

GROUP 1 AUTOMOTIVE INC
Form DEF 14A
April 08, 2010

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
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 under Rule 14a-12

GROUP 1 AUTOMOTIVE, 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)(4) and 0-11.

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

April 8, 2010

Dear Fellow Stockholder:

You are cordially invited to attend the 2010 Annual Meeting of Stockholders of Group 1 Automotive, Inc. to be held at 10:00 a.m., Central Daylight Time, on Tuesday, May 18, 2010, at Hotel Granduca, 1080 Uptown Park Boulevard, Houston, TX 77056.

The matters to be acted on at the meeting are set forth in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement. Additionally, we will report on the business and financial performance of Group 1.

It is important that your shares are represented at the meeting, whether or not you plan to attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to submit a proxy containing your voting instructions, as soon as possible, by telephone or through the Internet, or by requesting a proxy card to complete, sign and return by mail, each in the manner described in the accompanying Proxy Statement.

Our Board of Directors recommends that stockholders vote FOR each of the matters described in the proxy statement to be presented at the meeting.

We hope you will be able to join us at our Annual Meeting in Houston on May 18th.

Sincerely,

John L. Adams
Chairman of the Board

Earl J. Hesterberg
President & Chief Executive Officer

Houston, TX 77024

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Tuesday, May 18, 2010

To the Stockholders of Group 1 Automotive, Inc.:

The Annual Meeting of Stockholders of Group 1 Automotive, Inc. will be held on Tuesday, May 18, 2010, at 10:00 a.m., Central Daylight Time, at Hotel Granduca, 1080 Uptown Park Boulevard, Houston, TX 77056. At the meeting, we will consider and vote upon the following matters:

- (1) The election of three directors to serve until the 2013 Annual Meeting of Stockholders;
- (2) The approval of an amendment and restatement of the Group 1 Automotive, Inc. 2007 Long Term Incentive Plan to, among other things, increase the number of shares available for issuance under the plan from 6,500,000 to 7,500,000;
- (3) The ratification of the appointment by the Audit Committee of Ernst & Young LLP as the independent registered public accounting firm of Group 1 for the year ending December 31, 2010; and
- (4) The consideration of any other business that is properly presented at the meeting or any adjournments or postponements of the meeting.

If you were a stockholder at the close of business on March 22, 2010, the record date for the meeting, you are entitled to vote at the meeting. A list of stockholders will be available and may be inspected during normal business hours for a period of at least 10 days prior to the annual meeting at the offices of Group 1, 800 Gessner, Suite 500, Houston, Texas 77024. The list of stockholders will also be available for your review at the annual meeting. In the event there are not sufficient votes for a quorum or to approve the forgoing proposals at the time of the annual meeting, the annual meeting may be adjourned in order to permit further solicitation of proxies.

In accordance with new rules approved by the Securities and Exchange Commission, beginning on or about April 8, 2010, we mailed a Notice of Internet Availability of Proxy Materials to our stockholders containing instructions on how to access the proxy statement and vote online and made our proxy materials available to our stockholders over the Internet.

Your vote is important. We urge you to review the accompanying materials carefully and to vote by telephone or Internet as promptly as possible. Alternatively, you may request a proxy card, which you may complete, sign and return by mail.

By Order of the Board of Directors,

Darryl M. Burman

Vice President, General Counsel & Corporate Secretary

Houston, Texas

April 8, 2010

800 Gessner, Suite 500
Houston, TX 77024

PROXY STATEMENT

This proxy statement is being furnished to you in connection with the solicitation of proxies by the Board of Directors of Group 1 Automotive, Inc. for use at our 2010 Annual Meeting of Stockholders.

2010 ANNUAL MEETING DATE AND LOCATION

The annual meeting will be held at Hotel Granduca, 1080 Uptown Park Boulevard, Houston, TX 77056, on Tuesday, May 18, 2010, at 10:00 a.m., Central Daylight Time, or at such other time and place to which the meeting may be adjourned. References in this proxy statement to the annual meeting also refer to any adjournments, postponements or changes in location of the meeting, to the extent applicable.

DELIVERY OF PROXY MATERIALS

On or about April 8, 2010, we mailed a Notice of Internet Availability of Proxy Materials to our stockholders containing instructions on how to access the proxy materials and vote online. We have made these proxy materials available to you over the Internet or, upon your request, have delivered paper versions of these materials to you by mail, in connection with the solicitation of proxies by our Board of Directors for the annual meeting.

Choosing to receive your future proxy materials by e-mail will save us the cost of printing and mailing documents to you. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

ABOUT THE ANNUAL MEETING

What is the purpose of the meeting?

At our annual meeting, stockholders will act upon the matters outlined in the notice of meeting, including the election of three directors, the approval of an amendment and restatement of the Group 1 Automotive, Inc. 2007 Long Term Incentive Plan, the ratification of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010 and the consideration of any other matters properly presented at the meeting. In addition, senior management will report on our business and financial performance during fiscal 2009 and respond to your questions.

Who is entitled to vote at the meeting?

Only our stockholders as of 5:00 p.m., central time, on March 22, 2010, the record date, are entitled to receive notice of the annual meeting and to vote at the meeting. On March 22, 2010, there were 24,489,130 shares of Group 1 common stock issued and outstanding and entitled to vote at the meeting.

