

UNITED AUTO GROUP INC

Form DEF 14A

April 12, 2004

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

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

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o 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):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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To Our Stockholders:

You are cordially invited to attend the annual meeting of stockholders of United Auto Group, Inc. to be held at our offices located at 2555 Telegraph Road, Bloomfield Hills, Michigan 48302, on May 21, 2004, at 9:00 a.m., Eastern Daylight time.

I believe the annual meeting provides an excellent opportunity for stockholders to become better acquainted with UnitedAuto and its directors and officers. I hope that you will be able to attend.

Whether or not you plan to attend, submitting your proxy by completing, signing and mailing your proxy card will both assure your shares are represented at the meeting and minimize the cost of proxy solicitation. Thank you for your continued support of UnitedAuto.

Sincerely,

ROGER S. PENSKE
*Chairman of the Board and
Chief Executive Officer*

Bloomfield Hills, Michigan
April 12, 2004

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 21, 2004

We will hold our annual meeting of stockholders at our offices located at 2555 Telegraph Road, Bloomfield Hills, Michigan 48302, on May 21, 2004, at 9:00 a.m., Eastern Daylight time, for the following purposes:

- (1) to approve amendments to our certificate of incorporation and bylaws to eliminate the classification of our Board of Directors;
- (2) to elect eleven directors to serve until the next annual meeting of stockholders, or until their successors are duly elected and qualified;
- (3) solely in the event that the stockholders do not approve Proposal 1 (elimination of our classified Board of Directors), to elect four Class II directors to hold office until the 2007 annual meeting of stockholders or until their respective successors are duly elected and qualified;
- (4) to approve the United Auto Group Management Incentive Plan; and
- (5) to transact such other business as may properly come before the meeting.

Stockholders of record as of April 1, 2004 can vote at the annual meeting and any adjournments of our annual meeting. We will make available for inspection a list of holders of our common stock as of the record date during business hours from May 10, 2004 through May 21, 2004 at our principal executive offices, located at 2555 Telegraph Road, Bloomfield Hills, Michigan 48302. This proxy statement is being distributed on or about April 12, 2004.

Your vote is very important. Please complete, date and sign the enclosed proxy card and return it promptly in the enclosed postage prepaid envelope. Your prompt return of proxy cards will ensure a quorum. You may revoke your proxy and vote personally on all matters brought before the annual meeting.

By Order of the Board of Directors,

SHANE M. SPRADLIN
Secretary

Bloomfield Hills, Michigan
April 12, 2004

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ABOUT THE MEETING

Q. What am I voting on?

- A. Proposal 1: Approval of amendments to our certificate of incorporation and bylaws to eliminate the classification of our Board of Directors.
- Proposal 2: Election of eleven directors to serve until the next annual meeting of stockholders, or until their successors are duly elected and qualified.
- Proposal 3: Solely in the event that the stockholders do not approve Proposal 1 (elimination of our classified Board of Directors), to elect four Class II directors to hold office until the 2007 annual meeting of stockholders or until their respective successors are duly elected and qualified.
- Proposal 4: Approval of the United Auto Group Management Incentive Plan.

Q. Who can vote?

- A. Common stockholders of United Auto Group, Inc. as of the close of business on the record date, April 1, 2004, can vote at the annual meeting. Each share of our common stock gets one vote.

Q. How do I vote before the meeting?

- A. By completing, signing and returning the enclosed proxy card.

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.

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 or (2) 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 elimination of the classified Board of Directors (2) FOR the election of the eleven nominees for director, (3) solely in the event the stockholders do not approve the elimination of the classified Board of Directors, FOR the election of the four nominees for Class II director, (4) FOR the approval of United Auto Group Management Incentive Plan, and (5) in accordance with the best judgment of the named proxies on any other matters properly brought before the meeting.

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 may be voted even 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 election of directors is considered a routine matter for which brokerage firms may vote without specific instructions. The approval of the management incentive plan and elimination of our classified Board of Directors are not routine matters. 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

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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 stockholder s 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. 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. In order for us to conduct our meeting, a majority of our outstanding shares of common stock as of April 1, 2004 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.

Q. How many votes are needed to approve the Company s proposals?

A. The nominees receiving the highest number of For votes will be elected as directors. This number is called a plurality. Shares not voted, whether by marking Abstain on your proxy card or otherwise, will have no impact on the election of directors. Approval of the United Auto Group Management Incentive Plan requires that a majority of the votes cast at the meeting be voted For the proposal. Approval of the elimination of our classified Board of Directors requires the approval of two-thirds of the shares eligible to vote on the record date.

