9.625% Senior Subordinated Notes due 2012, we have received the opinion of McDonald Investments Inc. as financial advisor to the Company, that the consideration received in the transaction is fair to us from a financial point of view. A copy of the fairness opinion, setting forth the information reviewed, assumptions made, and matters considered, is attached to this Proxy Statement as Annex D.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU

VOTE FOR APPROVAL OF THIS PROPOSAL

DESCRIPTION OF CAPITAL STOCK

Overview. Our authorized capital stock consists of (a) 80,000,000 shares of voting common stock, par value \$0.0001 per share, (b) 7,125,000 shares of non-voting common stock, par value \$0.0001 per share, (c) 20,000,000 shares of class C common stock, par value \$0.0001 per share, and (d) 100,000 shares of preferred stock, par value \$0.0001 per share. As of February 16, 2004, we had 41,787,121 outstanding shares of voting common stock, and no outstanding shares of non-voting common stock, class C common stock or preferred stock.

The following summary of the material terms and provisions of our capital stock is not complete and is subject to the terms included in our restated certificate of incorporation, our by-laws and Delaware law. Reference is made to those documents and to Delaware law for a detailed description of the provisions summarized below.

Common Stock. Each outstanding share of our common stock is identical in all respects and entitles its holder to the same rights and privileges, except as otherwise described below. Holders of shares of common stock do not have preemptive or other rights to subscribe for additional shares of common stock or for any other securities of our company.

Voting Common Stock. Each holder of voting common stock is entitled to one vote per share on all matters to be voted on by our stockholders. In addition, any stockholder that is a regulated stockholder (as defined below) may at any time convert their shares of voting common stock into an equal number of shares of non-voting common stock in order to comply with applicable regulatory requirements.

Non-Voting Common Stock. We currently have no outstanding shares of non-voting common stock. Holders of non-voting common stock are generally not entitled to vote that stock on any matter on which our stockholders are entitled to vote.

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Holders of non-voting common stock can vote as a separate class on any merger or consolidation of our company with or into another entity or entities, or any recapitalization or reorganization, in which shares of non-voting common stock would receive or be exchanged for consideration different on a per share basis from the consideration received with respect to or in exchange for the shares of voting common stock or would otherwise be treated differently from shares of voting common stock in connection with such transaction, except that shares of non-voting common stock may, without such a separate class vote, receive non-voting securities which are otherwise identical to the voting securities received with respect to voting common stock so long as (1) the non-voting securities are convertible into the voting securities on the same terms as the non-voting common stock is convertible into voting common stock and (2) all other consideration is equal on a per share basis. Holders of shares of non-voting common stock can vote as a separate class on any amendment to provisions contained in this paragraph.

Holders of non-voting common stock may at any time convert any or all of their shares into an equal number of shares of voting common stock. However, a holder of non-voting common stock may not convert their shares if, as a result of that conversion, the holder would control (1) more shares of our voting common stock or other securities than the holder is permitted to own pursuant to any regulation applicable to it or (2) with respect to holders regulated by state insurance law, 5% or more of our voting capital stock. However, the shares of non-voting common stock may be converted into voting common stock if the holder believes that such converted shares will be transferred within 15 days pursuant to a conversion event and the holder agrees not to vote such shares of voting common stock prior to the conversion event and undertakes to convert such shares back into non-voting common stock if such shares are not transferred pursuant to a conversion event. A conversion event includes a public offering by us and certain changes of control of our company.

We may not convert or directly or indirectly redeem, purchase or otherwise acquire any shares of voting common stock or any other class of our capital stock or take any other action affecting the voting rights of such shares if such action will increase the percentage of any class of outstanding voting securities owned or controlled by any regulated stockholder, unless we give written notice of such action to each regulated stockholder. We must defer making any such conversion, redemption, purchase or acquisition for a period of 30 days after giving notice to the regulated stockholders.

We may not be a party to any reorganization, merger or consolidation pursuant to which any regulated stockholder would be required to take (1) any voting securities that would cause such holder to violate any law, regulation or other governmental requirement or (2) any securities convertible into voting securities which if such conversion occurred would cause such holder to violate any law, regulation or governmental requirement.

Class C Common Stock. If any class C common stock is issued, each holder of class C common stock would be entitled to one-tenth of one vote for each share of class C common stock held by such holder. We currently have no outstanding shares of class C common stock.