How many votes can I cast?

You are entitled to one vote for each share of Group 1 common stock you owned at 5:00 p.m., central time, on March 22, 2010, on all matters presented at the meeting.

What is the difference between a stockholder of record and a street name holder?

Most stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned in street name.

Stockholder of Record. If your shares are registered directly in your name with BNY Mellon Shareowner Services, our transfer agent, you are considered, with respect to those shares, the stockholder of record. As the stockholder of record, you have the right to grant your voting proxy directly or to vote in person at the annual meeting.

Street Name Stockholder. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you have the right to direct your broker or nominee how to vote and are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the annual meeting unless you obtained a signed proxy from the record holder giving you the right to vote the shares.

How do I vote my shares?

Stockholders of Record: Stockholders of record may vote their shares or submit a proxy to have their shares voted by one of the following methods:

By Internet. You may submit a proxy electronically on the Internet by following the instructions provided in the Notice of Internet Availability of Proxy Materials. Please have the Notice of Internet Availability of Proxy Materials in hand when you log onto the website. Internet voting facilities will be available 24 hours a day and will close at 11:59 p.m., Eastern Daylight Time, on May 17, 2010.

In Person. You may vote in person at the annual meeting by completing a ballot; however, attending the meeting without completing a ballot will not count as a vote.

By Telephone. If you request paper copies of the proxy materials by mail, you may submit a proxy by telephone (from U.S. and Canada only) using the toll-free number listed on the proxy card. Please have your proxy card in hand when you call. Telephone voting facilities will be available 24 hours a day and will close at 11:59 p.m., Eastern Daylight Time, on May 17, 2010.

By Mail. If you request paper copies of the proxy materials by mail, you may indicate your vote by completing, signing and dating your proxy card and returning it in the enclosed reply envelope.

Street Name Stockholders: Street name stockholders may generally vote their shares or submit a proxy to have their shares voted by one of the following methods:

By Mail. If you request paper copies of the proxy materials by mail, you may indicate your vote by completing, signing and dating your proxy card and returning it in the enclosed reply envelope.

By Methods Listed on Proxy Card. Please refer to your proxy card or other information forwarded by your bank, broker or other holder of record to determine whether you may submit a proxy by telephone or electronically on the Internet, following the instructions on the proxy card or other information provided by the record holder.

In Person with a Proxy from the Record Holder. You may vote in person at the annual meeting if you obtain a legal proxy from your bank, broker or other nominee. Please consult the voting form or other information sent to

you by your bank, broker or other nominee to determine how to obtain a legal proxy in order to vote in person at the annual meeting.

Can I revoke my proxy?

Yes. If you are a stockholder of record, you can revoke your proxy at any time before it is exercised by: submitting written notice of revocation to Darryl M. Burman, Group 1 Automotive, Inc., 800 Gessner, Suite 500, Houston, Texas 77024 no later than May 17, 2010;

submitting another proxy with new voting instructions by telephone or the Internet voting system; or

attending the meeting and voting your shares in person.

If you are a street name stockholder and you vote by proxy, you may change your vote by submitting new voting instructions to your bank, broker or nominee in accordance with that entity's procedures.

What is the effect of broker non-votes and abstentions and what vote is required to approve each proposal?

If you hold your shares in street name, you will receive instructions from your broker or other nominee describing how to vote your shares. If you do not instruct your broker or nominee how to vote your shares, they may vote your shares as they decide as to each matter for which they have discretionary authority under the rules of the New York Stock Exchange.

There are also non-discretionary matters for which brokers and other nominees do not have discretionary authority to vote unless they receive timely instructions from you. When a broker or other nominee does not have discretion to vote on a particular matter, you have not given timely instructions on how the broker or other nominee should vote your shares and the broker or other nominee indicates it does not have authority to vote such shares on its proxy, a broker non-vote results. Although any broker non-vote would be counted as present at the meeting for purposes of determining a quorum, it would be treated as not entitled to vote with respect to non-discretionary matters.

As you may know, recent changes to exchange rules eliminated broker discretionary voting with respect to the election of directors. Where a matter is not considered routine, such as Proposal No. 1, regarding the election of directors, the shares held by the broker will not be voted on that proposal without specific instruction from the beneficial holder of the shares. **Therefore, unlike in prior years, your broker is not able to vote on your behalf in any director election without specific voting instructions from you.** A broker non-vote would have no effect on the outcome of Proposal 1 because only a plurality of votes cast is required to elect a director. We strongly encourage you to vote your shares in the election of directors before the meeting by returning your proxy by mail so that your shares will be represented and voted at the meeting if you cannot attend in person.

Abstentions occur when stockholders are present at the annual meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the stockholders are voting. Abstentions will have no effect on the election of directors but will have the effect of a vote against the other proposals being considered at the meeting.

For Proposals 1 (*Election of Directors*) and 2 (*Amendment to the Group 1 Automotive, Inc. 2007 Long Term Incentive Plan*) to be voted on at the annual meeting, you must provide timely instructions on how the broker or other nominee should vote your shares. For Proposal 3 (*Ratification of the Appointment of Ernst & Young LLP*) to be voted on at the annual meeting, brokers and other nominees will have discretionary authority in the absence of timely instructions from you.