Q. What is the Company s policy regarding director attendance at the annual meeting?

A. We encourage all of our directors to attend the annual meeting. In 2003, all of our directors attended the annual meeting.

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**PROPOSAL 1 APPROVAL OF AMENDMENTS TO OUR CERTIFICATE OF INCORPORATION
AND BYLAWS TO ELIMINATE THE CLASSIFICATION OF OUR BOARD OF DIRECTORS.**

The Board of Directors is currently separated into three classes. Each year, the stockholders are requested to elect the directors comprising one of the classes for a three-year term. Currently, the term of the Class II directors is set to expire in 2004 at this year's annual meeting. The term of the Class III directors is set to expire in 2005 and the term of the Class I directors is set to expire in 2006. Because of the classified board structure, stockholders have the opportunity to vote on only roughly one-third of the directors each year.

The Board of Directors has approved and is proposing to the stockholders amendments to our certificate of incorporation and bylaws to eliminate the classified board structure. If the stockholders approve this proposal, the terms of all directors will expire at the annual meeting of stockholders each year and their successors will be elected for one-year terms that will expire at the next annual meeting. The text of the actual amendments to the certificate of incorporation and bylaws are set forth in Annex A.

The sense of the Board of the Directors is that stockholders should have the opportunity to vote on all directors each year and that elimination of the classified board structure will be an effective way to maintain and enhance the accountability of the Board of Directors. In making this determination the Board of Directors has considered that removing the classified Board of Directors will have the effect of accelerating the time required for a majority stockholder or group of stockholders to replace a majority of the Board of Directors in any single year. Under a classified Board of Directors, a majority of the Board of Directors may be replaced only after two years. In addition, under Delaware law, directors of a classified board of directors may be removed only for cause. This limitation on removal of directors by cause would no longer apply if this proposal is approved.

The Company's largest stockholder, Penske Corporation, together with its affiliates, beneficially owns approximately 41% of our outstanding common stock, and through a stockholders agreement, controls approximately 57% of the Company's outstanding common stock as to the election of directors, subject to certain restrictions. See Related Party Transactions for a description of the stockholders agreement. We have been informed by representatives of Penske Corporation that they have no plan or intention of replacing any directors and we are not aware of any attempt of any other person or group of persons intending to seek the removal of any directors.

If the stockholders approve this proposal, each of the eleven directors who are elected at the annual meeting will be elected for a one-year term that will expire at next year's annual meeting. The entire Board of Directors will be subject to election at next year's annual meeting of stockholders. Approval of the amendments to the certificate of incorporation and bylaws to eliminate the classified Board of Directors requires the affirmative vote of at least 66 2/3% of the shares of common stock issued and outstanding as of the record date, or approximately 30.8 million shares.

If the stockholders vote to approve this proposal, it will become effective upon the filing of an amendment to the certificate of incorporation with the Secretary of State of the State of Delaware. We intend to file the amendment immediately after the requisite vote is obtained. The stockholders will then be asked to vote on Proposal 2 and a vote on Proposal 3 will not be taken.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ELIMINATION OF OUR CLASSIFIED BOARD OF DIRECTORS.

PROPOSAL 2 ELECTION OF DIRECTORS

The second proposal to be voted on at the annual meeting is the election of the following eleven directors, each of whom is recommended by our Board of Directors. Biographical information about each of these nominees is included below.

If the stockholders approve Proposal 1 (elimination of our classified Board of Directors) at the annual meeting, each of these nominees will be elected to serve a one-year term and will be subject to reelection at

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next year's annual meeting. See Proposal 1 above. If Proposal 1 is not approved, stockholders will not be asked to vote for this proposal, and instead will vote for Proposal 3.

Pursuant to a stockholders agreement, certain of our stockholders affiliated with Roger S. Penske and Mitsui & Co., Ltd. have agreed to vote together to elect members to our Board of Directors. See "Related Party Transactions" for a description of the stockholders agreement.

