

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-13461

**Group 1 Automotive, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State of other jurisdiction of incorporation or organization)

800 Gessner, Suite 500

Houston, TX

(Address of principal executive offices)

76-0506313

(I.R.S. Employer Identification No.)

77024

(Zip code)

(713) 647-5700

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker symbol(s)	Name of exchange on which registered
Common stock, par value \$0.01 per share	GPI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if that registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 30, 2020, the registrant had 18,314,207 shares of common stock outstanding.

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**GLOSSARY OF DEFINITIONS**

The following are abbreviations and definitions of terms used within this report:

<b>Terms</b>	<b>Definitions</b>
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Brexit	Withdrawal of the U.K. from the European Union
BRL	Brazilian Real (R\$)
COVID-19 pandemic	Coronavirus disease first emerging in December 2019 and resulting in the ongoing global pandemic in 2020
EPS	Earnings per share
F&I	Finance, insurance and other
FASB	Financial Accounting Standards Board
FMCC	Ford Motor Credit Company
GBP	British Pound Sterling (£)
LIBOR	London Interbank Offered Rate
OEM	Original equipment manufacturer
PRU	Per retail unit
ROU	Right-of-use
RSA	Restricted stock award
SEC	Securities and Exchange Commission
SG&A	Selling, general and administrative
USD	United States Dollar
U.K.	United Kingdom
U.S.	United States of America
U.S. GAAP	Accounting principles generally accepted in the U.S.
WHO	World Health Organization
WACC	Weighted average cost of capital

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(In millions, except share data)

	September 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 66.2	\$ 23.8
Contracts-in-transit and vehicle receivables, net	218.9	253.8
Accounts and notes receivables, net	193.5	225.1
Inventories, net	1,375.7	1,901.7
Prepaid expenses	39.8	96.4
Other current assets	22.6	15.5
<b>TOTAL CURRENT ASSETS</b>	<b>1,916.6</b>	<b>2,516.3</b>
Property and equipment, net of accumulated depreciation of \$441.9 and \$400.2, respectively	1,592.0	1,547.1
Operating lease assets	209.9	220.1
Goodwill	993.5	1,008.3
Intangible franchise rights	241.3	253.5
Other long-term assets	30.0	24.8
<b>TOTAL ASSETS</b>	<b>\$ 4,983.4</b>	<b>\$ 5,570.2</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Floorplan notes payable — credit facility and other, net of offset account of \$108.2 and \$106.8, respectively	\$ 771.3	\$ 1,144.4
Floorplan notes payable — manufacturer affiliates, net of offset account of \$18.5 and \$4.1, respectively	314.8	459.9
Current maturities of long-term debt	65.8	59.1
Current operating lease liabilities	21.5	24.6
Accounts payable	408.3	527.5
Accrued expenses and other current liabilities	230.4	206.7
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,812.1</b>	<b>2,422.3</b>
Long-term debt	1,307.8	1,432.1
Long-term operating lease liabilities	207.1	210.7
Deferred income taxes	135.4	145.7
Long-term interest rate swap liabilities	49.4	4.4
Other long-term liabilities	114.8	99.2
Commitments and Contingencies (Note 12)		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$0.01 par value, 50,000,000 shares authorized; 25,439,746 and 25,486,711 shares issued, respectively	0.3	0.3
Additional paid-in capital	304.0	295.3
Retained earnings	1,723.3	1,542.4
Accumulated other comprehensive income (loss)	(206.3)	(147.0)
Treasury stock, at cost; 7,122,366 and 6,858,503 shares, respectively	(464.3)	(435.3)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,356.9</b>	<b>1,255.7</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 4,983.4</b>	<b>\$ 5,570.2</b>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>REVENUES:</b>				
New vehicle retail sales	\$ 1,580.7	\$ 1,652.3	\$ 3,985.5	\$ 4,632.2
Used vehicle retail sales	867.2	869.7	2,287.4	2,527.8
Used vehicle wholesale sales	86.7	85.2	221.9	273.4
Parts and service sales	375.6	383.5	1,028.2	1,130.8
Finance, insurance and other, net	129.5	127.5	338.7	368.2
Total revenues	3,039.6	3,118.3	7,861.7	8,932.4
<b>COST OF SALES:</b>				
New vehicle retail sales	1,481.5	1,577.0	3,759.7	4,415.7
Used vehicle retail sales	796.1	815.5	2,127.9	2,372.5
Used vehicle wholesale sales	80.7	84.9	212.9	272.7
Parts and service sales	169.4	175.4	473.9	520.1
Total cost of sales	2,527.7	2,652.7	6,574.4	7,581.0
<b>GROSS PROFIT</b>	512.0	465.6	1,287.2	1,351.4
Selling, general and administrative expenses	305.8	353.9	870.9	1,020.3
Depreciation and amortization expense	19.1	18.2	56.5	53.0
Asset impairments	—	10.3	23.8	10.8
<b>INCOME (LOSS) FROM OPERATIONS</b>	187.1	83.3	336.0	267.2
Floorplan interest expense	8.1	15.3	31.1	47.0
Other interest expense, net	14.6	18.9	49.0	55.8
(Gain) loss on extinguishment of debt	3.3	—	13.7	—
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	161.0	49.0	242.2	164.4
(Benefit) provision for income taxes	34.6	10.9	55.8	38.5
<b>NET INCOME (LOSS)</b>	\$ 126.4	\$ 38.0	\$ 186.4	\$ 125.9
<b>BASIC EARNINGS (LOSS) PER SHARE</b>	\$ 6.86	\$ 2.04	\$ 10.11	\$ 6.78
Weighted average common shares outstanding	17.8	18.0	17.8	17.9
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>	\$ 6.83	\$ 2.04	\$ 10.08	\$ 6.77
Weighted average dilutive common shares outstanding	17.8	18.0	17.8	17.9

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Unaudited)  
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>NET INCOME (LOSS)</b>	\$ 126.4	\$ 38.0	\$ 186.4	\$ 125.9
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustment	6.0	(11.6)	(24.4)	(12.0)
Net unrealized gain (loss) on interest rate risk management activities, net of tax:				
Unrealized gain (loss) arising during the period, net of tax benefit (provision) of \$0.6, \$1.7, \$12.6 and \$6.0, respectively	(1.8)	(5.6)	(40.4)	(19.2)
Reclassification adjustment for realized (gain) loss on interest rate swap termination included in SG&A, net of tax benefit (provision) of \$— for all periods presented	0.1	0.1	0.1	0.1
Reclassification adjustment for (gain) loss included in interest expense, net of tax benefit (provision) of \$0.8, \$—, \$1.7 and (\$0.2), respectively	2.7	0.1	5.4	(0.6)
Unrealized gain (loss) on interest rate risk management activities, net of tax	1.0	(5.4)	(35.0)	(19.7)
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	<b>7.0</b>	<b>(17.0)</b>	<b>(59.3)</b>	<b>(31.7)</b>
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 133.4</b>	<b>\$ 21.0</b>	<b>\$ 127.0</b>	<b>\$ 94.2</b>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)  
(In millions, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
<b>BALANCE, JUNE 30, 2020</b>	25,439,581	\$ 0.3	\$ 300.0	\$ 1,596.9	\$ (213.3)	\$ (467.9)	\$ 1,215.9
Net income (loss)	—	—	—	126.4	—	—	126.4
Other comprehensive income (loss), net of taxes	—	—	—	—	7.0	—	7.0
Net issuance of treasury shares to stock compensation plans	165	—	(1.4)	—	—	3.6	2.2
Stock-based compensation	—	—	5.3	—	—	—	5.3
<b>BALANCE, SEPTEMBER 30, 2020</b>	<u>25,439,746</u>	<u>\$ 0.3</u>	<u>\$ 304.0</u>	<u>\$ 1,723.3</u>	<u>\$ (206.3)</u>	<u>\$ (464.3)</u>	<u>\$ 1,356.9</u>

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
<b>BALANCE, DECEMBER 31, 2019</b>	25,486,711	\$ 0.3	\$ 295.3	\$ 1,542.4	\$ (147.0)	\$ (435.3)	\$ 1,255.7
Net income (loss)	—	—	—	186.4	—	—	186.4
Other comprehensive income (loss), net of taxes	—	—	—	—	(59.3)	—	(59.3)
Purchases of treasury stock	—	—	—	—	—	(48.9)	(48.9)
Net issuance of treasury shares to stock compensation plans	(46,964)	—	(18.4)	—	—	20.0	1.6
Stock-based compensation	—	—	27.0	—	—	—	27.0
Dividends declared (\$0.30 per share)	—	—	—	(5.5)	—	—	(5.5)
<b>BALANCE, SEPTEMBER 30, 2020</b>	<u>25,439,746</u>	<u>\$ 0.3</u>	<u>\$ 304.0</u>	<u>\$ 1,723.3</u>	<u>\$ (206.3)</u>	<u>\$ (464.3)</u>	<u>\$ 1,356.9</u>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**(In millions, except share data)**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
<b>BALANCE, JUNE 30, 2019</b>	25,510,280	\$ 0.3	\$ 288.2	\$ 1,467.0	\$ (152.5)	\$ (438.8)	\$ 1,164.1
Net income (loss)	—	—	—	38.0	—	—	38.0
Other comprehensive income (loss), net of taxes	—	—	—	—	(17.0)	—	(17.0)
Net issuance of treasury shares to stock compensation plans	(6,149)	—	(0.7)	—	—	2.6	1.9
Stock-based compensation	—	—	4.5	—	—	—	4.5
Dividends declared (\$0.28 per share)	—	—	—	(5.2)	—	—	(5.2)
<b>BALANCE, SEPTEMBER 30, 2019</b>	<u>25,504,131</u>	<u>\$ 0.3</u>	<u>\$ 292.0</u>	<u>\$ 1,499.8</u>	<u>\$ (169.5)</u>	<u>\$ (436.2)</u>	<u>\$ 1,186.3</u>

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
<b>BALANCE, DECEMBER 31, 2018</b>	25,494,328	\$ 0.3	\$ 292.8	\$ 1,394.8	\$ (137.8)	\$ (454.4)	\$ 1,095.7
Net income (loss)	—	—	—	125.9	—	—	125.9
Other comprehensive income (loss), net of taxes	—	—	—	—	(31.7)	—	(31.7)
Net issuance of treasury shares to stock compensation plans	9,803	—	(15.3)	—	—	18.1	2.9
Stock-based compensation	—	—	14.5	—	—	—	14.5
Dividends declared (\$0.80 per share)	—	—	—	(14.8)	—	—	(14.8)
ASC 842 cumulative adjustment	—	—	—	(6.1)	—	—	(6.1)
<b>BALANCE, SEPTEMBER 30, 2019</b>	<u>25,504,131</u>	<u>\$ 0.3</u>	<u>\$ 292.0</u>	<u>\$ 1,499.8</u>	<u>\$ (169.5)</u>	<u>\$ (436.2)</u>	<u>\$ 1,186.3</u>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)



**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In millions)

	Nine Months Ended September 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 186.4	\$ 125.9
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	56.5	53.0
Change in operating lease assets	18.1	21.2
Deferred income taxes	(2.8)	3.6
Asset impairments	23.8	10.8
Stock-based compensation	27.0	14.5
Amortization of debt discount and issue costs	2.6	3.1
(Gain) loss on disposition of assets	—	(5.9)
(Gain) loss on extinguishment of debt	13.7	—
Other	1.9	0.7
Changes in assets and liabilities, net of acquisitions and dispositions:		
Accounts payable and accrued expenses	(58.8)	99.0
Accounts and notes receivables	25.2	(31.7)
Inventories	499.6	41.7
Contracts-in-transit and vehicle receivables	33.0	8.1
Prepaid expenses and other assets	41.1	(10.6)
Floorplan notes payable — manufacturer affiliates	(137.9)	(1.1)
Deferred revenues	(0.4)	(0.4)
Operating lease liabilities	(16.3)	(21.3)
Net cash provided by (used in) operating activities	712.7	310.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid for acquisitions, net of cash received	(1.3)	(97.0)
Proceeds from disposition of franchises, property and equipment	1.3	43.1
Purchases of property and equipment	(78.8)	(139.6)
Other	—	(0.1)
Net cash provided by (used in) investing activities	(78.8)	(193.5)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings on credit facility — floorplan line and other	7,590.5	5,311.2
Repayments on credit facility — floorplan line and other	(7,960.7)	(5,364.3)
Borrowings on credit facility — acquisition line	284.0	230.5
Repayments on credit facility — acquisition line	(296.5)	(211.4)
Debt issuance costs	(9.0)	(3.2)
Borrowings of senior notes	550.0	—
Repayments of senior notes	(857.9)	—
Borrowings on other debt	252.9	205.6
Repayments on other debt	(90.8)	(246.5)
Proceeds from employee stock purchase plan	7.0	6.5
Payments of tax withholding for stock-based awards	(5.5)	(3.6)
Repurchases of common stock, amounts based on settlement date	(48.9)	—
Dividends paid	(5.5)	(14.8)
Net cash provided by (used in) financing activities	(590.4)	(90.1)
Effect of exchange rate changes on cash	(5.4)	(1.3)
Net increase (decrease) in cash, cash equivalents and restricted cash	38.1	25.9
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period</b>	28.1	18.7
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period</b>	\$ 66.2	\$ 44.6

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## **1. INTERIM FINANCIAL INFORMATION**

### ***Business***

Group 1 Automotive, Inc., a Delaware corporation, is a leading operator in the automotive retailing industry with business activities in 15 states in the U.S., 33 towns in the U.K. and three states in Brazil. Group 1 Automotive, Inc. and its subsidiaries are collectively referred to as the “Company” in these Notes to Condensed Consolidated Financial Statements. The Company, through its regions, sells new and used cars and light trucks; arranges related vehicle financing; sells service and insurance contracts; provides automotive maintenance and repair services; and sells vehicle parts.