The holders of shares of voting common stock and class C common stock and, on any matter on which the holders of shares of non-voting common stock are entitled to vote, the holders of shares of non-voting common stock, all vote together as a single class; provided, however, that the holders of shares of non-voting common stock or class C common stock are entitled to vote as a separate class on any amendment, repeal or modification of any provision of the certificate of incorporation that adversely affect the powers, preference or special rights of the holders of the non-voting common stock or class C common stock, respectively.

For purposes of this section, regulated stockholder includes any stockholder that is subject to Regulation Y.

Preferred Stock. We currently have no outstanding shares of preferred stock. Our Board of Directors is authorized to issue preferred stock in one or more series, to establish the number of shares to be included in each series, to fix the designations, powers, preferences and rights of the shares of each series and to impose any qualifications, limitations or restrictions of each series. The board may, among other things, determine with respect to each series of preferred stock specific voting rights, designations, dividend rights (and whether dividends are cumulative), dividend rates, terms of redemption (including sinking fund provisions),

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redemption price or prices, conversion rights and liquidation preferences. Because the Board of Directors will have the power to establish the preferences and rights of the shares of any series of preferred stock without any further action or vote by the stockholders, the board may afford the holders of any series of preferred stock preferences, powers and rights, including voting rights, senior to the rights of the holders of common stock.

One of the effects of undesignated preferred stock may be to enable the Board of Directors to render more difficult, discourage or prevent an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise and thereby protect the continuity of our current management. The issuance of shares of the preferred stock pursuant to the Board of Directors' authority may adversely affect the rights of holders of common stock.

Limitation on Liability and Indemnification Matters. Our certificate of incorporation limits the liability of our directors to our company and our stockholders to the fullest extent permitted by Delaware law. Specifically, our directors are not personally liable for money damages for breach of fiduciary duty as a director, except for liability

under Section 174 of the Delaware General Corporation Law, which concerns unlawful payments of dividends, stock purchases or redemptions;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

for any breach of the director's duty of loyalty to us or our stockholders; and

for any transaction from which the director derived an improper personal benefit.

Our certificate of incorporation and bylaws also contain provisions indemnifying our directors, officers, employees and agents to the fullest extent permitted by Delaware law. The indemnification permitted under Delaware law is not exclusive of any other rights to which such persons may be entitled under our bylaws, any agreement, a vote of stockholders or otherwise.

In addition, we maintain directors' and officers' liability insurance to provide our directors and officers with insurance coverage for losses arising from claims based on breaches of duty, negligence, error and other wrongful acts.

Anti-takeover Effects of Our Certificate of Incorporation and By-laws and Provisions of Delaware Law. A number of provisions in our certificate of incorporation, by-laws and Delaware law may make it more difficult to acquire control of us by various means. These provisions could deprive the stockholders of opportunities to realize a premium on the shares owned by them. In addition, these provisions may adversely affect the prevailing market price of the common stock. These provisions are intended to:

enhance the likelihood of continuity and stability in the composition of the board and in the policies formulated by the board;

discourage certain types of transactions which may involve an actual or threatened change in control of us;

discourage certain tactics that may be used in proxy fights;

encourage persons seeking to acquire control of us to consult first with the Board of Directors to negotiate the terms of any proposed business combination or offer; and

reduce our vulnerability to an unsolicited proposal for a takeover that does not contemplate the acquisition of all of our outstanding shares or that is otherwise unfair to our stockholders.

Staggered Board. Our certificate of incorporation and by-laws provide that the number of our directors shall be fixed from time to time by a resolution of a majority of our Board of Directors. Our certificate of incorporation and by-laws also provide that the Board of Directors shall be divided into three classes. The members of each class of directors serve for staggered three-year terms. In accordance with Delaware law, directors serving on classified boards of directors may only be removed from office for cause. The classification

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of the board has the effect of requiring at least two annual stockholder meetings, instead of one, to replace a majority of the members of the board. A supermajority vote of the stockholders is required to amend the staggered board provision.

Our certificate of incorporation provides that the staggered board provision only applies to directors elected by holders of voting common stock. If holders of any class of our capital stock obtain the right to elect directors voting as a separate class, the maximum number of directors will be increased by the number of directors whom those holders may elect and upon termination of such right the number will be reduced to the extent it was previously increased.

No Stockholder Action Without a Meeting. Our certificate of incorporation and by-laws provide that stockholders may only take action at an annual or special meeting.