Our Board of Directors Recommends a Vote FOR Each of The Following Nominees:

John Barr

President and Chief
Executive Officer,
Automotive Performance
Industries, LLC

Mr. Barr, 56, has served as a director since December 2002. Mr. Barr is the President and Chief Executive Officer of Automotive Performance Industries, LLC (API), as well as Chairman of API's major operating group, Performance Logistics Group. Mr. Barr has served in this capacity since 1999. Prior thereto, Mr. Barr was President and Chief Operating Officer, as well as a member of the Board of Directors, of the Quaker State Corporation from June 1995 to 1999. Prior to joining Quaker State, Mr. Barr spent 25 years with the Valvoline Company, a subsidiary of Ashland, Inc., where he was President and Chief Executive Officer from 1987 to 1995. Mr. Barr is a director of Clean Harbors, Inc., James Hardie Industries, NV and UST, Inc.

Michael R. Eisenson

Managing Director and
Chief Executive Officer
of Charlesbank Capital
Partners, L.L.C.

Mr. Eisenson, 48, has served as a director since December 1993. He is a Managing Director and Chief Executive Officer of Charlesbank Capital Partners L.L.C., a private investment firm and the successor to Harvard Private Capital Group, Inc., which he joined in 1986. Mr. Eisenson is also a director of CCC Information Services Group, Inc., Playtex Products, Inc. and Universal Technical Institute, Inc.

James A. Hislop

Managing Director of Transportation Resource
Partners, LP

Mr. Hislop, 46, has served as a director since May 1999. Mr. Hislop has been Managing Director of Transportation Resource Partners since January 2003. He has been President and Chief Executive Officer of Penske Capital Partners, L.L.C., since its inception in June 1997. Penske Capital Partners and Transportation Resources Partners are organizations formed to undertake acquisitions and strategic investments in the transportation and transportation services industry. Mr. Hislop served as a Managing Director in the Investment Banking Group of Merrill Lynch & Co. from 1991 to 1997. Mr. Hislop is a director of Penske Corporation.

Hiroshi Ishikawa

President of Mitsui Automotive North
America, Inc.

Mr. Ishikawa, 41, has served as the President of Mitsui Automotive North America, Inc. since June 2003. From October 2001 to May 2003, Mr. Ishikawa served as Vice President, Secretary & Treasurer for Mitsui Automotive North America, Inc. From March 1997 to October 2001, Mr. Ishikawa served as the Assistant General Manager, Machinery & Automotive Department of Mitsui & Co. (U.S.A.), Inc. Detroit Office.

William J. Lovejoy

Manager of Lovejoy
& Associates

Mr. Lovejoy, 63, has served as a director since March 2004. Since September 2003, Mr. Lovejoy has served as Manager of Lovejoy & Associates, an automotive consulting firm. From January 2000 until December 2002, Mr. Lovejoy served as Group Vice President, North American vehicle sales, service and marketing for General Motors Corporation. From 1994 until December 1999, Mr. Lovejoy served as Vice President of General Motors service and parts operation. From 1962 until 1992, Mr. Lovejoy served in various capacities for General Motors Acceptance Corporation (GMAC) and ultimately President of GMAC in 1990.

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Eustace W. Mita

Chairman of Mita Management, L.L.P.

Mr. Mita, 49, has served as a director since August 1999. Since October 2002, Mr. Mita has been the Chief Executive Officer of Mita Management, L.L.P. From April 2000 until October 2001, Mr. Mita served as the Executive Vice President of The Reynolds and Reynolds Company and had been General Manager of Reynolds Transformation Services since May 2000. Prior thereto, Mr. Mita served as President and Chief Executive Officer of HAC Group, LLC, an automobile training and consulting company and President of Half-A-Car II, Inc. since 1990. Mr. Mita is also a director of The Reynolds and Reynolds Company.

Lucio A. Noto

Retired Vice Chairman of ExxonMobil Corporation

Mr. Noto, 65, has served as a director since March 2001. Mr. Noto retired as Vice Chairman of ExxonMobil Corporation in January 2001, a position he held since the merger of Exxon and Mobil companies in November 1999. Before the merger, Mr. Noto was Chairman and Chief Executive Officer of Mobil Corporation where he had been employed since 1962. Mr. Noto is a managing partner of Midstream Partners LLC, an investment company specializing in energy and transportation projects. He is also a director of International Business Machines Corporation and the Altria Group, Inc. Mr. Noto is a member of the Mitsubishi Corp. (Japan) International Advisory Counsel and the Singapore Technologies (Singapore) International Advisory Counsel.