As of September 30, 2020, the Company’s retail network consisted of 119 dealerships in the U.S., 50 dealerships in the U.K. and 17 dealerships in Brazil. The U.S. and Brazil are led by the President, U.S. and Brazilian Operations, and the U.K. is led by an Operations Director, each reporting directly to the Company’s Chief Executive Officer. The President, U.S. and Brazilian Operations, and the U.K. Operations Director are responsible for the overall performance of their respective regions, as well as for overseeing field level management.

The Company’s operating results are generally subject to seasonal variations, as well as changes in the economic environment. In the U.S., the Company generally experiences higher volumes of vehicle sales and service in the second and third calendar quarters of each year. In addition, in some regions of the U.S., vehicle purchases decline during the winter months due to inclement weather. In the U.K., the first and third quarters tend to be stronger, driven by the vehicle license plate change months of March and September. In Brazil, the first quarter is generally the weakest, driven by more consumer vacations and activities associated with Carnival, while the third and fourth quarters tend to be stronger. Other factors unrelated to seasonality, such as changes in economic conditions, manufacturer incentive programs, supply issues, seasonal weather events and/or changes in currency exchange rates may exaggerate seasonal or cause counter-seasonal fluctuations in the Company’s revenues and operating income.

### ***COVID-19 Pandemic***

On March 11, 2020, the WHO declared COVID-19 a pandemic, and subsequently, various countries declared the COVID-19 pandemic a national emergency. The global spread of the COVID-19 pandemic continues to adversely impact the Company’s markets in the U.S., U.K. and Brazil. Government mandated restrictions to contain and combat the virus, such as stay-at-home orders on individuals and operating restrictions on businesses, impacted the Company’s dealerships beginning in mid-March 2020. However, these measures began easing in the second quarter and most of the Company’s markets have since shown signs of recovery. Despite signs of market recovery, the potential impact from the COVID-19 pandemic is difficult to predict, especially as cases rise in certain markets and governments consider re-instituting lockdown measures and other restrictions. On October 31, 2020, the U.K. government announced a national lockdown of non-essential businesses, which includes the Company’s dealership vehicle showrooms, beginning November 5, 2020 through December 2, 2020, at which time the government will determine whether the lockdown restrictions are extended. The Company’s dealership service operations will remain open, however this mandate will adversely impact the Company’s U.K. vehicle sales in the fourth quarter. The extent to which the impact may negatively affect the Company’s business, financial condition and results of operations will depend on future developments and new information that may emerge regarding the severity and duration of the COVID-19 pandemic. If the U.K. lockdown is extended for a significant period of time, or if additional lockdowns, other travel and business restrictions or additional restrictions are imposed in the Company’s other markets, the adverse impact on the Company’s business, results of operations and cash flows could be material. The associated risks are further described in Part II, “Item 1A. Risk Factors” of this Form 10-Q and the potential impacts could also exacerbate the risks identified in the risk factors listed in Part I, “Item 1A. Risk Factors” from the Company’s annual report on Form 10-K for the year ended December 31, 2019.

### ***Basis of Presentation***

The accompanying Condensed Consolidated Financial Statements and notes thereto, have been prepared in accordance with U.S. GAAP for interim financial information and in accordance with the rules and regulations of the SEC. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. Results for interim periods are not necessarily indicative of the results that can be expected for a full year and therefore should be read in conjunction with the Company’s audited Financial Statements and notes thereto included within the Company’s most recent Annual Report on Form 10-K.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

The accompanying Condensed Consolidated Financial Statements reflect the consolidated accounts of the parent company, Group 1 Automotive, Inc., and its subsidiaries, all of which are wholly owned. The results of operations of all business combinations completed during the period are included from the effective dates of the closings of the acquisitions. All intercompany balances and transactions have been eliminated in consolidation.

During the three months ended June 30, 2020, the Company recorded an out-of-period adjustment of \$10.6 million resulting in an increase to *Selling, general and administrative expenses* and *Additional paid-in capital* to correct stock-based compensation for awards granted in prior years to retirement eligible employees not recognized timely due to the incorrect treatment of a non-substantive service condition. The impact to the three months ended June 30, 2020 was a decrease to net income of \$9.7 million resulting in a decrease to diluted earnings per common share of \$0.53. The effect of this adjustment on any previously reported period was not material based on a quantitative and qualitative evaluation.

Certain prior-period amounts have been reclassified to conform to current-period presentation. Specifically, the long-term liabilities associated with the Company's interest rate swaps have been reclassified from the caption *Other long-term liabilities* to the caption *Long-term interest rate swap liabilities* in the Condensed Consolidated Balance Sheets. This reclassification had no effect on any subtotal in the Condensed Consolidated Balance Sheets. Additionally, repayments and borrowings on the Company's real estate related and other debt have been combined within the captions *Repayments on other debt* and *Borrowings on other debt*, respectively, in the Condensed Consolidated Statements of Cash Flows. Finally, proceeds from purchases under the Company's employee stock purchase plan and the tax withholdings related to stock-based awards have been separated within the captions *Proceeds from employee stock purchase plan* and *Payments of tax withholding for stock-based awards*, respectively, in the Condensed Consolidated Statements of Cash Flows. The aforementioned reclassifications within the Condensed Consolidated Statements of Cash Flows had no effect on any subtotal in the statements.

Certain amounts in the Condensed Consolidated Financial Statements and the accompanying notes may not compute due to rounding. All computations have been calculated using unrounded amounts for all periods presented. These Condensed Consolidated Financial Statements reflect, in the opinion of management, all normal recurring adjustments necessary to fairly state, in all material respects, the Company's financial position and results of operations for the periods presented.

#### ***Use of Estimates***

The preparation of the Company's financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the balance sheet date and the amounts of revenues and expenses recognized during the reporting period. Management analyzes the Company's estimates based on historical experience and other assumptions that are believed to be reasonable under the circumstances, however actual results could differ materially from such estimates. Significant estimates made in the accompanying Condensed Consolidated Financial Statements include, but are not limited to, inventory valuation adjustments, reserves for future chargebacks on finance, insurance and vehicle service contract fees, self-insured property and casualty insurance exposure, the fair value of assets acquired and liabilities assumed in business combinations, the valuation of goodwill and intangible franchise rights and reserves for potential litigation. Additionally, while the full impact of the COVID-19 pandemic is unknown and cannot be reasonably estimated, the Company has made accounting estimates based on the facts and circumstances available as of the reporting date.

#### ***Recent Accounting Pronouncements***

##### ***Reference Rate Reform***

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides optional expedients and exceptions for companies that have contracts, hedging relationships and other transactions that reference LIBOR or other reference rates expected to be discontinued because of reference rate reform. The optional expedients and exceptions apply during the transition period and are intended to ease the financial reporting burdens mainly related to contract modification accounting, hedge accounting and lease accounting. The transition period is effective as of March 12, 2020 and will apply through December 31, 2022. LIBOR is used as an interest rate "benchmark" in the majority of the Company's floorplan notes payable, as well as its mortgages, other debt and lease contracts. Additionally, the Company's derivative instruments are benchmarked to LIBOR. The Company will apply the relief described as its arrangements are modified and does not expect the adoption will have an impact on the Company's consolidated financial statements due to the relief provided.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

### Impairments

The Company evaluates its intangible assets, consisting entirely of indefinite-lived franchise rights and goodwill, for impairment annually, or more frequently if events or circumstances indicate possible impairment. During the three months ended June 30, 2020, the Company recorded goodwill impairment charges of \$10.7 million within the Brazil reporting unit and franchise rights impairment charges of \$11.1 million within the U.K. segment and \$0.1 million within the Brazil segment. Refer to Note 8 “Intangibles” for additional discussion of the Company’s interim impairment assessment.

The Company also reviews long-lived assets that are held-for-use, including the Company’s property and equipment and ROU assets, for impairment at the lowest level of identifiable cash flows whenever there are indicators that the carrying value of these assets may not be recoverable. During the three months ended June 30, 2020, the Company recognized ROU asset impairment charges of \$1.7 million relating to seven dealerships within the U.K. segment and \$0.2 million relating to one dealership within the Brazil segment.

The impairment charges were recognized within *Asset impairments* in the Company’s Condensed Consolidated Statements of Operations. No impairment charges were recorded during the three months ended September 30, 2020.

## 2. REVENUES

The following tables present the Company’s revenues disaggregated by revenue source and geographical segments (in millions):

	Three Months Ended September 30, 2020				Nine Months Ended September 30, 2020			
	U.S.	U.K.	Brazil	Total	U.S.	U.K.	Brazil	Total
<b>REVENUES:</b>								
New vehicle retail sales	\$ 1,172.2	\$ 376.6	\$ 31.9	\$ 1,580.7	\$ 3,076.3	\$ 800.1	\$ 109.1	\$ 3,985.5
Used vehicle retail sales	608.2	248.1	10.9	867.2	1,719.4	529.7	38.3	2,287.4
Used vehicle wholesale sales	44.8	39.5	2.4	86.7	122.1	90.6	9.2	221.9
Total new and used vehicle sales	1,825.2	664.2	45.2	2,534.6	4,917.8	1,420.4	156.6	6,494.8
Parts and service sales <sup>(1)</sup>	306.4	61.3	8.0	375.6	865.2	139.5	23.4	1,028.2
Finance, insurance and other, net <sup>(2)</sup>	113.0	15.4	1.1	129.5	300.2	35.1	3.4	338.7
Total revenues	\$ 2,244.6	\$ 740.8	\$ 54.3	\$ 3,039.6	\$ 6,083.3	\$ 1,595.0	\$ 183.4	\$ 7,861.7
	Three Months Ended September 30, 2019				Nine Months Ended September 30, 2019			
	U.S.	U.K.	Brazil	Total	U.S.	U.K.	Brazil	Total
<b>REVENUES:</b>								
New vehicle retail sales	\$ 1,291.8	\$ 290.7	\$ 69.9	\$ 1,652.3	\$ 3,512.3	\$ 911.5	\$ 208.4	\$ 4,632.2
Used vehicle retail sales	657.7	189.3	22.8	869.7	1,877.5	586.8	63.4	2,527.8
Used vehicle wholesale sales	45.8	35.0	4.4	85.2	132.9	127.1	13.3	273.4
Total new and used vehicle sales	1,995.3	515.0	97.1	2,607.3	5,522.8	1,625.5	285.1	7,433.4
Parts and service sales <sup>(1)</sup>	314.9	56.6	12.0	383.5	922.1	172.5	36.1	1,130.8
Finance, insurance and other, net <sup>(2)</sup>	112.7	13.0	1.9	127.5	319.4	43.2	5.6	368.2
Total revenues	\$ 2,422.8	\$ 584.6	\$ 110.9	\$ 3,118.3	\$ 6,764.3	\$ 1,841.2	\$ 326.9	\$ 8,932.4

<sup>(1)</sup>The Company has applied the optional exemption not to disclose revenues related to remaining performance obligations on its maintenance and repair services as the duration of these contracts is less than one year. Revenues from these contracts are recognized upon completion of the services, which occurs over time.

<sup>(2)</sup>Includes variable consideration recognized of \$7.6 million and \$2.6 million during the three months ended September 30, 2020 and 2019, respectively, and \$16.9 million and \$14.8 million during the nine months ended September 30, 2020 and 2019, respectively, relating to performance obligations satisfied in previous periods on the Company’s retrospective commission income contracts. See Note 7 “Receivables and Contract Assets, Net” for additional information on the Company’s contract assets associated with revenues from the arrangement of financing and sale of service and insurance contracts.

## 3. ACQUISITIONS AND DISPOSITIONS

### Acquisitions

The Company accounts for business combinations under the acquisition method of accounting, under which the Company allocates the purchase price to the assets and liabilities assumed based on an estimate of fair value.

During the nine months ended September 30, 2020, the Company acquired a collision center in the U.S., which was integrated into an existing dealership.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

During the nine months ended September 30, 2019, the Company acquired two dealerships representing four franchises in the U.S. and four dealerships representing five franchises in the U.K. Aggregate consideration paid for these dealerships, which were accounted for as business combinations, totaled \$97.0 million. The Company also opened one dealership representing one franchise in the U.S. and one dealership representing one franchise in the U.K.

**Dispositions**

During the nine months ended September 30, 2020, the Company did not dispose of any businesses.