Proposal 1 (Election of Directors): To be elected, each nominee for election as a director must receive the affirmative vote of a plurality of the votes of our common stock, present in person or represented by proxy at the meeting and entitled to vote on the proposal. This means that director nominees with the most votes are elected. Votes may be cast in favor of or withheld from the election of each nominee. Votes that are withheld from a director's election will be counted toward a quorum, but will not affect the outcome of the vote on the election of a director.

Proposal 2 (Amendment and Restatement of the Group 1 Automotive, Inc. 2007 Long Term Incentive Plan): A majority of the votes represented at the annual meeting must be cast **FOR** the amendment to the Plan in order for the amendment to be approved at the annual meeting. In addition, NYSE rules require that the total votes cast on this proposal must represent greater than 50% of all the shares entitled to vote on this proposal. That is, the total number of votes cast for and against the proposal must exceed 50% of the outstanding shares. An abstention is treated as a vote cast and therefore has the same effect as voting **AGAINST** the proposal. Broker non-votes are not treated as votes cast and therefore are not counted for purposes of determining whether a majority has been achieved.

Proposal 3 (Ratification of the Appointment of Ernst & Young LLP): Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010 requires the affirmative vote of the holders of a majority of the votes of our common stock cast at the annual meeting with respect to the proposal. An abstention is not treated as a vote cast and therefore will not have an impact on the outcome of the vote or the proposal.

Our Board of Directors has appointed Earl J. Hesterberg, our President and Chief Executive Officer, and John C. Rickel, our Senior Vice President and Chief Financial Officer, as the management proxy holders for the annual meeting. If you are a stockholder of record, your shares will be voted by the management proxy holders in accordance with the instructions on the proxy card you submit by mail, or the instructions provided for any proxy submitted by telephone or Internet, as applicable. For stockholders who have their shares voted by duly submitting a proxy by mail, telephone or Internet, the management proxy holders will vote all shares represented by such valid proxies as our Board of Directors recommends, unless a stockholder appropriately specifies otherwise.

Our Board of Directors recommends a vote:

FOR each of the nominees for director;

FOR the amendment and restatement of the Group 1 Automotive, Inc. 2007 Long Term Incentive Plan; and

FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010.

What is a quorum?

A quorum is the presence at the annual meeting, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock as of the record date. There must be a quorum for the annual meeting to be held. If a quorum is not present, the meeting may be adjourned from time to time until a quorum is reached. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of votes considered to be present at the annual meeting.

Who will bear the cost of soliciting votes for the annual meeting?

We have engaged The Altman Group to assist with the solicitation of proxies for a fee not to exceed \$6,500, plus reimbursement for reasonable out-of-pocket expenses. We will bear all expenses of soliciting proxies. We may reimburse brokerage firms, custodians, nominees, fiduciaries and other persons representing beneficial owners of our common stock for their reasonable expenses in forwarding solicitation material to such beneficial owners. Directors, officers and employees of Group 1 may also solicit proxies in person or by other means of communication. Such directors, officers and employees will not be additionally compensated but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation. We have engaged Broadridge Financial Solutions to tabulate the votes and to serve as inspector of election at the annual meeting for a fee of approximately \$3,500.

May I propose actions for consideration at next year's annual meeting of stockholders or nominate individuals to serve as directors?

You may submit proposals for consideration at future stockholder meetings, including director nominations. Please read *Stockholder Proposals for 2011 Annual Meeting* for information regarding the submission of stockholder proposals and director nominations for consideration at next year's annual meeting.

CORPORATE GOVERNANCE

We are committed to good corporate governance. Our Board of Directors has adopted several governance documents to guide the operation and direction of our Board of Directors and its committees, which include our Corporate Governance Guidelines, Code of Ethics, Code of Conduct and charters for the Audit Committee, Compensation Committee, Nominating/Governance Committee and Finance/Risk Management Committee. Each of these documents is available on our website at www.group1auto.com and stockholders may obtain a printed copy, free of charge, by sending a written request to Group 1 Automotive, Inc., 800 Gessner, Suite 500, Houston, TX 77024, Attn: Corporate Secretary.

Corporate Governance Guidelines

Our Board of Directors has adopted Corporate Governance Guidelines. Among other matters, the Guidelines include the following:

Director Qualification Standards

The Nominating/Governance Committee is responsible for establishing criteria for selecting new directors and actively seeking individuals to become directors for recommendation to our Board of Directors. This assessment includes members' qualification as independent, as well as consideration of diversity, age, skill and experience in the context of the needs of our Board of Directors.

The number of directors that constitutes our Board of Directors will be between three and nine. Our Board of Directors believes that a smaller board generally functions more effectively than a large board as smaller boards generally promote greater participation by each board member, more effective and efficient decision making and greater individual accountability. Our board currently has seven members.

No director may serve on more than four other public company boards.

Director Responsibilities

The basic responsibility of each director is to exercise his or her business judgment to act in what he or she reasonably believes to be in our best interest and the best interest of our stockholders.

Directors are expected to attend meetings of our Board of Directors and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to discharge their responsibilities properly.

Directors are encouraged to attend the annual meeting of stockholders.

Director Access to Management and Independent Advisors

Our Board of Directors and each committee of the Board has the power to hire independent legal, financial or other advisors as they may deem necessary.