Roger S. Penske

Chairman of the Board and Chief Executive Officer of the Company and Penske Corporation

Mr. Penske, 67, has served as our Chairman and Chief Executive Officer since May 1999. Mr. Penske has also been Chairman of the Board and Chief Executive Officer of Penske Corporation since 1969. Penske Corporation is a privately-owned diversified transportation services company that, among other things, holds, through its subsidiaries, interests in a number of businesses. Mr. Penske has also been Chairman of the Board of Penske Truck Leasing Corporation since 1982. Mr. Penske serves as a member of the Boards of Directors of Delphi Corporation, General Electric Company, Home Depot, Inc., Universal Technical Institute and CarsDirect.com, Inc. Mr. Penske is a director of Detroit Renaissance and a member of The Business Council.

Richard J. Peters

Managing Director of Transportation Resource Partners, LP

Mr. Peters, 56, has served as a director since May 1999. Since January 2003, Mr. Peters has been the Managing Director of Transportation Resource Partners, an organization formed to undertake acquisitions and strategic investments in the transportation and transportation services industry. Mr. Peters also serves as Chairman of Truck-Lite, Inc., an affiliate of Penske Corporation. From January 2000, to December 2002, Mr. Peters was the President of Penske Corporation. Since 1997, Mr. Peters has also served as President and Chief Executive Officer of R.J. Peters & Company, LLC, a private investment company. Mr. Peters has also served as an officer and director of various subsidiaries of Penske Corporation since 1990. Mr. Peters has been a member of the Board of Directors of Penske Corporation since 1990. Mr. Peters is also a director of Internet Corporation.

Ronald G. Steinhart

Retired Chairman and Chief Executive Officer, Commercial Banking Group, Bank One Corporation

Mr. Steinhart, 63, has served as a director since March 2001. Mr. Steinhart served as Chairman and Chief Executive Officer, Commercial Banking Group of Bank One Corporation from December 1996 until his retirement in January 2000. From January 1995 to December 1996, Mr. Steinhart was Chairman and Chief Executive Officer of Bank One, Texas, N.A. Mr. Steinhart joined Bank One in connection with the merger of Team Bank, which he founded in 1988. Mr. Steinhart also serves as a director of Carreker Corporation, as a Trustee of Prentiss Properties Trust and as a Trustee of MFS/Compass Group of Funds (8 Funds advised by MFS Investment Management).

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Chairman of Comsat International

Mr. Thompson, 65, has served as a Director of the Company since March 2002. Mr. Thompson is currently Chairman of Comsat International and heads his own private equity investment and advisory firm, Universal Telecommunications, Inc., in Vienna, Virginia. Mr. Thompson was previously Chairman and Chief Executive Officer of Global TeleSystems Group, Inc. from March 1999 through September of 2000. From 1991 to 1998, Mr. Thompson served as chairman and CEO of LCI International. Subsequent to the merger of LCI with Qwest Communications International Inc. in June 1998, Mr. Thompson became Vice Chairman of the Board for Qwest until his resignation in December 1998. Mr. Thompson was Chairman of the Irish telephone company, Telecom Eirann, in 1999 and Executive Vice President of MCI Communications Corporation from 1981 to 1990. Mr. Thompson currently serves as a member of the Board of Directors of ArrayComm, Inc., Axcelis Technologies, Inc., Bell Canada International Inc., and Sonus Networks, Inc. He is also a trustee of Capitol College in Laurel, Maryland, U.S. Co-Chairman of the Global Information Infrastructure Commission and a member of the Irish Prime Minister's Ireland America Economic Advisory Board.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors and Committee Membership Roster as of December 31, 2003

Name	BOD	Audit	Compensation & Management Development	Nominating & Corporate Governance	Executive
John Barr	X	X			
Samuel X. DiFeo	X				X
Michael R. Eisenson	X	X			X
James A. Hislop	X				X
Eustace W. Mita	X			X	
Lucio A. Noto	X		X		X
Roger S. Penske	X				X
Richard J. Peters	X				
Ronald G. Steinhart	X	X			
H. Brian Thompson	X		X	X	
Laurence Vaughan	X				
Motokazu Yoshida*	X		X		
No. of Meetings 2003.	7	13	4	2	2

* Mr. Yoshida attended less than 75% of the 2003 Board and committee meetings.

Our Board of Directors has four standing committees: the Audit Committee, the Compensation and Management Development Committee, the Executive Committee and the Nominating and Corporate Governance Committee. The Board of Directors approved a charter for each of the Audit, Compensation and Management Development, and Nominating and Corporate Governance committees, which charters are available on our website, www.unitedauto.com. The principal responsibilities of each committee are described in the following paragraphs.