During the nine months ended September 30, 2019, the Company disposed of four dealerships representing seven franchises and terminated two franchises in the U.S., disposed of three dealerships representing four franchises in the U.K. and disposed of one dealership representing one franchise in Brazil. The Company recorded a net pre-tax gain totaling \$5.0 million related to these dispositions.

The Company's dispositions generally consist of dealership assets and related real estate. Gains and losses on dispositions are recorded in *Selling, general and administrative expenses* in the Condensed Consolidated Statements of Operations.

**4. SEGMENT INFORMATION**

As of September 30, 2020, the Company had three reportable segments: the U.S., the U.K. and Brazil. The U.S. and Brazil segments are led by the President, U.S. and Brazilian Operations, and the U.K. segment is led by an Operations Director, each reporting directly to the Company's Chief Executive Officer, who is the Chief Operating Decision Maker. The President, U.S. and Brazilian Operations, and the U.K. Operations Director are responsible for the overall performance of their respective regions, as well as for overseeing field level management. Each segment is comprised of retail automotive franchises that sell new and used cars and light trucks; arrange related vehicle financing; sell service insurance contracts; provide automotive maintenance and repair services; and sell vehicle parts. The vast majority of the Company's corporate activities are associated with the operations of the U.S. segment and therefore the corporate financial results are included within the U.S. segment.

Reportable segment revenues and income (loss) before income taxes were as follows for the three and nine months ended September 30, 2020 and 2019 (in millions):

	Three Months Ended September 30, 2020				Nine Months Ended September 30, 2020			
	U.S.	U.K.	Brazil	Total	U.S.	U.K.	Brazil	Total
Total revenues	\$ 2,244.6	\$ 740.8	\$ 54.3	\$ 3,039.6	\$ 6,083.3	\$ 1,595.0	\$ 183.4	\$ 7,861.7
Income (loss) before income taxes <sup>(1)</sup>	\$ 132.9	\$ 27.1	\$ 1.0	\$ 161.0	\$ 249.8	\$ 4.7	\$ (12.4)	\$ 242.2

  

	Three Months Ended September 30, 2019				Nine Months Ended September 30, 2019			
	U.S.	U.K.	Brazil	Total	U.S.	U.K.	Brazil	Total
Total revenues	\$ 2,422.8	\$ 584.6	\$ 110.9	\$ 3,118.3	\$ 6,764.3	\$ 1,841.2	\$ 326.9	\$ 8,932.4
Income (loss) before income taxes <sup>(2)</sup>	\$ 54.6	\$ (7.4)	\$ 1.8	\$ 49.0	\$ 164.8	\$ (2.7)	\$ 2.3	\$ 164.4

<sup>(1)</sup> For the three months ended September 30, 2020, income (loss) before income taxes includes a \$3.3 million loss on debt extinguishment in the U.S. segment. For the nine months ended September 30, 2020, income (loss) before income taxes includes the following: in the U.S. segment, \$13.7 million loss on debt extinguishment and \$10.6 million in stock-based compensation expense related to an out-of-period adjustment; in the U.K. segment, \$12.8 million in asset impairments and \$1.2 million in severance expense; and in the Brazil segment, \$11.1 million in asset impairments and \$0.9 million in severance expense.

<sup>(2)</sup> For the three months ended September 30, 2019, income (loss) before income taxes includes the following: in the U.S. segment, \$11.9 million in expenses related to flood damage from Tropical Storm Imelda in Texas, \$3.2 million in asset impairments and \$0.8 million net loss on disposition of real estate and dealership transactions; and in the U.K. segment, \$7.0 million in asset impairment charges and \$0.5 million net loss on disposition of real estate and dealership transactions. For the nine months ended September 30, 2019, income (loss) before income taxes includes the following: in the U.S. segment, \$17.8 million in expenses related to flood damage from Tropical Storm Imelda and hail storm damages primarily in Texas, \$4.4 million net gain on disposition of real estate and dealership transactions, \$3.2 million in asset impairments and \$1.8 million net loss on legal matters; in the U.K. segment, \$7.0 million in asset impairments and \$0.5 million net loss on disposition of real estate and dealership transactions; and in the Brazil segment, \$0.5 million in asset impairments, \$0.2 million net gain on disposition of real estate and dealership transactions and \$0.2 million net loss on legal matters.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

**5. EARNINGS PER SHARE**

The two-class method is utilized for the computation of the Company's EPS. The two-class method requires a portion of net income to be allocated to participating securities, which are unvested awards of share-based payments with non-forfeitable rights to receive dividends. The Company's RSAs are participating securities. Income allocated to these participating securities is excluded from net earnings available to common shares, as shown in the table below. Basic EPS is computed by dividing net income available to basic common shares by the weighted average number of basic common shares outstanding during the period. Diluted EPS is computed by dividing net income available to diluted common shares by the weighted average number of dilutive common shares outstanding during the period.

The following table sets forth the calculation of EPS for the three and nine months ended September 30, 2020 and 2019 (in millions, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Weighted average basic common shares outstanding	17,776,888	17,961,555	17,770,619	17,889,572
Dilutive effect of stock-based awards and employee stock purchases	58,661	17,145	47,919	17,978
Weighted average dilutive common shares	17,835,549	17,978,700	17,818,538	17,907,550
<b>Basic:</b>				
Net income (loss)	\$ 126.4	\$ 38.0	\$ 186.4	\$ 125.9
Less: Earnings (loss) allocated to participating securities	4.6	1.4	6.7	4.7
Net income (loss) available to basic common shares	\$ 121.9	\$ 36.7	\$ 179.7	\$ 121.2
Basic earnings (loss) per common share	\$ 6.86	\$ 2.04	\$ 10.11	\$ 6.78
<b>Diluted:</b>				
Net income (loss)	\$ 126.4	\$ 38.0	\$ 186.4	\$ 125.9
Less: Earnings (loss) allocated to participating securities	4.5	1.4	6.7	4.7
Net income (loss) available to diluted common shares	\$ 121.9	\$ 36.7	\$ 179.7	\$ 121.2
Diluted earnings (loss) per common share	\$ 6.83	\$ 2.04	\$ 10.08	\$ 6.77

**6. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

Accounting standards define fair value as the price that would be received from selling an asset or paid to transfer a liability in the most advantageous market in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and also establishes the following three levels of inputs that may be used to measure fair value:

- *Level 1* — Quoted prices for identical assets or liabilities in active markets.
- *Level 2* — Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or model-derived valuations or other inputs that are observable or that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3* — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

***Cash and Cash Equivalents, Contracts-In-Transit and Vehicle Receivables, Accounts and Notes Receivables, Accounts Payable, Variable Rate Long-Term Debt and Floorplan Notes Payable***

The fair values of these financial instruments approximate their carrying values due to the short-term nature of the instruments and/or the existence of variable interest rates.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

**Demand Notes**

The Company periodically invests in demand notes with a manufacturer-affiliated finance company that bear interest at a variable rate determined by the manufacturer and represent unsecured, unsubordinated and unguaranteed debt obligations of the manufacturer. The instruments are redeemable on demand by the Company and therefore the Company has classified these instruments as *Cash and cash equivalents* in the accompanying Condensed Consolidated Balance Sheets. As of September 30, 2020, the carrying value of these instruments was \$30.2 million. The Company determined that the valuation measurement inputs of these instruments include inputs other than quoted market prices, that are observable or that can be corroborated by observable data by correlation. Accordingly, the Company has classified these instruments within Level 2 of the hierarchy framework.

**Fixed Rate Long-Term Debt**

The Company's fixed rate long-term debt primarily consists of amounts outstanding under its senior unsecured notes and certain mortgage facilities. See Note 9 "Debt" for further discussion of the Company's long-term debt arrangements. On August 17, 2020, the Company issued \$550.0 million in aggregate principal of 4.00% Senior Notes due August 2028 ("4.00% Senior Notes"). Refer to Note 9 "Debt" for further discussion of the issuance. The Company estimates the fair value of its 4.00% Senior Notes using quoted prices for the identical liability (Level 1) and estimates the fair value of its fixed-rate mortgage facilities using a present value technique based on current market interest rates for similar types of financial instruments (Level 2).

The carrying value and fair value of the Company's 4.00% Senior Notes and fixed rate mortgages were as follows (in millions):

	September 30, 2020		December 31, 2019	
	Carrying Value <sup>(1)</sup>	Fair Value	Carrying Value <sup>(1)</sup>	Fair Value
4.00% Senior Notes	\$ 550.0	\$ 539.6	\$ —	\$ —
Real estate related	88.1	80.4	40.7	41.1
Total	\$ 638.1	\$ 620.0	\$ 40.7	\$ 41.1

<sup>(1)</sup> Carrying value excludes unamortized debt issuance costs.

On April 2, 2020, the Company fully redeemed \$300.0 million in aggregate principal amount of its outstanding 5.25% Senior Notes due June 2023. Refer to Note 9 "Debt" for further discussion of the redemption.

On September 2, 2020, the Company fully redeemed \$550.0 million in aggregate principal amount of its outstanding 5.00% Senior Notes due June 2022. Refer to Note 9 "Debt" for further discussion of the redemption.

**Derivative Financial Instruments**

The Company holds interest rate swaps to hedge against variability of interest payments indexed to LIBOR. The interest rate swaps are designated as cash flow hedges and the related gains or losses are deferred in stockholders' equity as a component of *Accumulated other comprehensive income (loss)*. The deferred gains or losses are recognized in income in the period in which the related items being hedged are recognized in expense. Monthly contractual settlements of the positions are recognized as *Floorplan interest expense* or *Other interest expense, net*, in the Company's Condensed Consolidated Statements of Operations. The Company had no gains or losses related to ineffectiveness recognized in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2020 and 2019.

As of September 30, 2020, the Company held 39 interest rate swaps in effect with a total notional value of \$929.4 million that fixed its underlying one-month LIBOR at a weighted average rate of 1.69%. The Company also held 12 additional interest rate swaps with forward start dates beginning December 2020 that had an aggregate notional value of \$700.0 million and a weighted average interest rate of 1.47% as of September 30, 2020. The maturity dates of the Company's interest rate swaps range between December 2020 and December 2031.

The Company's interest rate swaps are measured at fair value utilizing the option-pricing Black-Scholes present value technique. This technique utilizes a one-month LIBOR forward yield curve matched to the identical maturity term of the instrument being measured. Observable inputs utilized in the income approach valuation technique incorporate identical contractual notional amounts, fixed coupon rates, periodic terms for interest payments and contract maturity. The fair value of the interest rate swaps also considers the credit risk of the Company for instruments in a liability position or the counterparty for instruments in an asset position. The credit risk is calculated using the spread between the one-month LIBOR yield curve and the relevant interest rate according to rating agencies. The inputs to the fair value measurements reflect Level 2 inputs.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

Assets and liabilities associated with the Company’s interest rate swaps as reflected in the Condensed Consolidated Balance Sheets were as follows (in millions):

	September 30, 2020	December 31, 2019
<b>Assets:</b>		
Other long-term assets	\$ —	\$ 1.9
<b>Total assets</b>	<b>\$ —</b>	<b>\$ 1.9</b>
<b>Liabilities:</b>		
Accrued expenses and other current liabilities	\$ 1.8	\$ 2.8
Long-term interest rate swap liabilities	49.4	4.4
<b>Total liabilities</b>	<b>\$ 51.2</b>	<b>\$ 7.2</b>

The following tables present the impact of the Company’s interest rate swaps (in millions):

	<b>Amount of Unrealized Income (Loss), Net of Tax, Recognized in Other Comprehensive Income (Loss)</b>	
	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Derivatives in Cash Flow Hedging Relationship</b>		
Interest rate swaps	\$ (40.4)	\$ (19.2)

	<b>Amount of Income (Loss) Reclassified from Other Comprehensive Income (Loss) into Statements of Operations</b>	
	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Location of Income (Loss) Reclassified from Other Comprehensive Income (Loss) into Statements of Operations</b>		
Floorplan interest expense	\$ (5.3)	\$ 0.4
Other interest expense, net	\$ (1.8)	\$ 0.3

The net amount of loss expected to be reclassified out of Accumulated other comprehensive income (loss) into earnings as an offset to *Floorplan interest expense* or *Other interest expense, net* in the next twelve months is \$1.8 million.



**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

**7. RECEIVABLES AND CONTRACT ASSETS, NET**

The Company’s financial assets measured at amortized cost and the associated allowance for doubtful accounts consisted of the following (in millions):

	September 30, 2020	December 31, 2019
<b>Contracts-in-transit and vehicle receivables, net:</b>		
Contracts-in-transit	\$ 142.5	\$ 169.9
Vehicle receivables	76.7	84.3
Total contracts-in-transit and vehicle receivables	219.2	254.1
Less: allowance for doubtful accounts <sup>(1)</sup>	0.3	0.3
Total contracts-in-transit and vehicle receivables, net	\$ 218.9	\$ 253.8
<b>Accounts and notes receivables, net:</b>		
Manufacturer receivables	\$ 108.5	\$ 123.9
Parts and service receivables	51.9	57.0
F&I receivables	24.9	28.3
Other	11.8	18.7
Total accounts and notes receivables	197.1	227.9
Less: allowance for doubtful accounts <sup>(1)</sup>	3.6	2.8
Total accounts and notes receivables, net	\$ 193.5	\$ 225.1
<b>Within Other current assets and Other long-term assets:</b>		
Total contract assets, net <sup>(1), (2)</sup>	\$ 29.7	\$ 21.6

<sup>(1)</sup> The allowance for doubtful accounts as of September 30, 2020 is calculated under the current expected credit loss (“CECL”) model described below, which was introduced under ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASC 326”), that became effective for the Company on January 1, 2020. The adoption of ASC 326 did not materially change the calculation of the allowance for doubtful accounts.