Our Board of Directors has full and free access to our officers and employees and invites regular attendance by our senior officers at each meeting of our Board of Directors.

Chief Executive Officer Evaluation and Management Succession

The Compensation Committee annually reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates the performance of the Chief Executive Officer in light of those goals and objectives and sets the compensation of the Chief Executive Officer based on this evaluation.

The Nominating/Governance Committee meets annually on succession planning.

Annual Performance Evaluation, Director Orientation and Continuing Education

Our Board of Directors conducts an annual self-evaluation of itself and its committees.

All new directors must participate in an orientation program.

Our Board of Directors periodically allocates meeting time to receive information and updates on corporate governance issues, director best practices and legal and regulatory changes.

Code of Ethics for Chief Executive Officer, Chief Financial Officer, Controller and Certain Other Officers

Our Board of Directors has adopted a Code of Ethics for our Chief Executive Officer, our Chief Financial Officer, our Controller and all other financial and accounting officers. Any change to, or waiver from, the Code of Ethics will be disclosed on our website within two business days after such change or waiver. Among other matters, the Code of Ethics requires each of these officers to:

act with honesty and integrity, including the ethical handling of actual or apparent conflicts of interest in personal and professional relations;

avoid conflicts of interest and disclose any material transactions or relationships that reasonably could be expected to give rise to a conflict of interest;

work to ensure that we fully, fairly and accurately disclose information in a timely and understandable manner in all reports and documents that we file with the Securities and Exchange Commission (SEC) and in other public communications made by us;

comply with applicable governmental laws, rules and regulations; and

report any violations of the Code of Ethics to the Chief Executive Officer and the Chairman of the Audit Committee.

Code of Conduct

Our Board of Directors has adopted a Code of Conduct, which sets forth the standards of behavior expected of each of our employees, directors and agents. Among other matters, this Code of Conduct is designed to deter wrongdoing and to promote:

honest and ethical dealing with each other, with our clients and vendors, and with all other third parties;

respect for the rights of fellow employees and all third parties;

equal opportunity, regardless of age, race, sex, sexual orientation, ethnicity, creed, religion, national origin, marital status, veteran status, handicap or disability;

fair dealing with employees and all other third parties with whom we conduct business;

avoidance of conflicts of interest;

compliance with all applicable laws and regulations;

the safeguarding of our assets; and

the reporting of any violations of the Code of Conduct to the appropriate officers.

INFORMATION ABOUT OUR BOARD OF DIRECTORS AND COMMITTEES

Our Board of Directors held seven meetings and took two actions by unanimous written consent during 2009. During 2009, our directors attended 100% of the meetings of our Board of Directors and of the committees on which they served. Under our Corporate Governance Guidelines, our directors are encouraged to attend the annual meeting of our stockholders. All of our directors attended our 2009 Annual Meeting of Stockholders.

Our Board of Directors and each of its committees annually conduct a self-evaluation to assess, and identify opportunities to improve, their respective performance. The Nominating/Governance Committee leads our Board of Directors in its annual self-evaluation.

Board Leadership Structure

The Board of Directors has determined that having an independent director serve as non-executive Chairman of the Board is in the best interest of our stockholders at this time. Our Chief Executive Officer is responsible for setting our strategic direction and providing us day-to-day leadership, while the Chairman of the Board provides guidance to our CEO and sets the agenda for Board meetings and presides over meetings of the full Board. We believe this structure ensures a greater role for the independent directors in the oversight of our company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board.

Board Diversity

The Board seeks independent directors who represent a mix of backgrounds and experiences that will enhance the quality of the Board's deliberations and decisions. Board membership should reflect diversity in its broadest sense, including persons diverse in perspectives, personal and professional experiences, geography, gender, and ethnicity. This process has resulted in a Board that is comprised of highly qualified directors that reflect diversity as we define it.

Independence of the Members of our Board of Directors

Our Board of Directors has affirmatively determined that no member of our Board of Directors, other than Mr. Hesterberg (our President and Chief Executive Officer), has a material relationship with Group 1 and therefore the remaining members of our Board of Directors are independent as defined under the New York Stock Exchange's listing standards.

We have in the past, and may, in the future, make donations to various charitable organizations. From time to time, some of our directors, officers and employees have been, and in the future may be, affiliated with such charities. During the annual independence review, our Board of Directors determined that any such affiliations did not impact the independence of our directors.

Executive Sessions of our Board of Directors

The independent directors meet in executive session at each regularly scheduled meeting of our Board of Directors. Mr. Adams, our non-executive Chairman of the Board, presides over these meetings and is responsible for preparing an agenda for the meetings of the independent directors in executive session.

Risk Oversight

The Board is actively involved in oversight of risks that could affect us. This oversight is conducted primarily through committees of the Board, as disclosed in the descriptions of each of the committees below and in the charters of each of the committees, but the full Board has retained responsibility for general oversight of risks. In particular, the Finance/Risk Management Committee is charged with oversight of our risk management strategies, strategies for our insurance programs, litigation management and our compliance with material debt instruments. The Audit Committee is charged with oversight of the company's system of internal controls and risks relating to financial reporting, legal, regulatory and accounting compliance. The Board satisfies its oversight responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible

for oversight of particular risks within our company. In addition, we have robust internal audit systems in place to review adherence to policies and procedures, which are supported by a separate internal audit department.