Special Meetings of Stockholders. Our bylaws provides that special meetings of our stockholders may be called only by the Board of Directors, the chairman of the board or the chief executive officer and must be called by the chief executive officer only upon the request of the holders of a majority of the outstanding shares of capital stock entitled to vote. This limitation on the right of stockholders to call a special meeting could make it more difficult for stockholders to initiate actions that are opposed by the Board of Directors, the chairman of the board or the chief executive officer. These actions could include the removal of an incumbent director or the election of a stockholder nominee as a director. They could also include the implementation of a rule requiring stockholder ratification of specific defensive strategies that have been adopted by the Board of Directors with respect to unsolicited takeover bids. In addition, the limited ability of the stockholders to call a special meeting of stockholders may make it more difficult to change the existing board and management.

Issuance of Preferred Stock. The ability of our board to establish the rights and issue substantial amounts of preferred stock without the need for stockholder approval, while providing desirable flexibility in connection with possible acquisitions, financings and other corporate transactions, may among other things, discourage, delay, defer or prevent a change in control of us.

Authorized But Unissued Shares of Common Stock. The authorized but unissued shares of common stock may be available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including public offerings to raise capital, acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Section 203 of the Delaware General Corporation Law. We must comply with the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

A business combination includes a merger, consolidation, sale or other disposition of assets having an aggregate value in excess of 10% of the consolidated assets of the corporation and some transactions that would increase the interested stockholder's proportionate share ownership in the corporation. An interested stockholder is a person who, together with affiliates and associates, owns, or, in some cases, within three years prior, did own, 15% or more of the corporation's voting stock. Under Section 203, a business combination between us and an interested stockholder is prohibited unless it satisfies one of the following three conditions:

our Board of Directors must have previously approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding, for purposes of determining the number of shares outstanding, shares owned by (1) persons who are directors and also officers and (2) employee stock plans, in some instances; and

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the business combination is approved by a majority of our Board of Directors and authorized at an annual or special meeting of the stockholders by the affirmative vote of the holders of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

**SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information with respect to the beneficial ownership of our voting common stock as of February 17, 2004 by (1) each person, known to us to own more than five percent of our voting common stock, (2) each of our directors, (3) our Chief Executive Officer and four other most highly compensated executive officers and (4) all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Commission and includes voting and investment power with respect to shares. Applicable percentage of ownership is based on 41,787,121 shares of common stock outstanding and does not include the 4,050,000 shares proposed to be issued to Mitsui. Unless otherwise indicated, each person identified in the table below has sole voting and dispositive power with respect to the common stock beneficially owned by that person.

Beneficial Owner	Shares Beneficially Owned(1)	
	Number	Percent
Penske Capital Partners, L.L.C.(2)(3) One Harmon Plaza, Ninth Floor Secaucus, NJ 07094	7,657,282	18.3%
Penske Corporation(2)(3)(4) 2555 Telegraph Road Bloomfield Hills, MI 48302-0954	18,737,513	44.8%
Mitsui(5) 2-1, Ohtemachi 1-chome, Chiyoda-ku Tokyo, Japan	3,170,349	7.6%
John Barr	2,500	*
Samuel X. DiFeo(6)	427,367	1%
Michael R. Eisenson	0	*
James A. Hislop(7)	7,889,719	18.9%
Eustace W. Mita	408,954	1%
Lucio A. Noto	5,832	*
Roger S. Penske(8)	19,402,242	45.9%
Richard J. Peters	101,462	*
Ronald G. Steinhart	8,250	*
H. Brian Thompson	11,137	*
Motokazu Yoshida(9)	3,170,349	7.6%
James R. Davidson(10)	27,020	*
Robert H. Kurnick, Jr.(11)	44,479	*
Laurence Vaughan(12)	26,667	*
Paul F. Walters(13)	32,966	*
All directors and executive officers as a group (15 persons)	23,549,671	55.25%

* Less than 1%

- (1) Pursuant to the regulations of the Commission, shares are deemed to be beneficially owned by a person if such person directly or indirectly has or shares the power to vote or dispose of such shares. Each person is deemed to be the beneficial owner of securities which may be acquired within sixty days

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through the exercise of options, warrants, and rights, if any, and such securities are deemed to be outstanding for the purpose of computing the percentage of the class beneficially owned by such person. However, any such shares are not deemed to be outstanding for the purpose of computing the percentage of the class beneficially owned by any other person, except as noted.