<sup>(2)</sup> No allowance for doubtful accounts was recorded for *Contract assets, net* as of September 30, 2020 or December 31, 2019. No past due balances existed as of either date, and there were no expected credit losses as of September 30, 2020.

The CECL model applies to financial assets measured at amortized cost, as shown in the table above, and requires the Company to reflect expected credit losses over the remaining contractual term of the asset. As the large majority of the Company’s receivables settle within 30 days, the forecast period under the CECL model is a relatively short horizon. The Company uses an aging method to estimate allowances for doubtful accounts under the CECL model as the Company has determined that the aging method adequately reflects expected credit losses, as corroborated by historical loss-rates. However, the Company will apply adjustments for asset-specific factors and current economic conditions as needed at each reporting date.

The Company recorded an adjustment of approximately \$0.4 million for expected credit losses as of September 30, 2020 as a result of adverse economic conditions arising from the COVID-19 pandemic impacting certain customers in the U.S. and U.K. The adjustment primarily impacted receivables that were not past due and thus were not subject to estimated credit losses under the aging method.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

**8. INTANGIBLES**

The Company evaluates its intangible assets, consisting entirely of goodwill and indefinite-lived franchise rights, for impairment annually, or more frequently if events or circumstances indicate possible impairment.

As described in Note 1 “Interim Financial Information,” since emerging in December 2019, the COVID-19 pandemic has spread globally, including to all of the Company’s markets in the U.S., U.K. and Brazil. While the U.S. and U.K. began to show signs of recovery in the second quarter of 2020, the Company’s showrooms in Brazil did not fully reopen until May 2020 and then operated at reduced hours. Despite operations resuming in Brazil, the impact of the virus continued to worsen in the second quarter and had not yet reached its peak in some of the Company’s Brazilian markets in the second quarter. The slower than expected recovery from the COVID-19 pandemic in Brazil during the second quarter of 2020 constituted a triggering event indicating that goodwill may be impaired. Therefore the Company performed a quantitative goodwill impairment test for the Brazil reporting unit as of June 30, 2020 and as a result, the Company recorded a goodwill impairment charge of \$10.7 million within the Brazil reporting unit. No impairment charges were recorded to goodwill during the three months ended September 30, 2020.

The following is a roll-forward of the Company’s goodwill accounts by reporting unit (in millions):

	Goodwill			
	U.S.	U.K.	Brazil	Total
Balance, December 31, 2019 <sup>(1)</sup>	\$ 902.3	\$ 92.1	\$ 13.9	\$ 1,008.3
Additions and adjustments	1.3	—	—	1.3
Disposals	—	—	—	—
Impairments	—	—	(10.7)	(10.7)
Currency translation	—	(2.2)	(3.1)	(5.3)
Balance, September 30, 2020	\$ 903.6	\$ 89.9	\$ —	\$ 993.5

<sup>(1)</sup> Net of accumulated impairments of \$97.8 million, comprised of \$40.6 million in the U.S. reporting unit and \$57.2 million in the Brazil reporting unit.

The impact of the COVID-19 pandemic on the economy and unemployment during the second quarter of 2020 adversely impacted the Company’s operating results in the U.S., U.K. and Brazil, as well as the Company’s long-term outlook projections compared to the projections in first quarter of 2020. As a result, it was concluded that it was more-likely-than-not that the intangible franchise rights of some dealerships were impaired, requiring a quantitative test as of June 30, 2020. As a result of the quantitative impairment test, the Company determined that the fair value of the franchise rights on six U.K. dealerships and one Brazil dealership were below their respective carrying values. This resulted in franchise rights impairment charges of \$11.1 million in the U.K. segment and \$0.1 million in the Brazil segment. There was no remaining intangible franchise rights balance in the Brazil segment following the impairment charges recorded in the second quarter of 2020. No impairment charges were recorded to intangible franchise rights during the three months ended September 30, 2020, reflecting the improving business results in the U.S. and U.K. regions.

In estimating the fair value required for the goodwill and intangible franchise rights impairment tests, the Company used a discounted cash flow model, or income approach, specifically the excess earnings method. Significant inputs to the model included changes in revenue growth rates, future gross margins, future SG&A expenses, terminal growth rates and the WACC, which were unobservable inputs, or Level 3 in the fair value hierarchy. The impairment charges were recognized within *Asset impairments* in the Company’s Condensed Consolidated Statements of Operations.

Despite the Company’s improved results in the third quarter of 2020, COVID-19 cases in certain markets in the U.S., and more pervasively throughout the U.K., have continued to rise in the fourth quarter of 2020. On October 31, 2020, the U.K. government announced a national lockdown of non-essential businesses, which includes the Company’s dealership vehicle showrooms, beginning November 5, 2020 through December 2, 2020, at which time the government will determine whether the lockdown restrictions are extended. The Company’s dealership service operations will remain open, however this mandate will adversely impact the Company’s U.K. vehicle sales in the fourth quarter. Due to the temporary nature of the U.K. lockdown in the fourth quarter, no impairment indicators of goodwill or intangible franchise rights were identified subsequent to September 30, 2020 through the date of issuance of this Form 10-Q. However if the COVID-19 pandemic and any lockdowns or other restrictions to contain the pandemic continue long-term, the Company may be required to record additional impairment charges in the future.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

**9. DEBT**

Long-term debt consisted of the following (in millions):

	September 30, 2020	December 31, 2019
4.00% Senior Notes due August 15, 2028	\$ 550.0	\$ —
5.00% Senior Notes redeemed September 2, 2020	—	550.0
5.25% Senior Notes redeemed April 2, 2020	—	300.0
Acquisition Line	57.9	72.5
Other Debt:		
Real estate related	628.1	453.3
Finance leases	123.1	83.0
Other	25.7	42.8
Total other debt	776.9	579.1
Total debt	1,384.9	1,501.7
Less: unamortized discount	—	(5.6)
Less: unamortized debt issuance costs	(11.2)	(4.8)
Less: current maturities	(65.8)	(59.1)
Total long-term debt	\$ 1,307.8	\$ 1,432.1

**Acquisition Line**

The proceeds of the Acquisition Line are used for working capital, general corporate and acquisition purposes. As of September 30, 2020, borrowings under the Acquisition Line, a component of the Revolving Credit Facility (as described in Note 10, “Floorplan Notes Payable”), totaled \$57.9 million. The average interest rate on this facility was 1.30% during the three months ended September 30, 2020.

**Real Estate Related**

The Company has mortgage loans in the U.S., U.K. and Brazil that are paid in monthly installments. As of September 30, 2020, borrowings outstanding under these facilities totaled \$628.1 million, gross of debt issuance costs, comprised of \$526.6 million in the U.S., \$90.2 million in the U.K. and \$11.3 million in Brazil.

**4.00% Senior Notes Issuance**

On August 17, 2020, the Company issued the following notes, at par:

Description	Principal Amount (in millions)	Maturity Date	Effective Interest Rate <sup>(1)</sup>	Interest Payment Dates
4.00% Senior Notes	\$550.0	August 15, 2028	4.21%	February 15 <sup>th</sup> , August 15 <sup>th</sup>

<sup>(1)</sup> The effective interest rate is after the impact of associated debt issuance costs

The Company, at its option, may redeem some or all of the notes at the redemption prices (expressed as percentages of principal amount of the notes) set forth below, plus accrued and unpaid interest.

Redemption Period	Redemption Price
August 15, 2023	102.000%
August 15, 2024	101.333%
August 15, 2025	100.667%
August 15, 2026 and thereafter	100.000%

The 4.00% Senior Notes are unsecured obligations and rank equal in right of payment to all of the Company’s existing and future senior unsecured debt and senior in right of payment to all of the Company’s future subordinated debt. The 4.00% Senior Notes are guaranteed by substantially all of the Company’s U.S. subsidiaries. The U.S. subsidiary guarantees rank equally in the right of payment to all of the Company’s U.S. subsidiary guarantor’s existing and future senior unsecured debt.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

The Company may be required to purchase the 4.00% Senior Notes if it sells certain assets or triggers the change in control provisions defined in the senior notes indenture. The 4.00% Senior Notes contain customary restrictions on the Company, including the ability to pay dividends, incur additional indebtedness, create liens, sell or otherwise dispose of assets and repurchase shares of outstanding common stock. Such restrictions are similar to those contained in the Company's 5.25% and 5.00% Senior Notes that were redeemed in the current year, as described further below.

**5.00% Senior Notes Redemption**

On September 2, 2020, the Company fully redeemed \$550.0 million in aggregate principal amount of its outstanding 5.00% Senior Notes due June 2022, at par value. The Company recognized a loss on extinguishment of \$3.3 million which included write offs of unamortized discount in the amount of \$2.6 million and unamortized debt issuance costs in the amount of \$0.7 million. Additionally, the Company paid accrued interest of \$6.9 million up to the date of redemption.

**5.25% Senior Notes Redemption**

On April 2, 2020, the Company fully redeemed \$300.0 million in aggregate principal amount of its outstanding 5.25% Senior Notes due June 2023, at a premium of 102.625%. The total redemption price, consisting of the principal amount of the notes redeemed plus associated premium, amounted to \$307.9 million. The Company recognized a loss on extinguishment of \$10.4 million which included write offs of unamortized discount in the amount of \$1.9 million and unamortized debt issuance costs in the amount of \$0.6 million. Additionally, the Company paid accrued interest of \$4.6 million up to the date of redemption.

**10. FLOORPLAN NOTES PAYABLE**

The Company's floorplan notes payable consisted of the following (in millions):

	September 30, 2020	December 31, 2019
Revolving credit facility — floorplan notes payable	\$ 840.4	\$ 1,206.0
Revolving credit facility — floorplan notes payable offset account	(108.2)	(106.8)
Revolving credit facility — floorplan notes payable, net	732.2	1,099.1
Other non-manufacturer facilities	39.0	45.3
Floorplan notes payable — credit facility and other, net	<u>\$ 771.3</u>	<u>\$ 1,144.4</u>
FMCC facility	\$ 133.2	\$ 208.5
FMCC facility offset account	(18.5)	(4.1)
FMCC facility, net	114.7	204.5
Other manufacturer affiliate facilities	200.1	255.4
Floorplan notes payable — manufacturer affiliates, net	<u>\$ 314.8</u>	<u>\$ 459.9</u>

**Floorplan Notes Payable - Credit Facility**

*Revolving Credit Facility*

In the U.S., the Company has a \$1.75 billion revolving syndicated credit arrangement with 22 participating financial institutions that matures on June 27, 2024 (“Revolving Credit Facility”). The Revolving Credit Facility consists of two tranches: (i) a \$1.70 billion maximum capacity tranche for U.S. vehicle inventory floorplan financing (“Floorplan Line”) which the outstanding balance, net of offset account discussed below, is reported in *Floorplan notes payable - credit facility and other, net*; and (ii) a \$349.0 million maximum capacity and \$50.0 million minimum capacity tranche (“Acquisition Line”), which is not due until maturity of the Revolving Credit Facility and is therefore classified in *Long-term debt* - see Note 9 “Debt” for additional discussion. The capacity under these two tranches can be re-designated within the overall \$1.75 billion commitment, subject to the aforementioned limits. The Acquisition Line includes a \$100 million sub-limit for letters of credit. As of September 30, 2020 and December 31, 2019, the Company had \$17.8 million and \$23.6 million, respectively, in outstanding letters of credit.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

The Floorplan Line bears interest at rates equal to LIBOR plus 110 basis points for new vehicle inventory and LIBOR plus 140 basis points for used vehicle inventory. The weighted average interest rate on the Floorplan Line was 1.22% as of September 30, 2020, excluding the impact of the Company's interest rate derivative instruments. The Acquisition Line bears interest at LIBOR or a LIBOR equivalent plus 100 to 200 basis points, depending on the Company's total adjusted leverage ratio, on borrowings in U.S. dollars, Euros or British pound sterling. The Floorplan Line requires a commitment fee of 0.15% per annum on the unused portion. Amounts borrowed by the Company under the Floorplan Line for specific vehicle inventory are to be repaid upon the sale of the vehicle financed and in no case is a borrowing for a vehicle to remain outstanding for greater than one year. The Acquisition Line requires a commitment fee ranging from 0.15% to 0.40% per annum, depending on the Company's total adjusted leverage ratio, based on a minimum commitment of \$50.0 million less outstanding borrowings.

In conjunction with the Revolving Credit Facility, the Company has \$3.9 million of related unamortized debt issuance costs as of September 30, 2020, which are included in *Prepaid expenses* and *Other long-term assets* in the Company's Condensed Consolidated Balance Sheets and amortized over the term of the facility.