Committees of our Board of Directors

Our Board of Directors has established four standing committees to assist it in discharging its responsibilities: the Audit Committee, the Compensation Committee, the Nominating/Governance Committee and the Finance/Risk Management Committee. The following chart reflects the current membership of each committee:

Name	Audit Committee	Compensation Committee	Nominating/ Governance Committee	Finance/ Risk Management Committee
John L. Adams	*	*	*	*
Earl J. Hesterberg				*
Louis E. Lataif	*	*	**	
Stephen D. Quinn	*		*	**
Beryl Raff		*	*	
J. Terry Strange	**	*		*
Max P. Watson, Jr.		**	*	*

* Member

** Chairman

Each of the committee charters is available on our website at www.group1auto.com and stockholders may obtain printed copies, free of charge, by sending a written request to Group 1 Automotive, Inc., 800 Gessner, Suite 500, Houston, TX 77024, Attn: Corporate Secretary.

Audit Committee

The Audit Committee is responsible for oversight of company risks relating to accounting matters, financial reporting and legal and regulatory compliance.

In particular, our Audit Committee has the following purposes pursuant to its charter:

oversee the quality, integrity and reliability of the financial statements and other financial information we provide to any governmental body or the public;

oversee our compliance with legal and regulatory requirements;

retain our independent registered public accounting firm;

oversee the qualifications, performance and independence of our independent registered public accounting firm;

oversee the performance of our internal audit function;

oversee our systems of internal controls regarding finance, accounting, legal compliance and ethics that our management and Board of Directors have established;

provide an open avenue of communication among our independent registered public accounting firm, financial and senior management, the internal auditing department, and our Board of Directors, always emphasizing that the independent registered public accounting firm is accountable to the Audit Committee; and

perform such other functions as our Board of Directors may assign to the Audit Committee from time to time.

In connection with these purposes and to satisfy its oversight responsibilities, the Audit Committee annually selects, engages and evaluates the performance and on-going qualifications of, and determines the compensation for, our independent registered public accounting firm, reviews our annual and quarterly financial statements, and confirms the independence of our independent registered public accounting firm. The Audit Committee also meets with our management and independent registered public accounting firm regarding the adequacy of our financial controls and our compliance with legal, tax and regulatory matters and our significant policies. In particular, the Audit Committee separately meets regularly with the company's chief financial officer, corporate controller, director of internal audit, Ernst & Young LLP and other members of management. The Audit Committee chair routinely meets between formal Committee meetings with our chief financial officer, corporate controller, director of internal audit and Ernst & Young LLP. The Committee also receives regular reports regarding issues such as the status and findings of audits being conducted by the internal and independent auditors, accounting changes that could affect our financial statements and proposed audit adjustments.

While the Audit Committee has the responsibilities and powers set forth in its charter, it is not the duty of the Audit Committee to plan or conduct audits, to determine that our financial statements are complete and accurate, or to determine that such statements are in accordance with accounting principles generally accepted in the United States and other applicable rules and regulations. Our management is responsible for the preparation of our financial statements in accordance with accounting principles generally accepted in the United States and our internal controls. Our independent registered public accounting firm is responsible for the audit work on our financial statements. It is also not the duty of the Audit Committee to conduct investigations or to assure compliance with laws and regulations and our policies and procedures. Our management is responsible for compliance with laws and regulations and compliance with our policies and procedures.

During 2009, the Audit Committee met eight times and consisted of Mr. Strange (Chairman), Mr. Adams, Mr. Lataif and Mr. Quinn. Mr. Strange also serves on the Audit Committees of New Jersey Resources Corporation, Newfield Exploration Company and SLM Corporation. Mr. Strange served on the Board and Audit Committee of BearingPoint, Inc., until May 2009, when it ceased operating in North America. Our Board of Directors has determined that Mr. Strange's simultaneous service on these other Audit Committees and our Audit Committee will not impair his ability to serve effectively on our Audit Committee.

All members of the Audit Committee are independent as that term is defined in the New York Stock Exchange's listing standards and by Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Our Board of Directors has determined that each member of the Audit Committee is financially literate and that Mr. Strange has the necessary accounting and financial expertise to serve as Chairman. Our Board of Directors has also determined that Mr. Strange is an audit committee financial expert following a determination that Mr. Strange met the criteria for such designation under the SEC's rules and regulations.

The Report of the Audit Committee is set forth on page 62 of this proxy statement.

Compensation Committee

The Compensation Committee is responsible for risks relating to employment policies and our compensation and benefits systems. To assist it in satisfying these oversight responsibilities, from time to time the Committee has retained its own compensation consultant and meets regularly with management to understand the financial, human resources and stockholder implications of compensation decisions being made.

Pursuant to its charter, the purposes of our Compensation Committee are to:

- review, evaluate, and approve our agreements, plans, policies, and programs to compensate our corporate officers;

- review and discuss with our management the Compensation Discussion and Analysis to be included in our proxy statement for the annual meeting of stockholders and to determine whether to recommend to our Board of Directors that the Compensation Discussion and Analysis be included in the proxy statement, in accordance with applicable rules and regulations;

produce the Compensation Committee Report for inclusion in the proxy statement, in accordance with applicable rules and regulations;

otherwise discharge our Board of Directors' responsibility relating to compensation of our corporate officers; and

perform such other functions as our Board of Directors may assign to the Compensation Committee from time to time.