Audit Committee. Our Audit Committee is comprised of Michael Eisenson (Chairman), John Barr and Ronald Steinhart. The purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibility relating to (i) the integrity of our financial statements and financial reporting process and our systems of internal accounting and financial controls; (ii) the performance of the internal audit function;

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(iii) the annual independent audit of our financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; and (iv) the fulfillment of the other responsibilities set out in the Audit Committee charter.

The Board of Directors has confirmed that all members of the Audit Committee are independent and financially literate within the meaning of the New York Stock Exchange rules and applicable law and each is an audit committee financial expert. Mr. Steinhart serves on the audit committee of three other entities. In 2004, the Board of Directors determined that Mr. Steinhart's simultaneous service on three audit committees in addition to our Audit Committee would not impair his ability to effectively serve as a member of our Audit Committee.

Compensation and Management Development Committee. Our Compensation and Management Development Committee is comprised of H. Brian Thompson (Chairman) and William Lovejoy. The purpose of the Committee is to discharge the responsibility of the Board of Directors relating to compensation of the Company's directors, executive officers and such other employees as the Committee may determine and related matters.

Executive Committee. Our Executive Committee is comprised of Roger Penske (Chairman), Michael Eisenson, James Hislop and Lucio Noto. Our Executive Committee's primary function is to assist our Board of Directors by acting upon matters when the Board of Directors is not in session. The Executive Committee has the full power and authority of the Board of Directors, except to the extent limited by law or our certificate of incorporation or bylaws.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is comprised of Eustace Mita (Chairman) and H. Brian Thompson. The purpose of the Committee is to identify individuals qualified to become members of the Board of Directors, to recommend Director nominees for each annual meeting of stockholders and nominees for election to fill any vacancies on the Board of Directors and to address related matters. The Committee also develops and recommends to the Board of Directors corporate governance principles applicable to the Company and is responsible for leading the annual review of the Board's performance. Upon their election at our annual meeting, each of the Committee members will be independent under the New York Stock Exchange rules.

Other Corporate Governance Matters. The Nominating and Corporate Governance Committee also makes recommendations concerning our corporate governance guidelines, which are posted on our website, www.unitedauto.com. These guidelines are also available in print to any stockholder who requests them by calling our investor relations department at 248-648-2500.

One of our governance principles is that we must have a Lead Director, who shall be responsible for coordinating the activities of the other outside Directors, including the establishment of the agenda for executive sessions of the outside Directors. Our Lead Director is currently H. Brian Thompson. He may be contacted by leaving a message at the following telephone number: 800-469-1634. All messages will be reviewed by our General Counsel's office and all (other than frivolous messages) will be forwarded to the Lead Director.

We have also adopted a Code of Business Conduct and Ethics, applicable to all of our employees. This code also is available in print to any stockholder who requests it by calling our investor relations department at 248-648-2500. We plan to disclose waivers for our executive officers or directors from the code on our website, www.unitedauto.com.

Upon their election at the annual meeting, a majority of our Board of Directors will be independent, as defined by the New York Stock Exchange rules. Under the New York Stock Exchange rules, if a company is controlled it need not have a majority independent Board of Directors or solely independent compensation or nominating committees. We are a controlled company because Penske Corporation and its affiliates, and Mitsui & Co. and its affiliates collectively own more than fifty percent of our voting stock. These entities are considered a group due to the provisions of the stockholders agreement between these parties described under Related Party Transactions. Even though we are a controlled company, upon the election of our directors

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at the annual meeting, we will be fully compliant with the New York Stock Exchange rules for non-controlled companies.

The Nominating and Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including having personal integrity, loyalty to UnitedAuto and concern for its success and welfare, willingness to apply sound and independent business judgment and time available for UnitedAuto matters. Experience in one of the following is also desired: high level of leadership experience in business or administration, breadth of knowledge concerning issues affecting United Auto, willingness to contribute special competence to board activities, accomplishments within the director's respective field and some basic experience reading and understanding financial statements. The Committee retains the right to modify these qualifications from time to time.

The Nominating and Corporate Governance Committee's process for identifying and evaluating nominees is as follows: in the case of incumbent directors whose terms of office are set to expire, the Committee reviews such directors' overall service to the Company during their term. In the case of new director candidates, the Committee first determines whether the nominee would be independent. The Committee uses its network of contacts to compile potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Committee then meets to discuss and consider such candidates' qualifications and then chooses a candidate by majority vote. Mr. Ishikawa is the only nominee who is not currently a Director. Mr. Ishikawa was recommended to the Committee by our current Board member, Motokazu Yoshida.