#### ***Offset Accounts***

Offset accounts consist of immediately available cash used to pay down the Floorplan Line and FMCC Facility, and therefore offset the respective outstanding balances in the Company's Condensed Consolidated Balance Sheets. The offset accounts are the Company's primary options for the short-term investment of excess cash.

#### ***Floorplan Notes Payable - Manufacturer Affiliates***

##### ***FMCC Facility***

The Company has a \$300.0 million floorplan arrangement with FMCC for financing of new Ford vehicles in the U.S. This facility bears interest at the higher of the actual U.S. Prime rate or a Prime floor of 4.00%, plus 150 basis points minus certain incentives. The interest rate on the FMCC Facility was 5.50% before considering the applicable incentives as of September 30, 2020.

##### ***Other Manufacturer Facilities***

The Company has other credit facilities in the U.S., U.K. and Brazil with financial institutions affiliated with manufacturers for financing of new, used and rental vehicle inventories. As of September 30, 2020, borrowings outstanding under these facilities totaled \$200.1 million, comprised of \$91.5 million in the U.S., with annual interest rates ranging from less than 1% to approximately 6%, \$102.2 million in the U.K., with annual interest rates ranging from approximately 1% to 4%, and \$6.4 million in Brazil, with annual interest rates ranging from approximately 2% to 10%.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

**11. CASH FLOW INFORMATION*****Cash, Cash Equivalents and Restricted Cash***

The cash flows presented within the Company’s Condensed Consolidated Statements of Cash Flows reflect cash and cash equivalents of \$66.2 million as of September 30, 2020, and cash and cash equivalents of \$23.8 million and restricted cash of \$4.3 million included in *Other long-term assets* as of December 31, 2019.

***Non-cash Activities***

The accrual for capital expenditures decreased \$1.0 million and \$3.6 million for the nine months ended September 30, 2020 and 2019, respectively.

The following table presents ROU assets obtained in exchange for lease obligations (in millions):

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
ROU assets obtained in exchange for lease obligations:		
Operating leases, initial recognition	\$ 3.4	\$ 18.2
Operating leases, modifications and remeasurements	\$ 10.0	\$ (9.5)
Finance leases, initial recognition	\$ 13.8	\$ 14.0
Finance leases, modifications and remeasurements	\$ 31.8	\$ 8.2

***Interest and Income Taxes Paid***

Cash paid for interest, including the monthly settlement of the Company’s interest rate derivatives, was \$77.7 million and \$83.1 million for the nine months ended September 30, 2020 and 2019, respectively. Cash paid for income taxes, net of refunds, was \$26.2 million and \$34.8 million for the nine months ended September 30, 2020 and 2019, respectively.

**12. COMMITMENTS AND CONTINGENCIES**

From time to time, the Company’s dealerships are named in various types of litigation involving customer claims, employment matters, class action claims, purported class action claims, claims involving the manufacturers of automobiles, contractual disputes and other matters arising in the ordinary course of business. The Company may be involved in legal proceedings or suffer losses that could have a material adverse effect on the Company’s business. In the normal course of business, the Company is required to respond to customer, employee and other third-party complaints. In addition, the manufacturers of the vehicles that the Company sells and services have audit rights allowing them to review the validity of amounts claimed for incentive, rebate or warranty-related items and charge the Company back for amounts determined to be invalid payments under the manufacturers’ programs, subject to the Company’s right to appeal any such decision.

***Legal Proceedings***

As of September 30, 2020, the Company was not party to any legal proceedings that, individually or in the aggregate, are reasonably expected to have a material adverse effect on the Company’s results of operations, financial condition or cash flows, including class action lawsuits. However, the results of current or future matters cannot be predicted with certainty and an unfavorable resolution of one or more of such matters could have a material adverse effect on the Company’s results of operations, financial condition or cash flows.

***Other Matters***

From time to time, the Company sells its dealerships to third parties. In those instances where the Company did not own the real estate and was a tenant, it assigned the lease to the purchaser but remained liable as a guarantor for the remaining lease payments in the event of non-payment by the purchaser. Although the Company has no reason to believe that it will be called upon to perform under any such assigned leases, the Company estimates that lessee remaining rental obligations were \$29.7 million as of September 30, 2020. In certain instances, the Company obtains collateral support for the rental obligations that the Company remains obligated for upon sale of a dealership to a lessee. Total associated letters of credit issued on behalf of the lessee where the Company is the beneficiary was \$5.7 million as of September 30, 2020.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)– (Continued)**

**13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

Changes in the balances of each component of Accumulated other comprehensive income (loss) were as follows (in millions):

	Nine Months Ended September 30, 2020		
	Accumulated income (loss) on foreign currency translation	Accumulated income (loss) on interest rate swaps	Total
Balance, December 31, 2019	\$ (142.9)	\$ (4.1)	\$ (147.0)
Other comprehensive income (loss) before reclassifications:			
Pre-tax	(24.4)	(51.3)	(75.6)
Tax effect	—	10.9	10.9
Amount reclassified from accumulated other comprehensive income (loss):			
Floorplan interest expense (pre-tax)	—	5.3	5.3
Other interest expense, net (pre-tax)	—	1.7	1.7
Realized (gain) loss on interest rate swap termination (pre-tax)	—	0.1	0.1
Provision (benefit) for income taxes	—	(1.7)	(1.7)
Net current period other comprehensive income (loss)	(24.4)	(35.0)	(59.3)
Balance, September 30, 2020	\$ (167.2)	\$ (39.1)	\$ (206.3)

	Nine Months Ended September 30, 2019		
	Accumulated income (loss) on foreign currency translation	Accumulated income (loss) on interest rate swaps	Total
Balance, December 31, 2018	\$ (146.7)	\$ 8.9	\$ (137.8)
Other comprehensive income (loss) before reclassifications:			
Pre-tax	(12.0)	(25.2)	(37.1)
Tax effect	—	6.0	6.0
Amount reclassified from accumulated other comprehensive income (loss):			
Floorplan interest expense (pre-tax)	—	(0.4)	(0.4)
Other interest expense (pre-tax)	—	(0.4)	(0.4)
Realized (gain) loss on interest rate swap termination (pre-tax)	—	0.1	0.1
Provision (benefit) for income taxes	—	0.2	0.2
Net current period other comprehensive income (loss)	(12.0)	(19.7)	(31.7)
Balance, September 30, 2019	\$ (158.7)	\$ (10.8)	\$ (169.5)

## CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Form 10-Q”) includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (“Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”). Forward-looking statements may appear throughout this report including, but not limited to, the following sections: “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosures About Market Risk.” This information includes statements regarding our strategy, plans, goals or current expectations with respect to, among other things:

- our future operating performance;
- our ability to maintain or improve our margins;
- our ability to accomplish and sustain SG&A expense decreases;
- operating cash flows and availability of capital;
- the completion of future acquisitions and divestitures;
- the future revenues of acquired dealerships;
- future stock repurchases, refinancing of debt and dividends;
- future capital expenditures;
- changes in sales volumes and availability of credit for customer financing in new and used vehicles and sales volumes in the parts and service markets;
- business trends in the retail automotive industry, including the level of manufacturer incentives, new and used vehicle retail sales volume and pricing, customer demand, interest rates and changes in industry-wide inventory levels;
- manufacturer quality issues, including the recall of vehicles and any related negative impact on vehicle sales and brand reputation;
- availability of financing for inventory, working capital, real estate and capital expenditures;
- changes in regulatory practices, tariffs and taxes, including Brexit;
- the impacts of any potential global recession;
- our ability to meet our financial covenants in our debt obligations and to maintain sufficient liquidity to operate; and
- the impacts of the COVID-19 pandemic on our business.

Although we believe that the expectations reflected in these forward-looking statements are reasonable when and as made, we cannot assure you that these expectations will prove to be correct. When used in this Form 10-Q, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may” and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on our expectations and beliefs as of the date of this Form 10-Q concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Known material factors that could cause actual results to differ from those in the forward-looking statements include:

- adverse developments in the global economy as well as the public health crisis related to the COVID-19 pandemic and the resulting impact on the demand for new and used vehicles and related parts and services;
- uncertainty regarding the length of time it will take for the U.S. and the rest of the world to slow the spread of the COVID-19 pandemic, the actions to be taken by governments to contain and combat the pandemic and the timing, pace and extent of an economic recovery in the U.S. and elsewhere, which in turn will likely affect demand for our vehicles, parts and services;
- future deterioration in the economic environment, including consumer confidence, consumer preferences, interest rates, the prices of oil and gasoline, the level of manufacturer incentives, the implementation of international and domestic trade tariffs and the availability of consumer credit may affect the demand for new and used vehicles, replacement parts, maintenance and repair services, and F&I products;



- adverse domestic and international developments such as war, terrorism, political conflicts, social protests or other hostilities may adversely affect the demand for our products and services;
- uncertainty of the potential impact of Brexit on the overall U.K. economy and, more specifically, the potential adverse effect on retail automotive industry sales could have a material adverse effect on our revenues and business operations;
- the existing and future regulatory environment, including legislation related to the Dodd-Frank Wall Street Reform and Consumer Protection Act, climate control legislation, changes to U.S. federal, U.S. state, U.K. or Brazil tax regulations and unexpected litigation or adverse legislation, including changes in U.S. state franchise laws, may impose additional costs on us or otherwise adversely affect us;
- a concentration of risk associated with our principal automobile manufacturers, especially Toyota, Nissan, Honda, BMW, Ford, Daimler, General Motors, Chrysler, Hyundai, Volkswagen and Jaguar-Land Rover, because of financial distress, bankruptcy, natural disasters or pandemics, such as the COVID-19 pandemic, that disrupt production, or other reasons, may not continue to produce or make available to us vehicles that are in high demand by our customers or provide financing, insurance, advertising or other assistance to us;
- restructuring by one or more of our principal manufacturers, up to and including bankruptcy, may cause us to suffer financial loss in the form of uncollectible receivables, devalued inventory or loss of franchises;
- requirements imposed on us by our manufacturers may require dispositions, limit our acquisitions or require increases in the level of capital expenditures related to our dealership facilities;
- our existing and/or new dealership operations may not perform at our or manufacturer expected levels or achieve expected improvements;
- our failure to achieve expected future cost savings or future costs may be higher than we expect;
- manufacturer quality issues, including the recall of vehicles, may negatively impact vehicle sales and brand reputation;
- available capital resources, increases in cost of financing (such as higher interest rates) and our various debt agreements may limit our ability to complete acquisitions, complete construction of new or expanded facilities, repurchase shares, or pay dividends;
- our ability to refinance or obtain financing in the future may be limited and the cost of financing could increase significantly;
- our ability to facilitate credit for consumers;
- foreign exchange controls and currency fluctuations;
- new accounting standards could materially impact our reported EPS;
- our ability to acquire new dealerships and successfully integrate those dealerships into our business;
- the impairment of our goodwill, our indefinite-lived intangibles and our other long-lived assets;
- natural disasters, adverse weather events and other catastrophic events;
- a cybersecurity event of our systems or a third party partners' systems, including a breach of personally identifiable information about our customers or employees or a shutdown of our operating systems;
- our foreign operations and sales in the U.K. and Brazil, which pose additional risks;
- the inability to adjust our cost structure and inventory levels to offset any reduction in the demand for our products and services;
- loss of our key personnel;
- our losses may not be fully covered by insurance or may only be fully covered with a significant increase to our insurance costs;
- our inability to obtain inventory of new and used vehicles and parts, including imported inventory, at the cost, or in the volume, we expect; and
- advancements in vehicle technology and changes in vehicle ownership models/consumer preferences.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Form 10-K"), and this Form 10-Q, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk."

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Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no responsibility and expressly disclaim any duty, to update any such statements, whether as a result of new information, new developments or otherwise, or to publicly release the result of any revision of our forward-looking statements after the date they are made, except to the extent required by law.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*This Management’s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Actual results of Group 1 Automotive, Inc. may differ materially from those discussed in the forward-looking statements because of various factors. See “Cautionary Statement about Forward-Looking Statements.” Unless the context requires otherwise, references to “we,” “us” and “our” are intended to mean the business and operations of Group 1 Automotive, Inc. and its subsidiaries.*

### Overview

We are a leading operator in the automotive retail industry. Through our dealerships, we sell new and used cars and light trucks; arrange related vehicle financing; sell service and other insurance contracts; provide automotive maintenance and repair services; and sell vehicle parts. Our operations are aligned into three regions, which comprise our reportable segments: (1) U.S., (2) U.K. and (3) Brazil. The U.S. and Brazil segments are led by the President, U.S. and Brazilian Operations, and the U.K. segment is led by an Operations Director, each reporting directly to our Chief Executive Officer. The President, U.S. and Brazilian Operations, and the U.K. Operations Director are responsible for the overall performance of their respective regions, as well as for overseeing field level management. The U.S. segment includes the activities of our corporate office.

As of September 30, 2020, our retail network consisted of 119 dealerships in the U.S., 50 dealerships in the U.K. and 17 dealerships in Brazil. Our operations are primarily located in major metropolitan areas in 15 states in the U.S., 33 towns in the U.K. and three states in Brazil.

