

AUTONATION INC /FL  
Form 11-K  
June 27, 2006

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**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 11-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED, AS OF OCTOBER 7, 1996)**  
For the fiscal year ended December 31, 2005  
OR
- TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 0-9787
- A. Full title of the plan and address of the plan, if different from that of the issuer named below:  
**AUTONATION 401(K) PLAN**
- B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:  
AUTONATION, INC.  
110 S. E. 6<sup>th</sup> St.  
Fort Lauderdale, Florida 33301
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**AUTONATION  
401(k) PLAN  
FINANCIAL STATEMENTS  
December 31, 2005 and 2004**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Administrator of  
AutoNation 401(k) Plan  
Fort Lauderdale, Florida

We have audited the accompanying statements of net assets available for benefits of AutoNation 401(k) Plan ( the Plan ) as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005 and 2004, and the changes in its net assets available for benefits for the year ended December 31, 2005 in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of assets (held at end of year) is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

The supplementary schedule is the responsibility of the Plan s management. The supplementary schedule has been subjected to the auditing procedures applied in the audit of the basic 2005 financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic 2005 financial statements taken as a whole.

/s/ Crowe Chizek and Company LLC  
Crowe Chizek and Company LLC

Oak Brook, Illinois  
May 22, 2006

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AUTONATION  
401(k) PLAN  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
December 31, 2005 and 2004

	2005	2004
<b>ASSETS</b>		
Cash	\$ 409,642	\$ 266,069
Investments (Notes 3 and 4)	371,727,836	348,427,407
Receivables		
Employer contributions	173,728	346,115
Participant contributions	1,262,185	1,325,237
Total receivables	1,435,913	1,671,352
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$373,573,391</b>	<b>\$350,364,828</b>

See accompanying notes to financial statements.

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AUTONATION  
401(k) PLAN  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
Year ended December 31, 2005

**Additions to net assets attributed to:**

Investment income	
Dividends	\$ 17,421,320
Interest	9,215
Net appreciation in fair value of investments (Note 3)	4,132,386
	21,562,921
Contributions	
Participant	44,046,697
Participant rollovers	1,960,400
Employer	5,901,069
	51,908,166
Other income	189,825
Total additions	73,660,912

**Deductions from net assets attributed to:**

Benefits paid to participants	50,373,374
Distributions due to loan defaults	17,802
Administrative expenses	90,629
Total deductions	50,481,805

**Net increase prior to transfer** 23,179,107

Transfers to Plan (Note 6) 29,456

**Net increase** 23,208,563

**Net assets available for benefits**

Beginning of year 350,364,828

End of year \$373,573,391

See accompanying notes to financial statements.

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AUTONATION  
401(k) PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005 and 2004

**NOTE 1 DESCRIPTION OF PLAN**

**General:** The following description of the AutoNation 401(k) Plan, as amended through December 31, 2005 ( the Plan ), is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan.

The Plan was established effective January 1, 1994 to provide benefits to all eligible employees of AutoNation, Inc. ( the Company , formerly Republic Industries, Inc.) The Plan is a defined contribution plan with a cash or deferred arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended ( IRC ). The Plan is subject to the Employee Retirement Income Security Act of 1974, as amended ( ERISA ). The Employee Benefits Committee, which consists of members of the Company s senior management, is designated as the Plan Administrator.

Although it has expressed no intention to do so, the Company retains the right, if necessary, to terminate the Plan. In the event of the Plan s termination, all amounts credited to participants accounts become fully vested subject to the requirements of ERISA. The Company also retains the right to amend the Plan.

**Eligibility:** Under the terms of the Plan, most employees who are at least 18 years of age are eligible to participate in the Plan immediately upon the date of hire with the Company. However, effective October 1, 2001, any employees employed by the Company after that date due to a business acquisition will not be eligible to participate in the Plan until the first day of the month coincident with or next following three months of service.

The Plan also includes a provision to allow employees of certain subsidiaries of the Company to be eligible for participation in the Plan under these requirements.

**Participant Accounts:** Individual accounts are maintained for each of the Plan s participants to reflect the participant s contributions and related employer matching contributions, as well as the income attributable to the participant s account.

**Contributions and Funding Policy:** Under the provisions of the Plan, participants may direct the Company to defer a portion of their compensation to the Plan, subject to a minimum of 1% and a maximum of 15% of eligible compensation, as defined by the Plan. In 2005, the Plan allowed a participant to direct up to 10% of their contribution to be invested in shares of the Company s common stock. Amounts contributed by participants are fully vested when made. In 2005 and 2004, each eligible participant could contribute up to \$14,000 and \$13,000, respectively, subject to other applicable IRC limitations. During 2005, the Plan also allowed participants that had attained age 50 to make additional contributions to the Plan of up to \$4,000. The Plan allows for rollovers of vested contributions from previous employers qualified plans.

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**NOTE 1 DESCRIPTION OF PLAN (Continued)**

The Company makes an employer matching contribution of \$.50 for each \$1 of employee contributions up to 2% of the employee's eligible compensation. This contribution is made each payroll period by the Company to all participants who are credited with at least one year of service. A participant becomes fully vested in the employer match immediately upon contribution. The employer match is invested in shares of the Company's common stock. Participants are not able to re-direct these contributions until they have completed three years of service with the Company and, as such, these investments are non-participant directed. The employer matching contribution for 2005 was \$5,901,069.

The Company may also make a discretionary contribution to the Plan. The Company did not make a discretionary contribution to the Plan for the 2005 Plan year.

In no event will an attained vesting percentage be curtailed due to any subsequent amendments to vesting provisions.

Loan to Participants: The Plan does not permit participant loans. However, the Plan accepts and services loans transferred from the plans of acquired companies (Note 6 and Note 7).

Investments: The Company entered into an agreement whereby Merrill Lynch Trust Company (the Trustee) has been appointed the trustee of the Plan's assets. Under the terms of the agreement, the Trustee holds and invests the funds of the Plan subject to the direction of the Employee Benefits Committee.

The Plan provided the following investment alternatives for participants in 2005.

Merrill Lynch Equity Index Trust Fund A collective trust that invests in a portfolio of equity securities designed to substantially equal the performance of the Standard & Poor's 500 Composite Stock Price Index.

Merrill Lynch Retirement Preservation Trust Fund A collective trust in which amounts are invested in U.S. Treasury Obligations and U.S. government agency securities and guaranteed investment contracts.

Allianz OCC Renaissance Fund A mutual fund that seeks long-term growth of capital and income. The fund seeks to achieve its investment objective by normally investing at least 65% of its assets in common stocks of companies with below-average valuations whose business fundamentals are expected to improve.

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**NOTE 1 DESCRIPTION OF PLAN (Continued)**

**The Oakmark International Fund** A mutual fund that invests primarily in common stock of non-U.S. companies. The Funds may invest in mature markets and in less developed markets.

**American Century Small Cap Value Inst Fund** A mutual fund that invests in undervalued companies and holds them until their stock price has increased to reflect the fair value of the company.

**AutoNation, Inc. common stock** This option invests exclusively in shares of the Plan Sponsor's common stock.

**PIMCO Total Return Fund** A mutual fund that predominantly invests in a portfolio of debt securities, including U.S. government securities, mortgage-related securities and corporate bonds. The fund may also invest in securities denominated in foreign currencies and certain derivative instruments, contracts or options for the purpose of hedging or increasing its return.

**The Oakmark Fund** A mutual fund that primarily invests in common stock of United States companies. The fund seeks long-term capital appreciation. The fund especially seeks securities that are priced significantly lower than their long-term value. The fund may invest up to 25% of its assets in foreign securities.