In connection with these purposes, our Board of Directors has entrusted the Compensation Committee with the overall responsibility for establishing, implementing and monitoring the compensation for our corporate officers. The Compensation Committee reviews and approves the compensation of our corporate officers and makes appropriate adjustments based on company performance, achievement of predetermined goals and changes in an officer's duties and responsibilities. The Compensation Committee also approves all employment agreements related to the executive team and approves recommendations regarding equity awards for all employees. Together with management, and any counsel or other advisors deemed appropriate by the Compensation Committee, the Compensation Committee typically reviews and discusses the particular executive compensation matter presented and makes a final determination, with the exception of compensation matters relating to our Chief Executive Officer. In the case of our Chief Executive Officer, the Compensation Committee reviews and discusses the particular compensation matter (together with our management and any counsel or other advisors deemed appropriate) and formulates a recommendation. The Compensation Committee's Chairman then generally reports the Compensation Committee's recommendation for approval by the full Board of Directors or, in certain cases, by the independent directors.

In general, executive compensation matters are presented to the Compensation Committee or raised with the Compensation Committee in one of the following ways: (1) at the request of the Compensation Committee Chairman or another Compensation Committee member or member of our Board of Directors, (2) in accordance with the Compensation Committee's agenda, which is reviewed by the Compensation Committee members and other directors on an annual basis, (3) by our Chief Executive Officer or Vice President of Human Resources or (4) by the Compensation Committee's outside compensation consultant.

The Compensation Committee works with the management team, our Chief Executive Officer and our Vice President of Human Resources to implement and promote our executive compensation strategy. The most significant aspects of management's involvement in this process are:

preparing materials in advance of Compensation Committee meetings for review by the Compensation Committee members;

evaluating employee performance;

establishing our business goals; and

recommending the compensation arrangements and components for our employees.

Our Chief Executive Officer is instrumental to this process. Specifically, the Chief Executive Officer assists the Compensation Committee by:

evaluating corporate officer performance;

providing background information regarding our business goals; and

recommending compensation arrangements and components for our corporate officers (other than himself).

In addition, our Vice President of Human Resources is involved in the executive compensation process by: providing the necessary compensation information to, and acting as our liaison with, our compensation consultant;

updating and modifying compensation plan policies, guidelines and materials, as needed; and

providing recommendations to the Compensation Committee and our Chief Executive Officer regarding compensation structure, awards and plan design changes.

Under its charter, the Compensation Committee has the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of the compensation of our corporate officers and directors and also has the sole authority to approve the consultant's fees and other retention terms.

The Committee has historically engaged Pearl Meyer & Partners, an executive compensation firm, to serve as its compensation consultant and to advise on executive compensation matters. However, beginning in late 2008 and through 2009, in order to reduce costs and in light of our salary reductions and other changes to our compensation program, we suspended any formal competitive compensation analyses for the Named Executive Officers. During 2009, Pearl Meyer reviewed compensation data and other trends on an "as needed" basis. In addition, Pearl Meyer has been actively advising the Committee with regard to the renewal of our CEO's employment agreement which expires in 2010.

Although we suspended this activity in 2009, typically our market analysis process has involved the comparison of long-term, short-term and total compensation with a selected group of peer companies. We have generally compared compensation data at the 25th, 50th and 75th percentiles of the market and engaged Pearl Meyer to review our analysis. While we do not think it is appropriate to establish compensation based solely on benchmarking, we believe that this practice is useful for two reasons. First, our compensation practices must be competitive in order to attract and retain executives with the ability and experience necessary to provide leadership and to deliver strong performance to our stockholders. Second, benchmarking allows us to assess the reasonableness of our compensation practices. This process allows us to achieve one of our primary objectives of maintaining competitive compensation to ensure retention when justified and rewarding the achievement of company objectives so as to align with stockholder interest.

To the extent permitted by applicable law, the Compensation Committee may delegate some or all of its authority to subcommittees as it deems appropriate.

All members of the Compensation Committee are independent as that term is defined in the New York Stock Exchange's listing standards. The Compensation Committee, consisting of Mr. Watson (Chairman), Mr. Adams, Mr. Lataif, Ms. Raff and Mr. Strange, held eight meetings and took one action by unanimous written consent during 2009.

The Report of the Compensation Committee is set forth on page 59 of this proxy statement.

Nominating/Governance Committee

The Nominating/Governance Committee is responsible for oversight relating to management and Board succession planning, and stockholder responses to our ethics and business practices. To satisfy these oversight responsibilities, the Committee receives regular reports from our officers that are responsible for each of these areas on matters such as progress against succession planning programs and goals that could affect our operations.

Pursuant to its charter, the purposes of our Nominating/Governance Committee are to:

assist our Board of Directors by identifying individuals qualified to become members of our Board of Directors and recommend director nominees to our Board of Directors for election at the annual meetings of stockholders or for appointment to fill vacancies;

recommend director nominees to our Board of Directors for each of its committees;

advise our Board of Directors about the appropriate composition of our Board of Directors and its committees;

advise our Board of Directors about and recommend to our Board of Directors appropriate corporate governance practices and assist our Board of Directors in implementing those practices;

lead our Board of Directors in its annual review of the performance of our Board of Directors and its committees;

direct all matters relating to the succession of our Chief Executive Officer;

review and make recommendations to our Board of Directors with respect to the form and amount of director compensation; and

perform such other functions as our Board of Directors may assign to the Nominating/Governance Committee from time to time.