- (2) Penske Capital has voting power with respect to 7,657,282 shares of common stock, consisting of 7,592,792 shares of common stock held by International Motor Cars Group I, L.L.C. (IMCGI) and 64,490 shares of common stock held by International Motor Cars Group II, L.L.C. (IMCGII), in each case subject to the terms of the Second Amended and Restated Stockholders Agreement among various of our stockholders and us, dated as of February 22, 2002 (the existing stockholders agreement). Penske Capital is the managing member of each of IMCGI and IMCGII. The managing members of Penske Capital are Roger Penske and James A. Hislop. Penske Capital is obligated to cause IMCGI and IMCGII to make special distributions to each of their members in connection with the sale of those securities by the members. The non-managing member of IMCGI is Penske Corporation.
- (3) Penske Capital, IMCGI, IMCGII, and Penske Corporation each disclaim beneficial ownership of the shares owned by the others that may be deemed to exist pursuant to the existing stockholders agreement.
- (4) Penske Corporation is the direct beneficial owner of 10,694,021 shares of common stock, which it has shared power to vote and dispose together with a wholly owned subsidiary, and the beneficial owner of up to 7,478,386 shares which are held by IMCGI. This number will be reduced in connection with each distribution of shares to Penske Corporation by the number of shares representing any carried interest attributable to the managing member pursuant to the operating agreement of IMCGI. Penske Corporation also has shared voting power over 565,106 shares under voting agreements.
- (5) Represents the 634,070 shares held by Mitsui & Co., (U.S.A.), Inc. and 2,536,279 shares held by Mitsui & Co., Ltd., and does not include the 4,050,000 shares to be issued in the proposed transaction. Assuming such shares were issued and outstanding, Mitsui would own 7,220,349 shares and be the beneficial owner of 15.8% of the outstanding shares.
- (6) Includes options to purchase 313,667 shares of common stock that are exercisable within 60 days of the Record Date.
- (7) Includes the 7,657,282 shares deemed to be beneficially owned by Penske Capital. Mr. Hislop is a managing member of Penske Capital. Mr. Hislop disclaims beneficial ownership of the shares beneficially owned by Penske Capital.
- (8) Includes the 7,657,282 shares deemed to be beneficially owned by Penske Capital, for which shares Mr. Penske may be deemed to have shared voting power, an additional 11,259,127 shares deemed to be beneficially owned by Penske Corporation, for which shares Mr. Penske may be deemed to have shared voting and shared dispositive power, and options to purchase 453,333 shares that are exercisable within 60 days of the Record Date. Mr. Penske is a managing member of Penske Capital and the Chairman and Chief Executive Officer of Penske Corporation. Mr. Penske disclaims beneficial ownership of the shares beneficially owned by Penske Capital and Penske Corporation.
- (9) Represents the shares held by Mitsui, not including any shares to be issued in the proposed transaction. See note (5). Mr. Yoshida is a representative of Mitsui to our Board of Directors and serves as the Executive Managing Officer and Chief Operating Officer, Motor Vehicles, Marine and Aerospace Business Unit of Mitsui & Co., Ltd. Subject to the existing stockholders agreement, Mitsui has sole voting and dispositive power with respect to the common stock. Mr. Yoshida disclaims beneficial ownership of the shares held by Mitsui.
- (10) Includes 17,000 shares issuable upon the exercise of options that are vested and exercisable within 60 days of the Record Date and 500 shares held by Mr. Davidson's wife. Mr. Davidson disclaims beneficial ownership of all shares held by his wife.
- (11) Includes 20,833 shares issuable upon the exercise of options that are vested and exercisable within 60 days of the Record Date.

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- (12) Includes 13,667 shares issuable upon the exercise of options that are vested and exercisable within 60 days of the Record Date.
- (13) Includes 17,500 shares issuable upon the exercise of options that are vested and exercisable within 60 days of the Record Date.

RELATED PARTY TRANSACTIONS

Mitsui currently owns 3,170,349 shares, or 7.6% of our outstanding common stock. We are proposing to issue and sell to Mitsui an additional 4,050,000 shares, representing approximately 9.7% of our outstanding shares. Mitsui, because of its existing ownership and its rights under the existing stockholders agreement, as discussed below, may be deemed a related party of ours under the New York Stock Exchange rules.