The Committee will consider director candidates nominated by stockholders. Stockholder nominees should be addressed to Corporate Secretary, United Auto Group, 2555 Telegraph Road, Bloomfield Hills, MI 48302 and must comply with the procedures outlined immediately below. The Committee's evaluation of stockholder nominated candidates will be the same as for any other candidates.

Stockholders who wish to recommend individuals for consideration by the Committee to become nominees for election to the Board may do so by submitting a written submission to the Corporate Secretary. Submissions must include sufficient biographical information concerning the recommended individual, including age, five-year employment history with employer names and a description of the employer's business, whether such individual can read and understand basic financial statements and a list of board memberships (if any), of the nominee. The submission must be accompanied by a written consent of the individual to stand for election and serve if elected by the stockholders, a statement of any relationships between the person recommended and the person submitting the recommendation, and a statement of any relationships between the candidate and any automotive retailer, manufacturer or supplier. Recommendations received by September 30, 2004, will be considered for nomination at the 2005 annual meeting of stockholders. Recommendations received after September 30, 2004, will be considered for nomination at the 2006 annual meeting of stockholders.

Director Compensation. We have established a Non-Employee Director Compensation Plan to compensate our directors who are not our paid employees, who we call Outside Directors. Pursuant to the Non-Employee Director Compensation Plan, each Outside Director receives an annual retainer of \$40,000. These fees are payable, at the option of each Outside Director, in cash or in common stock at the current market price. The payment of fees may be deferred in either the form of cash and/or deferred stock units. Each stock unit is equal in value to a share of common stock and ultimately paid in cash. These stock units generate dividend equivalents in the form of additional stock units and are credited to the director's account on the date the dividends are paid. Any fees deferred in cash will be held in the general funds of the Company. Interest on deferred fees is credited quarterly to the account at the then current U.S. 90-day Treasury Bill rate. In general, deferred amounts are not paid until after the director retires.

Beginning in 2004, our Outside Directors also receive an annual grant of 1,000 shares of restricted stock generally in the first quarter. These restricted shares are on the same terms as those granted to employees and vest ratably and annually over three years. Each Outside Director is also entitled to the use of one of our vehicles. All directors are entitled to reimbursement for their reasonable out-of-pocket expenses in connection with their travel to, and attendance at, meetings of the Board of Directors or its committees. As of

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December 31, 2003, we had nine Outside Directors and three employee directors. In accordance with the internal policies of their employers, some of our directors assign their director compensation to the organizations that employ them or they waive the payment of the fee entirely. Directors who are also our or our subsidiaries' employees receive no cash compensation for serving as directors or as members of committees. In May 2003, Roger Penske, Samuel DiFeo and Laurence Vaughan were granted 12,500 and 7,500 and 3,000 shares of restricted common stock in their capacity as company officers.

Compensation Committee Interlocks and Insider Participation. During 2003, the Compensation and Management Development Committee was comprised of Lucio A. Noto (Chairman), H. Brian Thompson and Motokazu Yoshida. Mr. Penske is the Chairman of our Board of Directors and Chief Executive Officer. Mr. Penske is also the Chairman of the Board, Chief Executive Officer and a member of the compensation committee of Penske Corporation. Mr. Penske is also a managing member of Penske Capital Partners. See the section entitled "Related Party Transactions" for descriptions of further transactions involving Penske Capital Partners, Penske Corporation and Mr. Penske.

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.

PROPOSAL 3 ELECTION OF DIRECTORS (IN THE ALTERNATIVE TO PROPOSAL 2)

Stockholders will be asked to vote on this Proposal 3 solely in the event that at the annual meeting the stockholders do not approve the amendments to our certificate of incorporation and bylaws to eliminate our classified Board of Directors as described in Proposal 1. If the stockholders approve Proposal 1, then we will amend our certificate of incorporation and bylaws to eliminate our classified Board of Directors, and the stockholders will proceed to vote on Proposal 2 and not this Proposal 3. If, however, the stockholders do not approve Proposal 1, a vote will be taken on this Proposal 3.