In connection with these purposes, the Nominating/Governance Committee actively seeks individuals qualified to become members of our Board of Directors, seeks to implement the independence standards required by law, applicable listing standards, our Restated Certificate of Incorporation, our Amended and Restated Bylaws and our Corporate Governance Guidelines, and identifies the qualities and characteristics necessary for an effective Chief Executive Officer.

The Nominating/Governance Committee is responsible for establishing criteria for selecting new directors and actively seeking individuals to become directors for recommendation to our Board of Directors. In considering candidates for our Board of Directors, the Nominating/Governance Committee will consider the entirety of each candidate's credentials. There is currently no set of specific minimum qualifications that must be met by a nominee recommended by the Nominating/Governance Committee, as different factors may assume greater or lesser significance at particular times and the needs of our Board of Directors may vary in light of its composition and the Nominating/Governance Committee's perceptions about future issues and needs. However, while the Nominating/Governance Committee does not maintain a formal list of qualifications, in making its evaluation and recommendation of candidates, the Nominating/Governance Committee may consider, among other factors, diversity, age, skill, experience in the context of the needs of our Board of Directors, independence qualifications and whether prospective nominees have relevant business and financial experience, have industry or other specialized expertise, and have high moral character.

The Nominating/Governance Committee may consider candidates for our Board of Directors from any reasonable source, including from a search firm engaged by the Nominating/Governance Committee or stockholder recommendations, provided that the procedures set forth below are followed. The Nominating/Governance Committee does not intend to alter the manner in which it evaluates candidates based on whether the candidate is recommended by a stockholder or not. However, in evaluating a candidate's relevant business experience, the Nominating/Governance Committee may consider previous experience as a member of our Board of Directors. Any invitation to join our Board of Directors must be extended by our Board of Directors as a whole, by the Chairman of the Nominating/Governance Committee and by the Chairman of the Board.

Stockholders or a group of stockholders may recommend potential candidates for consideration by the Nominating/Governance Committee by sending a written request to our Corporate Secretary at our principal executive offices, 800 Gessner, Suite 500, Houston, Texas 77024 at least 70 days but not more than 90 days prior to the anniversary date of the preceding year's annual meeting. For additional information, see Stockholder Proposals for 2011 Annual Meeting.

The stockholder recommendation procedures described above do not preclude a stockholder of record from making nominations of directors or making proposals at any annual stockholder meeting; provided that they comply with the requirements described in the section entitled Stockholder Proposals for 2011 Annual Meeting.

In addition, our Board of Directors has entrusted the Nominating/Governance Committee with the responsibility for establishing, implementing and monitoring the compensation for our directors. The Nominating/Governance Committee establishes, reviews and approves the compensation of our directors and makes appropriate adjustments based on company performance, duties and responsibilities and competitive environment. The Nominating/Governance Committee's primary objectives in establishing and implementing director compensation are to:

ensure the ability to attract, motivate and retain the talent necessary to provide qualified Board leadership; and

use the appropriate mix of long-term and short-term compensation to ensure high Board/committee performance.

In 2009, as a result of the downturn in the economic climate, management advised the Board that Group 1 was implementing significant cost-cutting measures on a company-wide basis, including reductions in its worldwide work force. Management also advised the Board that Group 1's executive team was voluntarily taking a 10% reduction in their cash compensation, such reductions to become effective February 1, 2009. At that time, the Board of Directors unanimously voted to reduce the cash component of its compensation by 10%, effective February 1, 2009.

All members of the Nominating/Governance Committee are independent as defined under the New York Stock Exchange's listing standards. The Nominating/Governance Committee, consisting of Mr. Lataif (Chairman), Mr. Adams, Mr. Quinn, Ms. Raff and Mr. Watson, held four meetings during fiscal year 2009.

Finance/Risk Management Committee

Pursuant to its charter, the purposes of our Finance/Risk Management Committee are to:

- review, oversee and report to our Board of Directors regarding our financial status and capital structure, debt and equity financings, cash management and other banking activities, compliance with covenants of material debt instruments, investor/stockholder relations, relationships with various financial constituents, securities repurchase activities and dividend policy, and authorize transactions within limits prescribed by our Board of Directors;

- review and report to our Board of Directors regarding contingent liabilities and the status of material litigation;

- review and assess risk exposure and insurance related to our operations and authorize transactions within limits prescribed by our Board of Directors; and

- review capital expenditures and other capital spending plans, including significant acquisitions and dispositions of business or assets, and authorize transactions within limits prescribed by our Board of Directors.