In connection with this transaction, Mitsui and entities affiliated with Roger S. Penske, our Chairman of the Board and Chief Executive Officer, are entering into a new stockholders agreement as described above under Proposal I. Roger S. Penske, our Chairman of the Board and Chief Executive Officer is also Chairman of the Board and Chief Executive Officer of Penske Corporation, and through entities affiliated with Penske Corporation, our largest stockholder. We are currently a party to a stockholders agreement between us, International Motor Cars Group I, L.L.C. (IMCGI), International Motor Cars Group II, L.L.C. (IMCGII), Mitsui, Penske Corporation and Penske Automotive Holdings Corp. We refer to IMCGI, IMCGII, Penske Corporation and Penske Automotive Holdings Corp. as the Penske affiliated companies. As a condition to this transaction, the existing stockholders agreement will be terminated.

Other Related Party Interests. James A. Hislop, one of our directors, is the President, Chief Executive Officer and a managing member of Penske Capital Partners (who is the managing member of IMCGI and IMCGII), a director of Penske Corporation and a managing director of Transportation Resource Partners, an organization affiliated with Roger S. Penske which undertakes investments in transportation related industries. Mr. Penske also is a managing member of Penske Capital Partners. Richard J. Peters, one of our directors, is a director of Penske Corporation and a managing director of Transportation Resource Partners. Eustace W. Mita is an appointee to the Board of Directors of the Penske related entities under the existing stockholders agreement and an investor in Transportation Resources Partners. Robert H. Kurnick, Jr., our Executive Vice President, General Counsel and Secretary, is also the President and a director of the Penske Corporation and Paul F. Walters, our Executive Vice President - Human Resources serves in a similar capacity for Penske Corporation. As a result, Messrs. Penske, Hislop, Peters, Mita, Kurnick and Walters each have indirect interests in the Penske affiliated companies. Mr. Yoshida, one of our directors, is a representative to the Board of Mitsui under the existing stockholders agreement. As a result, Mr. Yoshida may be deemed to have an indirect interest in Mitsui.

Existing Stockholders Agreement. On February 22, 2002, we entered into a second amended and restated stockholders agreement (superseding the February 28, 2001 stockholders agreement) (existing stockholders agreement) with Aeneas Venture Corporation (AVC), IMCGI and IMCGII (the PCP Entities), Mitsui & Co., Ltd. and Mitsui & Co. (U.S.A.), Inc. (together, Mitsui), Penske Corporation, Penske Automotive Holdings Corp., and Penske Capital Partners, L.L.C., J.P. Morgan Partners (BHCA), L.P. (JPMP) (as to certain sections only) and Combined Specialty Insurance Company (formerly Virginia Surety Company, Inc.) (AON) (as to certain sections only). The rights and obligations of AVC, JPMP and AON under the existing stockholders agreement have terminated.

Pursuant to the existing stockholders agreement, the remaining parties have agreed to vote their shares of common stock to elect Roger S. Penske, four additional persons nominated by the PCP Entities, one person nominated by Mitsui and three independent persons as our directors. The PCP Entities nominees to the Board of Directors are Richard J. Peters, James A. Hislop and Eustace W. Mita. The PCP entities are entitled to elect one more director. Motokazu Yoshida is the nominee to the Board of Directors by Mitsui. The remaining parties have also agreed to use their reasonable best efforts to have our compensation committee of the Board of Directors consist of Roger S. Penske, one additional designee of the PCP Entities and two independent directors. The PCP Entities have not designated a member of the compensation committee and Mr. Penske does not currently serve on the compensation committee.

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If the beneficial ownership in us of the Penske affiliated entities is reduced below 20%, the number of designees of the PCP Entities will be reduced by one for each 2.5% decrease in beneficial ownership. In addition, the right of the PCP Entities to designate directors will be suspended when the beneficial ownership in us of the PCP Entities and Penske is reduced below 10%. The right of Mitsui to designate a director will be suspended when Mitsui's beneficial ownership is reduced to below 2.5%. If the right of the PCP Entities or Mitsui to nominate directors is reduced, the remaining parties must use their reasonable best efforts to have the successors to those directors both be selected by a majority of the remaining directors, excluding the director whose position is no longer entitled to be designated by Mitsui or the PCP Entities, and not be affiliates of the PCP Entities. These provisions regarding board membership terminate in February 2005. This agreement will be amended and restated as discussed above under Proposal I if the transaction is approved.