If the stockholders do not approve Proposal 1, each of the following are nominated for election to serve a three-year term and will be subject to re-election at the 2007 annual meeting: Michael R. Eisenson, Hiroshi Ishikawa, William J. Lovejoy and H. Brian Thompson.

Pursuant to a stockholders agreement, certain of our stockholders affiliated with Roger S. Penske and Mitsui & Co., Ltd. have agreed to vote together to elect members to our Board of Directors. See "Related Party Transactions" for a description of the stockholders agreement.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR MICHAEL EISENSEN,

HIROSHI ISHIKAWA, WILLIAM LOVEJOY AND H. BRIAN THOMPSON.

PROPOSAL 4 APPROVAL OF THE UNITED AUTO GROUP, INC. MANAGEMENT

INCENTIVE PLAN

Our Board of Directors has approved a bonus plan for our executive officers designed to provide for the payment of performance-based compensation that is qualified within the meaning of Section 162(m) of the Internal Revenue Code. The Board of Directors has approved this plan subject to the requisite approval by our stockholders.

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The purpose of the United Auto Group, Inc. Management Incentive Plan (the Plan) is to better align the interests of our management with the interests of our stockholders by encouraging management to achieve goals designed to increase stockholder value. The full text of the Plan is set forth as Annex B to this proxy statement, and you should refer to it for a complete description of the Plan. The following summary of the key terms of the Plan is qualified by reference to the Plan. If the requisite stockholder approval is obtained, the Plan would be effective as of July 1, 2003.

Intended Tax Treatment of Awards under the Plan. The Plan is designed to provide for the payment of performance-based compensation that is qualified within the meaning of Section 162(m) of the Internal Revenue Code and related Internal Revenue Service regulations and that we may deduct for tax purposes. Section 162(m) requires that certain material terms of a compensation plan, including participant eligibility, the business criteria on which performance goals are based and maximum award amounts, be approved by a company's stockholders in order for compensation paid thereunder to be tax deductible. Accordingly, we are submitting the Plan for the requisite approval by our stockholders.

Administration of the Plan. The Compensation and Management Development Committee of our Board of Directors, or such other committee or subcommittee as may be designated by our Board, will administer the Plan (the Committee). The Committee shall be comprised of two or more outside directors within the meaning of Section 162(m).

Selection of Participants. The Committee, in its sole discretion, shall determine which of our executive officers or other key employees shall participate in the Plan in any particular year. An executive officer or key employee who is a participant for a given plan year is not guaranteed or assured of being selected for participation in any subsequent plan year.

Establishment of Performance Targets. The Committee is responsible for identifying annual performance factors and establishing specific performance targets with respect thereto that must be met in order for bonuses to be paid under the Plan. The Committee has the sole discretion to determine whether, or to what extent, the established performance targets are achieved. Performance Targets may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual participant or a subsidiary, division, region, product line, department or function. The performance targets may be based upon any or all of the following performance factors or any combination thereof: (i) net income; (ii) return on equity; (iii) earnings per share and other earnings measurements; (iv) return on assets and similar measurements; (v) gross profit and operating profit; (vi) earnings before interest and taxes; (vii) sales; (viii) gross margin; (ix) cost reduction goals; (x) fixed cost coverage measurements; (xi) share price performance metrics; (xii) cash flow; (xiii) balance sheet measurements; (xiv) human resource measurements; (xv) unit sales; (xvi) same-store sales; (xvii) customer satisfaction; and (xviii) productivity.

The performance targets must be established while the performance relative to the established target remains substantially uncertain within the meaning of Section 162(m). Concurrently with the selection of performance factors and the establishment of targets relating thereto, the Committee must establish an objective formula or standard for calculating the maximum bonus payable to each participant. Subject to the discretion of the Committee, the performance measurement periods will typically be the one-year periods commencing on January 1.

As provided in the definition of Performance Objectives in Section 2 of the Plan, if the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the performance targets unsuitable, the Committee may modify such performance targets or the related minimum acceptable level of achievement in whole or in part, as the Committee deems appropriate and equitable.

Awards under the Plan. Awards under the Plan will be payable in cash or stock as determined by the Committee. Under the Plan, the maximum cash value of any bonus for each fiscal year may not exceed \$5 million for any particular participant. Even if the Performance Factors are met, the Committee has sole discretion, pursuant to the exercise of its negative discretion, to decrease the amount of any award payable or to pay no award at all. In no event may the Committee increase at its discretion the amount of an award

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payable upon attainment of the Performance Factors. Payment of any bonus under the Plan may be deferred, subject to the Plan's terms and any other written commitment authorized by the Committee.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE

UNITED AUTO GROUP MANAGEMENT INCENTIVE PLAN.