### Long-Term Strategy

Our business strategy primarily focuses on the performance of our existing dealerships to achieve growth, capture market share and maximize the investment return to our stockholders. We are also focused on enhancing our dealership portfolio through strategic acquisitions and dispositions. We constantly evaluate opportunities to improve the overall profitability of our dealerships. Our long-term strategic areas of emphasis include:

#### **Digital Initiatives to Enhance the Customer Experience**

Our digital initiatives focus on ensuring that we can do business with our customers where and when they want to do business. Our online new and used vehicle retail platform, AcceleRide®, which was deployed to all of our U.S. dealerships in 2019, allows a customer to complete a vehicle transaction entirely online or start the sales process online and complete the transaction at one of our dealerships. In addition, our parts and service digital efforts focus on our online customer scheduling appointment system. We have seen continued growth in the percentage of appointments scheduled online over the past few years as we have continued to enhance this tool. These digital platforms were instrumental in allowing us to connect with and service our customers during the restricted social distancing environment as a result of the COVID-19 pandemic. During the third quarter of 2020, AcceleRide® sales were up 73.1% from a year ago.

#### **Used Vehicle Retail Growth**

- Gross profit from the sale of used vehicles depends primarily on a dealership’s ability to obtain a high-quality supply of used vehicles at reasonable prices. Our new vehicle operations generally provide our used vehicle operations with a large supply of high-quality trade-ins and off-lease vehicles, which are our best source of used vehicle inventory. Our dealerships also purchase used vehicle inventory directly from customers and supplement their used vehicle inventory with purchases at auctions, including manufacturer-sponsored auctions available only to franchised dealers.
- Our data-driven pricing strategies ensure that our used vehicles are priced at market to generate more traffic to our websites. We review our market pricing on a regular basis and work to limit discounting from our advertised prices.
- We will continue efforts to expand our “Val-U-Line®” sales program, a strategic used vehicle initiative that targets a growing customer niche and enables us to retail lower cost, higher mileage units that would otherwise have been sent to auction. The Val-U-Line® initiative is expected to increase used retail volume by leveraging our scale, internal on-line buying center, internal auction capability and transportation infrastructure.

#### **Parts and Service Growth**

We remain focused on sustained growth in our higher margin parts and service operations which continue to hinge on the retention and hiring of skilled service technicians and advisors. Our four-day work week implemented in 2019 has allowed us to extend our hours of operations and increase service technician and advisor retention, thereby expanding our service capacity without investing additional capital in facilities. We seek to increase the retention of our customers through more convenient service hours, training of our service advisors, selling service contracts with vehicles sales and customer relationship management software that allows us to provide target marketing to our customers. The increasing complexity of vehicles, especially in the area of electronics and technological advancements, is making it difficult for independent repair shops to retain the expertise and technology to work on these vehicles and provides us the opportunity to increase our market share.

### **Cost Management**

We continue our efforts to fully leverage our scale and cost structure. As our business evolves, we will manage our costs carefully and look for additional opportunities to improve our processes and disseminate best practices. We believe that our management structure supports rapid decision making and facilitates an efficient and effective roll-out of new processes. Additionally, see “COVID-19 Pandemic” section below for specific cost-cutting measures in response to the COVID-19 pandemic.

### **Employee Training and Retention**

A key to the execution of our business strategy is the leverage of what we believe to be one of our key strengths - the talent of our people. We are focused on the retention and training of our talented dealership employees. We believe that we have developed a distinguished management team with substantial industry expertise. With our management structure and level of executive talent, we plan to continue empowering the operators of our dealerships to make appropriate decisions to grow their respective dealership operations and to control fixed and variable costs. We believe this approach allows us to provide the best possible service to our customers, as well as attract and retain talented employees.

### **Strategic Acquisitions and Dispositions**

We will continue to focus on opportunities to enhance our current dealership portfolio through strategic acquisitions and improving or disposing of underperforming dealerships. We believe that substantial opportunities for growth through acquisitions remain in our industry in the U.S., the U.K. and Brazil. Further, we intend to continue to critically evaluate our return on invested capital in our current dealership portfolio for disposition opportunities.

### **COVID-19 Pandemic**

Since emerging in December 2019, the COVID-19 pandemic has spread globally, including to all of our markets in the U.S., U.K. and Brazil, significantly impacting our operating results starting in March 2020. There have been extraordinary and wide-ranging actions taken by international, federal, state and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19 across the world, including mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. Beginning in mid-March 2020, these measures significantly reduced operating capacity of all of our dealerships in the U.S., the U.K. and Brazil. The primary COVID-19 impacts on our global business and our response to date include:

#### **U.S.**

Virtually all of our U.S. dealerships are located in markets that operated in some form of restricted social distancing environments in accordance with applicable state and local orders during most of March 2020 and April 2020. As the market shutdowns began, March 2020 U.S. sales dropped sharply from February 2020, with new and used retail unit sales dropping approximately 50% and service repair orders also declining by approximately 50% for the last two weeks of March 2020 compared to the last two weeks of March 2019 and the first two weeks of April 2020 compared to the first two weeks of April 2019. In early May 2020, as restricted social distancing environment policies began to be partially lifted, our used vehicle business returned to near normal levels and our new vehicle sales pace started improving. Our new vehicle sales pace has improved during the third quarter, however the recovery of new vehicle unit sales was limited as a result of low inventory levels due to reduced OEM production rates. Thus far, we have been able to offset the volume declines with higher gross margins in new and used vehicles and higher F&I per retail unit. As a result, our margin improvement outweighed our volume declines. Beginning in mid-April 2020, we saw continued improvement in our parts and service business as well and we are near prior year levels at the end of the third quarter. Our online selling platform AcceleRide® and our online service scheduling platforms continue to show increased utilization rates as we remain in a restricted social distancing environment and such higher utilization rates are expected to continue after the pandemic.

**U.K.**

U.K. vehicle sales levels were well above prior year levels in most of our brands through February 2020. March, which is a plate change month, is one of the largest selling months of the year with many vehicles delivered from orders placed in January 2020 and February 2020. Due to the closure of our facilities and various business restrictions put in place as a result of a shut-down order from the government, we were not able to deliver approximately 35% of our vehicles at the end of March 2020 that we had contracted to sell prior to the shut-down restrictions. We closed all of our U.K. dealerships from late March 2020 through May 18, 2020 for service, with the exception of emergency vehicle repairs. Our vehicle showrooms were closed for more than two months and did not reopen until June 1, 2020. Operations in the U.K. significantly improved in June 2020 and continued to improve throughout the third quarter. As vehicle sales and service operations reopened, our revenues and margins in all departments increased versus prior year levels. As a result, the U.K. operations made a significant contribution to our quarterly financial results for the third quarter of 2020. While new vehicle volumes have rebounded, our new vehicle inventory is still well below normal levels due to reduced OEM production rates. On October 31, 2020, the U.K. government announced a national lockdown of non-essential businesses, which includes our dealership vehicle showrooms, beginning November 5, 2020 through December 2, 2020, at which time the government will determine whether the lockdown restrictions will be extended. Our dealership service operations will remain open, however this mandate will adversely impact our U.K. vehicle sales in the fourth quarter. See Part II, “Item 1A. Risk Factors” of this Form 10-Q for further discussion of the potential risks if the lockdown is extended.

**Brazil**

Effective March 20, 2020, all of our dealerships were required to close. Despite restrictions being lifted and businesses reopening in Brazil during the second quarter, the recovery has been limited as the impacts of COVID-19 are still impacting operations significantly.

**Cost-Cutting Actions**

In all regions we have taken aggressive actions to reduce costs and preserve liquidity, with approximately 8,000 employees furloughed or terminated in early April 2020. As sales have improved in the U.S. and U.K., we have been able to return some of the furloughed employees to a point where our U.S. and U.K. headcounts are approximately 75% of our pre-COVID levels. Along with this, we modified our employee productivity targets in our U.S. and U.K. operations. In addition, other measures were implemented significantly reducing costs in all three regions including reductions of as much as 50% in management compensation, 100% of Board of Directors’ cash compensation, over 75% reduction in advertising expense and cuts across all other cost categories. Additionally, as announced in April 2020, we suspended our dividend and canceled our share repurchase program, as well as implemented capital expenditure deferrals. By the end of the third quarter as market conditions improved, we restored many of these cost reductions and on October 6, 2020 announced a \$200 million share repurchase program. As discussed in “Liquidity and Capital Resources,” we have sufficient liquidity currently and do not anticipate any material liquidity constraints or issues with our ability to remain in compliance with debt covenants.

The demand outlook remains uncertain and the long-term impact of the COVID-19 pandemic is difficult to predict, especially with the recently announced lockdown in the U.K. and rising cases in some of our markets. However, we expect our used vehicle and service operations in the fourth quarter to return to near prior year levels. Reduced new vehicle inventory levels in the U.S. and U.K. will likely persist in the fourth quarter and will limit the recovery in new vehicle unit sales in the fourth quarter. However, we expect to continue the trend set in the third quarter of offsetting much or all of the decline in volume with improvements in gross margin. We will remain vigilant and are prepared to adjust our cost structure to adapt to the market conditions. While some of the cost reductions taken in the first and second quarters were reinstated in the third quarter as market conditions improved, we expect to be more cost efficient going forward compared to pre-pandemic levels. Any potential impact of the COVID-19 pandemic will depend on future developments and new information that may emerge regarding the severity and duration of the pandemic and the actions taken by authorities to contain it or address its impact, all of which are beyond our control.

**Critical Accounting Policies and Accounting Estimates**

The preparation of our Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions. For additional discussion of our critical accounting policies and accounting estimates, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent Annual Report on Form 10-K.

## Results of Operations

The “same store” amounts presented below include the results of dealerships and corporate headquarters for the identical months in each period presented in comparison, commencing with the first full month in which the dealership was owned by us and, in the case of dispositions, ending with the last full month it was owned by us. For example, for a dealership acquired on August 15, 2020, the results from this dealership will appear in our same store comparison beginning in 2021 for the period September 2021 through December 2021, when comparing to September 2020 through December 2020 results. If we disposed of a store on August 15, 2020, the results from this store would be excluded from same store results beginning in August 2020 as July 2020 was the last full month the dealership was owned by us. Same store results provide a measurement of our ability to grow revenues and profitability of our existing stores and also provide a metric for peer group comparisons. For these reasons, same store results allows management to manage and monitor the performance of the business and is also useful to investors. We evaluate our results of operations on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our underlying business and results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our current period reported results for entities reporting in currencies other than USD using comparative period exchange rates rather than the actual exchange rates in effect during the respective periods. The constant currency performance measures should not be considered a substitute for, or superior to, the measures of financial performance prepared in accordance with U.S. GAAP. Additionally, we caution investors not to place undue reliance on non-GAAP measures, but also to consider them with the most directly comparable U.S. GAAP measures. Our management also uses constant currency and adjusted cash flows from operating, investing and financing activities in conjunction with U.S. GAAP financial measures to assess our business, including communication with our Board of Directors, investors and industry analysts concerning financial performance. We disclose these non-GAAP measures, and the related reconciliations, because we believe investors use these metrics in evaluating longer-term period-over-period performance. These metrics also allow investors to better understand and evaluate the information used by management to assess operating performance.

Certain amounts in the financial statements may not compute due to rounding. All computations have been calculated using unrounded amounts for all periods presented.