Existing Registration Rights Agreements. On May 3, 1999, we and the PCP Entities entered into a registration rights agreement and on December 22, 2000, we and Penske Automotive Holdings Corp., a subsidiary of Penske Corporation, entered into a registration rights agreement. Pursuant to these agreements, the PCP Entities and Penske Corporation each may require us on three occasions to register all or part of their common stock. The PCP Entities and Penske Corporation are also entitled to request inclusion of all or any part of their common stock in any registration of securities by us on Forms S-1, S-2 and S-3 under the Securities Act.

On February 22, 2002, we and Mitsui entered into an amended and restated registration rights agreement. Pursuant to the agreement, if we propose to register any of the Penske Corporation or PCP Entities registrable securities as a result of a demand pursuant to the Penske registration rights agreements, Mitsui is entitled to request inclusion of all or any part of its common stock in any registration of securities by us on Forms S-1, S-2 and S-3 under the Securities Act. This agreement will be amended and restated as discussed above under Proposal I if the transaction is approved.

We have agreed to pay all expenses (subject to some limitations) incident to the registration and disposition of the securities registered pursuant to the registration rights agreements (other than underwriting discounts and commissions).

CarsDirect.com. In May 2000, we, along with Penske Automotive Group, Inc., an automobile dealership company controlled by Roger S. Penske, entered into an Operating Agreement with CarsDirect.com, Inc. whereby Penske Automotive Group and we supply vehicles to CarsDirect.com at pre-negotiated prices through Penske Automotive Group's and our respective franchised vehicle dealers. During the term of the Operating Agreement, CarsDirect.com will offer the franchised vehicle dealers of Penske Automotive Group or the Company with the closest geographic proximity to the customer the first opportunity to supply the vehicle purchased through their website. In addition, Penske Automotive Group and we separately provide CarsDirect.com with daily vehicle inventory information.

As consideration for entering into the Operating Agreement, CarsDirect.com granted to Penske Automotive Group and us warrants to purchase 3,650,000 shares of Series D Preferred Stock of CarsDirect.com at a per share purchase price of \$15.76, which vest and become exercisable annually based upon certain sales milestones under the Operating Agreement. We and Penske Automotive Group have agreed to allocate the warrants after they vest in proportion to our relative sales to CarsDirect.com under the Operating Agreement.

Other Transactions. From time to time, we pay and/or receive fees from Penske Corporation and its affiliates for services rendered in the normal course of business, including rents paid to Automotive Group Realty, LLC (AGR), as described below, payments to third parties made by Penske Corporation on behalf of us, for which we then reimburse Penske Corporation, payments relating to the use of aircraft from Penske Aviation Services, and payment of a racing sponsorship to Penske Racing. These transactions reflect the provider's cost or an amount mutually agreed upon by both parties. We believe that the payments relating to these transactions are on terms at least as favorable as those that could be obtained from an unaffiliated third party negotiated on an arm's length basis. Aggregate payments relating to such transactions, amounted to \$9.7 million in 2003, excluding the payments to AGR discussed below.

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We are currently a tenant under a number of non-cancelable lease agreements with Samuel X. DiFeo and members of his family. Mr. DiFeo is our President and Chief Operating Officer and one of our directors. During 2003, we paid \$5.5 million to Mr. DiFeo and his family under these lease agreements. We believe that the terms of these transactions are at least as favorable as those that could be obtained from an unaffiliated third party negotiated on an arm's length basis.

We are currently a tenant under a number of non-cancelable lease agreements with AGR. AGR is a wholly-owned subsidiary of Penske Corporation. During 2003, we paid \$4.6 million to AGR under these lease agreements. In addition, in 2003 we sold AGR real property and improvements for \$13.1 million which were subsequently leased by AGR to us. The sale of each parcel of property was valued at a price which was either independently confirmed by a third party appraiser or at the price for which we purchased the property from an independent third party. We believe that the terms of these transactions are at least as favorable as those that could be obtained from an unaffiliated third party negotiated on an arm's length basis.

We are also party to operating agreements with Roger S. Penske, Jr., the son of Roger S. Penske, reflecting (1) the 2001 purchase by Mr. Penske, Jr. of 10% of one of our subsidiaries, HBL, LLC, and (2) the 2000 purchase by Mr. Penske, Jr. of 4.7% of one of our subsidiaries, United Auto do Brasil, Ltda., of which we own 90.6%.