In connection with these purposes, the Finance/Risk Management Committee reviews periodically our financial status and capital structure and can authorize finance-related activities within limits prescribed by our Board of Directors. The Finance/Risk Management Committee reviews with management the status of current litigation matters and regularly reports to the Board of Directors on litigation and contingent liabilities. The Finance/Risk Management Committee also consults with management on matters that could have a significant financial impact on us and reviews our financial policies and procedures, its compliance with material debt instruments and its significant banking relationships. In addition, the Finance/Risk Management Committee reviews and assesses periodically our risk exposure and plans and strategies for insurance programs, and authorizes risk management-related activities within limits prescribed by our Board of Directors. The Finance/Risk Management Committee also provides direction for the assessment of future capital spending and acquisition opportunities and reviews capital expenditure plans, including significant acquisitions and dispositions of businesses and assets and other specific capital projects.

The Finance/Risk Management Committee, consisting of Mr. Quinn (Chairman), Mr. Adams, Mr. Hesterberg, Mr. Strange and Mr. Watson, held four meetings during fiscal year 2009.

Communications with Directors

Our Board of Directors welcomes communications from our stockholders and other interested parties. Stockholders and any other interested parties may send communications to our Board of Directors, to any committee of our Board of Directors, to the non-executive Chairman of the Board (who presides over the executive sessions of our independent and non-management directors), or to any director in particular, to:

c/o Group 1 Automotive, Inc.
800 Gessner, Suite 500
Houston, Texas 77024

Any correspondence addressed to our Board of Directors, to any committee of our Board of Directors, to the non-executive Chairman of the Board, or to any one of the directors in care of our offices is required to be forwarded to the addressee or addressees without review by any person to whom such correspondence is not addressed.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

John L. Adams, Louis E. Lataif, Beryl Raff, J. Terry Strange and Max P. Watson, Jr. served on the Compensation Committee in fiscal year 2009. None of the directors who served on the Compensation Committee in fiscal year 2009 has ever served as one of our officers or employees. During fiscal year 2009, none of our executive officers served as a director or member of the Compensation Committee (or other committee performing similar functions) of any other entity of which an executive officer served on our Board of Directors or Compensation Committee.

TRANSACTIONS WITH RELATED PERSONS

Transactions

During 2009, we did not enter into, and we do not currently propose entering into, any transactions with related persons required to be disclosed in our proxy statement.

Policies and Procedures

We review all relationships and transactions in which we and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Our General Counsel's office is primarily responsible for the development and implementation of procedures and controls to obtain information from the directors and executive officers with respect to related person transactions and for subsequently determining, based on the facts and circumstances disclosed to them, whether we or a related person has a direct or indirect material interest in the transaction. As required under the SEC's rules, transactions that are determined to be directly or indirectly material to us or a related person are filed with the SEC when required, and disclosed in our proxy statement.

Our Code of Conduct discourages all conflicts of interest and provides guidance with respect to conflicts of interest. Under the Code of Conduct, conflicts of interest occur when private or family interests interfere in any way, or even appear to interfere, with the interests of our company. Our restrictions on conflicts of interest under the Code of Conduct include related person transactions.

We have multiple processes for reporting conflicts of interests, including related person transactions. Under the Code of Conduct, all employees are required to report any actual or apparent conflict of interest, or potential conflict of interest, to their supervisors and all related person transactions involving our regional or market executives must be communicated in writing as part of their quarterly representation letter. This information is then reviewed by our Audit Committee, our Board of Directors or our independent registered public accounting firm, as deemed necessary, and discussed with management. As part of this review, the following factors are generally considered:

the nature of the related person's interest in the transaction;

the material terms of the transaction, including, without limitation, the amount and type of transaction;

the importance of the transaction to the related person;

the importance of the transaction to us;

whether the transaction would impair the judgment of a director or executive officer to act in the best interest of our company;

whether the transaction might affect the status of a director as independent under the independence standards of the New York Stock Exchange; and

any other matters deemed appropriate with respect to the particular transaction.

Ultimately, all such transactions must be approved or ratified by our Board of Directors. Any member of our Board of Directors who is a related person with respect to a transaction is recused from the review of the transaction.

In addition, our legal staff annually distributes a questionnaire to our executive officers and members of our Board of Directors requesting certain information regarding, among other things, their immediate family members, employment and beneficial ownership interests. This information is then reviewed for any conflicts of interest under the Code of Conduct. At the completion of the annual audit, our Audit Committee and the independent registered public accounting firm review with management, insider and related person transactions and potential conflicts of interest. In addition, our internal audit function has processes in place, under its written procedure policies, to identify related person transactions and potential conflicts of interest and report them to senior management and the Audit Committee.

We also have other policies and procedures to prevent conflicts of interest, including related person transactions. For example, our Corporate Governance Guidelines require that our Board of Directors assess the independence of the non-management directors at least annually, including a requirement that it determine whether or not any such directors have a material relationship with us, either directly or indirectly, as defined therein and as further described under Information about our Board of Directors and Committees Independence of the Members of our Board of Directors.

Risk Assessment

We have reviewed our compensation policies and practices for all employees, including executive officers, and determined that our compensation programs are not reasonably likely to cause behaviors that would have a material adverse effect on the company. Moreover, we believe that several design features of our compensation programs and policies reduce the likelihood of excessive risk-taking:

The program design provides a balanced mix of cash and equity, annual and longer-term incentives, and performance metrics.

We currently do not grant stock options.

The Compensation Committee has discretion over incentive program payouts.

The compensation recovery policy allows the company to claw back payments made using materially inaccurate financial results.

Executive officers are subject to stock ownership guidelines.