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The following tables summarize our operating results on a reported basis and on a same store basis:

**Reported Operating Data - Consolidated**

(In millions, except unit data)

	Three Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 1,580.7	\$ 1,652.3	\$ (71.7)	(4.3)%	\$ 4.6	(4.6)%
Used vehicle retail sales	867.2	869.7	(2.5)	(0.3)%	7.3	(1.1)%
Used vehicle wholesale sales	86.7	85.2	1.5	1.7 %	0.8	0.7 %
Total used	953.9	955.0	(1.1)	(0.1)%	8.1	(1.0)%
Parts and service sales	375.6	383.5	(7.9)	(2.1)%	(0.1)	(2.0)%
F&I, net	129.5	127.5	2.0	1.5 %	0.3	1.3 %
Total revenues	\$ 3,039.6	\$ 3,118.3	\$ (78.7)	(2.5)%	\$ 12.9	(2.9)%
<b>Gross profit:</b>						
New vehicle retail sales	\$ 99.2	\$ 75.4	\$ 23.8	31.6 %	\$ (0.2)	31.9 %
Used vehicle retail sales	71.1	54.3	16.8	31.0 %	0.5	30.2 %
Used vehicle wholesale sales	5.9	0.3	5.6	1,745.3 %	—	1,743.5 %
Total used	77.0	54.6	22.5	41.2 %	0.5	40.3 %
Parts and service sales	206.2	208.1	(1.9)	(0.9)%	0.3	(1.1)%
F&I, net	129.5	127.5	2.0	1.5 %	0.3	1.3 %
Total gross profit	\$ 512.0	\$ 465.6	\$ 46.3	10.0 %	\$ 0.8	9.8 %
<b>Gross margin:</b>						
New vehicle retail sales	6.3%	4.6%	1.7 %			
Used vehicle retail sales	8.2%	6.2%	2.0 %			
Used vehicle wholesale sales	6.9%	0.4%	6.5 %			
Total used	8.1%	5.7%	2.4 %			
Parts and service sales	54.9%	54.3%	0.6 %			
F&I, net	100.0%	100.0%	— %			
Total gross margin	16.8%	14.9%	1.9 %			
<b>Units sold:</b>						
Retail new vehicles sold	39,869	44,632	(4,763)	(10.7)%		
Retail used vehicles sold	38,347	41,297	(2,950)	(7.1)%		
Wholesale used vehicles sold	11,581	12,889	(1,308)	(10.1)%		
Total used	49,928	54,186	(4,258)	(7.9)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 39,647	\$ 37,022	\$ 2,625	7.1 %	\$ 115	6.8 %
Used vehicle retail	\$ 22,614	\$ 21,060	\$ 1,554	7.4 %	\$ 190	6.5 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 2,489	\$ 1,689	\$ 800	47.4 %	\$ (5)	47.6 %
Used vehicle retail sales	\$ 1,854	\$ 1,314	\$ 540	41.1 %	\$ 12	40.2 %
Used vehicle wholesale sales	\$ 513	\$ 25	\$ 488	1,953.7 %	\$ 1	1,951.7 %
Total used	\$ 1,543	\$ 1,007	\$ 536	53.2 %	\$ 9	52.3 %
F&I PRU	\$ 1,655	\$ 1,484	\$ 171	11.5 %	\$ 4	11.3 %
<b>Other:</b>						
SG&A expenses	\$ 305.8	\$ 353.9	\$ (48.1)	(13.6)%	\$ —	(13.6)%
SG&A as % gross profit	59.7%	76.0%	(16.3)%			
<b>Floorplan expense:</b>						
Floorplan interest expense	\$ 8.1	\$ 15.3	\$ (7.2)	(47.1)%	\$ 0.1	(47.5)%
Less: floorplan assistance <sup>(1)</sup>	12.7	13.3	(0.6)	(4.8)%	—	(4.8)%
Net floorplan expense	\$ (4.6)	\$ 2.0	\$ (6.6)	(326.0)%	\$ 0.1	(328.6)%

<sup>(1)</sup> Floorplan assistance is included within New vehicle retail sales Gross profit above and New vehicle retail sales Cost of sales in our Condensed Consolidated Statements of Operations.

**Same Store Operating Data - Consolidated**

(In millions, except unit data)

	Three Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 1,549.8	\$ 1,644.4	\$ (94.6)	(5.8)%	\$ 4.1	(6.0)%
Used vehicle retail sales	843.8	864.0	(20.3)	(2.3)%	6.9	(3.1)%
Used vehicle wholesale sales	84.5	84.2	0.3	0.4 %	0.8	(0.5)%
Total used	928.3	948.2	(19.9)	(2.1)%	7.7	(2.9)%
Parts and service sales	367.3	377.0	(9.7)	(2.6)%	(0.3)	(2.5)%
F&I, net	127.8	127.0	0.8	0.6 %	0.3	0.4 %
Total revenues	\$ 2,973.2	\$ 3,096.7	\$ (123.5)	(4.0)%	\$ 11.8	(4.4)%
<b>Gross profit:</b>						
New vehicle retail sales	\$ 96.9	\$ 74.9	\$ 22.0	29.4 %	\$ (0.2)	29.7 %
Used vehicle retail sales	69.3	54.0	15.3	28.3 %	0.4	27.5 %
Used vehicle wholesale sales	5.8	0.3	5.5	1,635.0 %	—	1,634.2 %
Total used	75.1	54.3	20.8	38.3 %	0.4	37.5 %
Parts and service sales	201.0	205.1	(4.0)	(2.0)%	0.2	(2.1)%
F&I, net	127.8	127.0	0.8	0.6 %	0.3	0.4 %
Total gross profit	\$ 500.8	\$ 461.3	\$ 39.5	8.6 %	\$ 0.7	8.4 %
<b>Gross margin:</b>						
New vehicle retail sales	6.3%	4.6%	1.7 %			
Used vehicle retail sales	8.2%	6.2%	2.0 %			
Used vehicle wholesale sales	6.9%	0.4%	6.5 %			
Total used	8.1%	5.7%	2.4 %			
Parts and service sales	54.7%	54.4%	0.3 %			
F&I, net	100.0%	100.0%	— %			
Total gross margin	16.8%	14.9%	1.9 %			
<b>Units sold:</b>						
Retail new vehicles sold	39,152	44,389	(5,237)	(11.8)%		
Retail used vehicles sold	37,486	40,990	(3,504)	(8.5)%		
Wholesale used vehicles sold	11,312	12,751	(1,439)	(11.3)%		
Total used	48,798	53,741	(4,943)	(9.2)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 39,584	\$ 37,046	\$ 2,538	6.9 %	\$ 104	6.6 %
Used vehicle retail	\$ 22,509	\$ 21,079	\$ 1,430	6.8 %	\$ 185	5.9 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 2,475	\$ 1,687	\$ 788	46.7 %	\$ (5)	47.0 %
Used vehicle retail sales	\$ 1,848	\$ 1,317	\$ 531	40.3 %	\$ 12	39.4 %
Used vehicle wholesale sales	\$ 516	\$ 26	\$ 490	1,855.7 %	\$ —	1,854.8 %
Total used	\$ 1,539	\$ 1,011	\$ 528	52.3 %	\$ 9	51.4 %
F&I PRU	\$ 1,668	\$ 1,488	\$ 180	12.1 %	\$ 3	11.9 %
<b>Other:</b>						
SG&A expenses	\$ 298.9	\$ 348.6	\$ (49.7)	(14.3)%	\$ (0.1)	(14.2)%
SG&A as % gross profit	59.7%	75.6%	(15.9)%			



**Reported Operating Data - Consolidated**

(In millions, except unit data)

	Nine Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 3,985.5	\$ 4,632.2	\$ (646.7)	(14.0)%	\$ (28.3)	(13.4)%
Used vehicle retail sales	2,287.4	2,527.8	(240.4)	(9.5)%	(6.5)	(9.3)%
Used vehicle wholesale sales	221.9	273.4	(51.5)	(18.8)%	(2.2)	(18.0)%
Total used	2,509.3	2,801.2	(291.9)	(10.4)%	(8.7)	(10.1)%
Parts and service sales	1,028.2	1,130.8	(102.6)	(9.1)%	(5.8)	(8.6)%
F&I, net	338.7	368.2	(29.5)	(8.0)%	(0.9)	(7.8)%
Total revenues	\$ 7,861.7	\$ 8,932.4	\$ (1,070.7)	(12.0)%	\$ (43.7)	(11.5)%
<b>Gross profit:</b>						
New vehicle retail sales	\$ 225.8	\$ 216.5	\$ 9.3	4.3 %	\$ (2.2)	5.3 %
Used vehicle retail sales	159.5	155.4	4.2	2.7 %	(0.4)	3.0 %
Used vehicle wholesale sales	9.0	0.7	8.3	1,220.0 %	(0.1)	1,238.3 %
Total used	168.5	156.0	12.5	8.0 %	(0.6)	8.3 %
Parts and service sales	554.2	610.7	(56.4)	(9.2)%	(2.5)	(8.8)%
F&I, net	338.7	368.2	(29.5)	(8.0)%	(0.9)	(7.8)%
Total gross profit	\$ 1,287.2	\$ 1,351.4	\$ (64.1)	(4.7)%	\$ (6.0)	(4.3)%
<b>Gross margin:</b>						
New vehicle retail sales	5.7%	4.7%	1.0 %			
Used vehicle retail sales	7.0%	6.1%	0.8 %			
Used vehicle wholesale sales	4.0%	0.2%	3.8 %			
Total used	6.7%	5.6%	1.1 %			
Parts and service sales	53.9%	54.0%	(0.1)%			
F&I, net	100.0%	100.0%	— %			
Total gross margin	16.4%	15.1%	1.2 %			
<b>Units sold:</b>						
Retail new vehicles sold	101,701	125,599	(23,898)	(19.0)%		
Retail used vehicles sold	105,665	119,878	(14,213)	(11.9)%		
Wholesale used vehicles sold	30,970	38,962	(7,992)	(20.5)%		
Total used	136,635	158,840	(22,205)	(14.0)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 39,189	\$ 36,881	\$ 2,308	6.3 %	\$ (278)	7.0 %
Used vehicle retail	\$ 21,648	\$ 21,087	\$ 562	2.7 %	\$ (61)	3.0 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 2,220	\$ 1,724	\$ 497	28.8 %	\$ (21)	30.1 %
Used vehicle retail sales	\$ 1,510	\$ 1,296	\$ 214	16.5 %	\$ (4)	16.8 %
Used vehicle wholesale sales	\$ 290	\$ 17	\$ 272	1,560.6 %	\$ (4)	1,583.7 %
Total used	\$ 1,233	\$ 982	\$ 251	25.5 %	\$ (4)	26.0 %
F&I PRU	\$ 1,633	\$ 1,500	\$ 133	8.9 %	\$ (4)	9.2 %
<b>Other:</b>						
SG&A expenses	\$ 870.9	\$ 1,020.3	\$ (149.4)	(14.6)%	\$ (6.0)	(14.1)%
SG&A as % gross profit	67.7%	75.5%	(7.8)%			
<b>Floorplan expense:</b>						
Floorplan interest expense	\$ 31.1	\$ 47.0	\$ (15.9)	(33.8)%	\$ (0.1)	(33.6)%
Less: floorplan assistance <sup>(1)</sup>	33.0	35.6	(2.6)	(7.2)%	—	(7.2)%
Net floorplan expense	\$ (1.9)	\$ 11.4	\$ (13.3)	(117.1)%	\$ (0.1)	(116.2)%

<sup>(1)</sup> Floorplan assistance is included within New vehicle retail sales Gross profit above and New vehicle retail sales Cost of sales in our Condensed Consolidated Statements of Operations.

**Same Store Operating Data - Consolidated**

(In millions, except unit data)

	Nine Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 3,882.7	\$ 4,587.8	\$ (705.1)	(15.4)%	\$ (27.7)	(14.8)%
Used vehicle retail sales	2,216.8	2,495.1	(278.2)	(11.2)%	(6.4)	(10.9)%
Used vehicle wholesale sales	214.4	265.0	(50.6)	(19.1)%	(2.2)	(18.3)%
Total used	2,431.2	2,760.1	(328.8)	(11.9)%	(8.6)	(11.6)%
Parts and service sales	1,000.2	1,109.3	(109.1)	(9.8)%	(5.9)	(9.3)%
F&I, net	333.5	365.4	(31.9)	(8.7)%	(0.8)	(8.5)%
Total revenues	\$ 7,647.6	\$ 8,822.6	\$ (1,175.0)	(13.3)%	\$ (43.0)	(12.8)%
<b>Gross profit:</b>						
New vehicle retail sales	\$ 218.0	\$ 214.7	\$ 3.3	1.5 %	\$ (2.1)	2.5 %
Used vehicle retail sales	154.8	154.2	0.7	0.4 %	(0.4)	0.7 %
Used vehicle wholesale sales	8.9	0.9	8.0	883.8 %	(0.1)	897.4 %
Total used	163.7	155.1	8.6	5.6 %	(0.6)	5.9 %
Parts and service sales	538.4	600.3	(61.9)	(10.3)%	(2.5)	(9.9)%
F&I, net	333.5	365.4	(31.9)	(8.7)%	(0.8)	(8.5)%
Total gross profit	\$ 1,253.6	\$ 1,335.5	\$ (81.9)	(6.1)%	\$ (6.0)	(5.7)%
<b>Gross margin:</b>						
New vehicle retail sales	5.6%	4.7%	0.9 %			
Used vehicle retail sales	7.0%	6.2%	0.8 %			
Used vehicle wholesale sales	4.1%	0.3%	3.8 %			
Total used	6.7%	5.6%	1.1 %			
Parts and service sales	53.8%	54.1%	(0.3)%			
F&I, net	100.0%	100.0%	— %			
Total gross margin	16.4%	15.1%	1.3 %			
<b>Units sold:</b>						
Retail new vehicles sold	99,073	123,927	(24,854)	(20.1)%		
Retail used vehicles sold	102,802	118,142	(15,340)	(13.0)%		
Wholesale used vehicles sold	30,030	38,135	(8,105)	(21.3)%		
Total used	132,832	156,277	(23,445)	(15.0)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 39,190	\$ 37,020	\$ 2,170	5.9 %	\$ (280)	6.6 %
Used vehicle retail	\$ 21,564	\$ 21,119	\$ 445	2.1 %	\$ (62)	2.4 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 2,200	\$ 1,733	\$ 468	27.0 %	\$ (22)	28.2 %
Used vehicle retail sales	\$ 1,506	\$ 1,305	\$ 201	15.4 %	\$ (4)	15.7 %
Used vehicle wholesale sales	\$ 296	\$ 24	\$ 272	1,149.3 %	\$ (4)	1,166.6 %
Total used	\$ 1,232	\$ 992	\$ 240	24.2 %	\$ (4)	24.6 %
F&I PRU	\$ 1,652	\$ 1,510	\$ 143	9.4 %	\$ (4)	9.7 %
<b>Other:</b>						
SG&A expenses	\$ 843.4	\$ 1,005.9	\$ (162.5)	(16.2)%	\$ (5.9)	(15.6)%
SG&A as % gross profit	67.3%	75.3%	(8.0)%			