From time to time, we provide these subsidiaries with working capital and other debt financing and make periodic pro rata distributions from these subsidiaries to Mr. Penske, Jr., which in 2003 totaled seven hundred thousand dollars. For 2003, Mr. Penske, Jr., received total compensation from us of one million nine hundred ninety thousand dollars in his capacity as our Regional President and as of July 2003 Executive Vice President Eastern Operations.

In 2003, we employed the sons of Eustace Mita, one of our directors, and James Davidson, our Executive Vice President Finance, at one of our dealerships as sales managers, for which each was compensated in excess of \$60,000 in 2003. We also employ the son-in-law of Paul Walters, our Executive Vice President, Human Resources, as Senior Vice President Manufacturer Relations for which he received in excess of \$60,000 in 2003.

In April 2003, an entity controlled by one of our directors, Lucio A. Noto (the Investor), paid approximately \$1.8 million (including approximately \$0.8 million credited from prior earnings retroactive to March 1, 2001) for a 6.5% interest in one of our subsidiaries, UAG Connecticut I, LLC, which entitles the Investor to 20% of the operating profits of UAG Connecticut I. From time to time, we provide UAG Connecticut I with working capital and other debt financing and make periodic pro rata distributions from UAG Connecticut I to the Investor, which in 2003 totaled \$0.3 million. In addition, the Investor has an option to purchase up to a 20% interest in UAG Connecticut I for specified amounts. The Investor has also guaranteed 20% of UAG Connecticut I's lease obligation to AGR, our landlord of the facility at which the dealership operates. In exchange for that guarantee, the Investor will be entitled to 20% of any appreciation of the property, which appreciation would otherwise accrue to AGR at the time of sale, and the Investor is responsible to AGR for any corresponding depreciation of the property at the time of sale, which obligation shall be secured solely by the Investor's ownership interest in UAG Connecticut I, LLC.

OTHER MATTERS

Stockholder Nominations and Proposals for 2004. Any proposals intended to be presented to stockholders at our 2005 annual meeting of stockholders must be received by us at our principal executive offices at 2555 Telegraph Road, Bloomfield Hills, Michigan 48302-0954 for inclusion in the proxy statement by December 12, 2004. These proposals must also meet other requirements of the rules of the Commission relating to stockholders' proposals. Stockholders who intend to present an item of business at the annual meeting of stockholders in 2005 (other than a proposal submitted for inclusion in our proxy statement) must provide us notice of the business no later than February 15, 2005.

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Proxy Information. We do not anticipate that there will be presented at the special meeting any business other than the approval of the issuance and sale of the shares and the Board of Directors was not aware of any other matters which might properly be presented for action at the meeting. If any other business should properly come before the special meeting, the persons named on the enclosed proxy card will have discretionary authority to vote all proxies in accordance with their best judgment.

Proxies in the form enclosed are solicited by or on behalf of our Board of Directors. We will bear the cost of this solicitation. In addition to the solicitation of the proxies by use of the mails, some of our officers and regular employees, without extra remuneration, may solicit proxies personally, or by telephone or otherwise. In addition, we will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to forward proxies and proxy material to their principals, and we will reimburse them for their expenses in forwarding soliciting materials, which are not expected to exceed \$5,000.

It is important the proxies be returned promptly. Therefore, you are urged to sign, date and return the enclosed proxy card in the accompanying stamped and addressed envelope.

We will provide, at no cost to you, a copy of all documents discussed in this proxy statement upon written or oral request. You may request a copy of these filings by writing or telephoning us at the following address or telephone number:

Corporate Secretary

United Auto Group, Inc.
2555 Telegraph Road
Bloomfield Hills, Michigan 48302-0954
(248) 648-2500

A representative of Deloitte & Touche LLP will be present at the Special Meeting with the opportunity to make a statement and to answer questions.

Dated: February 27, 2004

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ANNEX A

PURCHASE AGREEMENT

by and between

MITSUI & CO., LTD.,

MITSUI & CO. (U.S.A.), INC.,

INTERNATIONAL MOTOR CARS GROUP I, L.L.C.,

INTERNATIONAL MOTOR CARS GROUPS II, L.L.C.,

PENSKE CORPORATION,

PENSKE AUTOMOTIVE HOLDINGS CORP.,

and

UNITED AUTO GROUP, INC.

dated as of

February 16, 2004

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