EXECUTIVE OFFICERS

Our named executive officers are elected by the Board of Directors and hold office until their successors have been duly elected and qualified or until their earlier resignation or removal from office. A brief biography of Mr. Penske is set forth above. Brief biographies of our other named executive officers are provided below.

James R. Davidson, 58, has served as our Executive Vice President - Finance since May 1999, as our Executive Vice President - Accounting and Treasurer from August 1997 to May 1999, and as our Senior Vice President - Finance from February 1997 to August 1997. Prior to joining us, Mr. Davidson was an audit partner for Ernst & Young LLP, an accounting and financial advisory services firm, which he joined in 1973.

Samuel X. DiFeo, 54, has served as our President, Chief Operating Officer and a director since February 1998. Mr. DiFeo also served as Executive Vice President of some of our subsidiaries whose assets were formerly owned by Mr. DiFeo and members of his family from October 1992 to January 1998.

Robert H. Kurnick, Jr., 42, has served as our Executive Vice President and General Counsel since February 2000. Since January 2003, Mr. Kurnick has served as President of Penske Corporation. Employed by Penske Corporation since January 1995, Mr. Kurnick has served as (i) Executive Vice President of Penske Corporation and General Counsel of Penske Capital from August 1999 to December 2002; (ii) Senior Vice President and General Counsel of Penske Auto Centers, Inc. from November 1995 to January 2001; (iii) Senior Vice President and General Counsel of Penske Motorsports, Inc. from March 1996 to July 1999; and (iv) Assistant General Counsel of Penske Corporation from January 1995 to August 1999. Mr. Kurnick is also a director of Penske Corporation.

Paul F. Walters, 60, has served as our Executive Vice President - Human Resources since August 1999. Since July 1997, Mr. Walters has also served as Executive Vice President - Administration of Penske Corporation. Mr. Walters served as Senior Vice President of Detroit Diesel Corporation from August 1997 to December 2000 and Senior Vice President - Administration of Detroit Diesel Corporation from January 1988 to July 1997. Prior to joining Detroit Diesel Corporation, Mr. Walters was the Director of Personnel and Public Relations for Detroit Diesel Allison Division of GMC which he joined in 1961.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table contains information concerning annual and long-term compensation of each individual who served as our chief executive officer during 2003 and each of our other named executive officers who served during 2003 for services rendered in all capacities during 2003, 2002 and 2001.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Restricted Stock Award(2)	Long Term Compensation Awards
		Salary(\$)	Bonus(\$)	Other Annual Compensation(\$)		Securities Underlying Options(#)
Roger S. Penske	2003	750,000	1,000,000		12,500(3)	
Chairman of the Board and Chief Executive Officer	2002	294,231	900,000			20,000
	2001		1,000,000			15,000
Samuel X. DiFeo	2003	400,000	200,000		7,500(4)	
President and Chief Operating Officer	2002	400,000	175,000			20,000
	2001	400,000	250,000			15,000
James R. Davidson	2003	450,000	300,000		6,000(5)	
Executive Vice President Finance	2002	400,000	190,000			11,000
	2001	400,000	150,000			10,000
Robert H. Kurnick, Jr.	2003	171,500(1)	67,750		6,000(5)	
Executive Vice President and General Counsel	2002	272,000(1)				12,500
	2001					7,500
Paul F. Walters	2003	268,500(1)	141,000		6,000(5)	
Executive Vice President Human Resources	2002	250,000(1)				7,500
	2001					7,500

(1) Messrs. Kurnick and Walters are paid directly by Penske Corporation. The amounts shown reflect that portion of the salary compensation and bonus of Messrs. Kurnick and Walters that was paid by the Company to Penske Corporation.

(2) On May 16, 2003, each of our named executive officers received shares of restricted stock which vest ratably and annually over three years. The closing price of our common stock on December 31, 2003 was \$31.30.

(3) The value of the 12,500 shares of restricted stock at December 31, 2003 was \$391,250.

(4) The value of the 7,500 shares of restricted stock at December 31, 2003 was \$234,750.

(5) The value of the 6,000 shares of restricted stock at December 31, 2003 was \$187,800.

Option Grants

The Company did not grant any options to purchase common stock during 2003 to our named executive officers.