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**Reported Operating Data - U.S.**

(In millions, except unit data)

	<b>Three Months Ended September 30,</b>			
	<b>2020</b>	<b>2019</b>	<b>Increase/(Decrease)</b>	<b>% Change</b>
<b>Revenues:</b>				
New vehicle retail sales	\$ 1,172.2	\$ 1,291.8	\$ (119.5)	(9.3)%
Used vehicle retail sales	608.2	657.7	(49.5)	(7.5)%
Used vehicle wholesale sales	44.8	45.8	(1.1)	(2.3)%
Total used	653.0	703.5	(50.6)	(7.2)%
Parts and service sales	306.4	314.9	(8.5)	(2.7)%
F&I, net	113.0	112.7	0.4	0.3 %
Total revenues	<u>\$ 2,244.6</u>	<u>\$ 2,422.8</u>	<u>\$ (178.2)</u>	<u>(7.4)%</u>
<b>Gross profit:</b>				
New vehicle retail sales	\$ 79.8	\$ 58.7	\$ 21.1	36.0 %
Used vehicle retail sales	52.8	43.6	9.3	21.3 %
Used vehicle wholesale sales	3.7	0.3	3.4	1,003.9 %
Total used	56.6	43.9	12.7	28.8 %
Parts and service sales	166.3	171.7	(5.4)	(3.1)%
F&I, net	113.0	112.7	0.4	0.3 %
Total gross profit	<u>\$ 415.7</u>	<u>\$ 386.9</u>	<u>\$ 28.8</u>	<u>7.4 %</u>
<b>Gross margin:</b>				
New vehicle retail sales	6.8%	4.5%	2.3 %	
Used vehicle retail sales	8.7%	6.6%	2.1 %	
Used vehicle wholesale sales	8.3%	0.7%	7.6 %	
Total used	8.7%	6.2%	2.4 %	
Parts and service sales	54.3%	54.5%	(0.2)%	
F&I, net	100.0%	100.0%	— %	
Total gross margin	18.5%	16.0%	2.6 %	
<b>Units sold:</b>				
Retail new vehicles sold	27,980	33,041	(5,061)	(15.3)%
Retail used vehicles sold	27,694	31,505	(3,811)	(12.1)%
Wholesale used vehicles sold	6,195	7,565	(1,370)	(18.1)%
Total used	<u>33,889</u>	<u>39,070</u>	<u>(5,181)</u>	<u>(13.3)%</u>
<b>Average sales price per unit sold:</b>				
New vehicle retail	\$ 41,895	\$ 39,096	\$ 2,800	7.2 %
Used vehicle retail	\$ 21,961	\$ 20,875	\$ 1,086	5.2 %
<b>Gross profit per unit sold:</b>				
New vehicle retail sales	\$ 2,852	\$ 1,775	\$ 1,077	60.6 %
Used vehicle retail sales	\$ 1,908	\$ 1,383	\$ 525	37.9 %
Used vehicle wholesale sales	\$ 603	\$ 45	\$ 559	1,248.0 %
Total used	\$ 1,669	\$ 1,124	\$ 545	48.5 %
F&I PRU	\$ 2,030	\$ 1,746	\$ 285	16.3 %
<b>Other:</b>				
SG&A expenses	\$ 245.2	\$ 285.3	\$ (40.0)	(14.0)%
SG&A as % gross profit	59.0%	73.7%	(14.7)%	

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**Same Store Operating Data - U.S.**

(In millions, except unit data)

	Three Months Ended September 30,			
	2020	2019	Increase/(Decrease)	% Change
<b>Revenues:</b>				
New vehicle retail sales	\$ 1,157.7	\$ 1,285.3	\$ (127.6)	(9.9)%
Used vehicle retail sales	595.3	653.8	(58.5)	(8.9)%
Used vehicle wholesale sales	44.2	45.3	(1.1)	(2.3)%
Total used	639.5	699.1	(59.5)	(8.5)%
Parts and service sales	302.5	312.9	(10.4)	(3.3)%
F&I, net	112.1	112.3	(0.2)	(0.2)%
Total revenues	<u>\$ 2,211.9</u>	<u>\$ 2,409.6</u>	<u>\$ (197.7)</u>	<u>(8.2)%</u>
<b>Gross profit:</b>				
New vehicle retail sales	\$ 78.2	\$ 58.2	\$ 20.0	34.3 %
Used vehicle retail sales	51.7	43.4	8.3	19.1 %
Used vehicle wholesale sales	3.7	0.3	3.4	987.9 %
Total used	55.4	43.8	11.6	26.6 %
Parts and service sales	163.8	170.6	(6.8)	(4.0)%
F&I, net	112.1	112.3	(0.2)	(0.2)%
Total gross profit	<u>\$ 409.5</u>	<u>\$ 384.8</u>	<u>\$ 24.6</u>	<u>6.4 %</u>
<b>Gross margin:</b>				
New vehicle retail sales	6.8%	4.5%	2.2 %	
Used vehicle retail sales	8.7%	6.6%	2.0 %	
Used vehicle wholesale sales	8.4%	0.8%	7.6 %	
Total used	8.7%	6.3%	2.4 %	
Parts and service sales	54.1%	54.5%	(0.4)%	
F&I, net	100.0%	100.0%	— %	
Total gross margin	18.5%	16.0%	2.5 %	
<b>Units sold:</b>				
Retail new vehicles sold	27,696	32,854	(5,158)	(15.7)%
Retail used vehicles sold	27,229	31,267	(4,038)	(12.9)%
Wholesale used vehicles sold	6,122	7,474	(1,352)	(18.1)%
Total used	<u>33,351</u>	<u>38,741</u>	<u>(5,390)</u>	<u>(13.9)%</u>
<b>Average sales price per unit sold:</b>				
New vehicle retail	\$ 41,801	\$ 39,121	\$ 2,679	6.8 %
Used vehicle retail	\$ 21,864	\$ 20,911	\$ 953	4.6 %
<b>Gross profit per unit sold:</b>				
New vehicle retail sales	\$ 2,824	\$ 1,772	\$ 1,052	59.3 %
Used vehicle retail sales	\$ 1,898	\$ 1,388	\$ 510	36.7 %
Used vehicle wholesale sales	\$ 604	\$ 45	\$ 559	1,228.1 %
Total used	\$ 1,661	\$ 1,129	\$ 531	47.0 %
F&I PRU	\$ 2,041	\$ 1,751	\$ 290	16.6 %
<b>Other:</b>				
SG&A expenses	\$ 241.9	\$ 282.9	\$ (41.0)	(14.5)%
SG&A as % gross profit	59.1%	73.5%	(14.4)%	

The following discussion of our U.S. operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. During the third quarter of 2020, our U.S. dealership operations have been steadily recovering from the impact on business caused by the COVID-19 pandemic.

#### *Revenues*

Total revenues in the U.S. during the three months ended September 30, 2020 decreased \$178.2 million, or 7.4%, as compared to the same period in 2019. Total same store revenues in the U.S. during the three months ended September 30, 2020 decreased \$197.7 million, or 8.2%, as compared to the same period in 2019, driven by declines in all of our revenue streams. The declines of 9.9% in new vehicle retail same store sales, 8.9% in used vehicle retail same store sales and 2.3% in used vehicle wholesale same store sales were driven by decreases of 15.7%, 12.9% and 18.1% in new vehicle, used vehicle retail and used vehicle wholesale unit sales, respectively. The declines in new vehicle retail, used vehicle retail and used vehicle wholesale unit sales were driven by inventory supply constraints, in part due to reduced OEM production rates, as our dealerships experienced increasing demand for new and used vehicles during the quarter. Our online new and used vehicle sales platform, AcceleRide® was instrumental in allowing us to connect with and serve our customers throughout the restricted social distancing environment due to the COVID-19 pandemic. During the third quarter of 2020, AcceleRide® sales were up 73.1% from a year ago. Parts and service same store revenues, dampened by the impact of the COVID-19 pandemic, decreased 3.3% during the third quarter as compared to the same period last year, driven by a 23.4% decline in collision revenues and a 1.6% decline in both customer pay and warranty revenues which were partially offset by a 4.4% increase in wholesale parts revenues. F&I same store revenues were relatively flat as a 14.3% decline in same store total retail unit sales was offset by improvements in income per contract, higher penetration rates, and a decline in our overall chargeback experience.

#### *Gross Profit*

Total gross profit in the U.S. during the three months ended September 30, 2020 increased \$28.8 million, or 7.4%, as compared to the same period in 2019. Total same store gross profit in the U.S. during the three months ended September 30, 2020 increased \$24.6 million, or 6.4%, as compared to the same period in 2019. The increase in same store gross profit was driven by increases in new vehicle retail, used vehicle retail, and used vehicle wholesale, partially offset by a decline in parts and service gross profit compared to the same period last year. New vehicle same store gross profit increased 34.3% driven by a 59.3% increase in new vehicle same store gross profit per unit sold, which more than offset the 15.7% decline in new units sold. The increase in new vehicle retail same store gross profit per unit sold reflects inventory supply constraints as many manufacturers put a hold on production due to the COVID-19 pandemic earlier in the year and have not returned to normal levels. Used vehicle retail same store gross profit increased 19.1% reflecting an increase of 36.7% in used vehicle retail same store gross profit per unit sold partially offset by a 12.9% decrease in used vehicle retail same store unit sales over the same period in 2019. The increase in used vehicle retail same store gross profit per unit sold reflects supply constraints combined with a strong demand leading to higher margins on used vehicle retail sales. Used vehicle wholesale gross profit increased as industry supply constraints drove up auction prices. Parts and service same store gross profit declined 4.0% driven by the decrease in revenue discussed above. F&I same store gross profit was relatively flat as discussed above. Total same store gross margin increased 250 basis points driven by higher vehicle prices as a result of supply shortages of new and used vehicle inventory.

#### *SG&A Expenses*

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in the U.S. during the three months ended September 30, 2020 decreased \$40.0 million, or 14.0%, as compared to the same period in 2019. Total same store SG&A expenses in the U.S. during the three months ended September 30, 2020 decreased \$41.0 million, or 14.5%, as compared to the same period in 2019 driven by the implementation and continual execution of cost reduction strategies as a reaction to the COVID-19 pandemic. As market conditions have improved, we have strived to retain our lower operating cost structure as a result of the pandemic and we continued to benefit from these cost cutting measures in the third quarter. Total same store SG&A expenses in the U.S. in the third quarter of 2019 included \$11.9 million in insurance deductible expense associated with Tropical Storm Imelda in Texas and \$0.5 million in costs related to dealership and real estate transactions. Total same store SG&A as a percent of gross profit decreased from 73.5% in the third quarter of 2019 to 59.1% for the same period of 2020 driven by the expense reductions taken to offset the negative impact of the COVID-19 pandemic.

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**Reported Operating Data - U.S.**

(In millions, except unit data)

	Nine Months Ended September 30,			
	2020	2019	Increase/(Decrease)	% Change
<b>Revenues:</b>				
New vehicle retail sales	\$ 3,076.3	\$ 3,512.3	\$ (436.0)	(12.4)%
Used vehicle retail sales	1,719.4	1,877.5	(158.1)	(8.4)%
Used vehicle wholesale sales	122.1	132.9	(10.8)	(8.1)%
Total used	1,841.5	2,010.5	(169.0)	(8.4)%
Parts and service sales	865.2	922.1	(56.9)	(6.2)%
F&I, net	300.2	319.4	(19.2)	(6.0)%
Total revenues	<u>\$ 6,083.3</u>	<u>\$ 6,764.3</u>	<u>\$ (681.0)</u>	<u>(10.1)%</u>
<b>Gross profit:</b>				
New vehicle retail sales	\$ 183.6	\$ 164.2	\$ 19.4	11.8 %
Used vehicle retail sales	125.7	125.2	0.6	0.4 %
Used vehicle wholesale sales	6.2	2.4	3.7	154.3 %
Total used	131.9	127.6	4.3	3.4 %
Parts and service sales	465.4	499.3	(33.9)	(6.8)%
F&I, net	300.2	319.4	(19.2)	(6.0)%
Total gross profit	<u>\$ 1,081.1</u>	<u>\$ 1,110.5</u>	<u>\$ (29.4)</u>	<u>(2.6)%</u>
<b>Gross margin:</b>				
New vehicle retail sales	6.0%	4.7%	1.3 %	
Used vehicle retail sales	7.3%	6.7%	0.6 %	
Used vehicle wholesale sales	5.0%	1.8%	3.2 %	
Total used	7.2%	6.3%	0.8 %	
Parts and service sales	53.8%	54.1%	(0.4)%	
F&I, net	100.0%	100.0%	— %	
Total gross margin	17.8%	16.4%	1.4 %	
<b>Units sold:</b>				
Retail new vehicles sold	74,412	89,749	(15,337)	(17.1)%
Retail used vehicles sold	81,494	91,299	(9,805)	(10.7)%
Wholesale used vehicles sold	18,372	21,543	(3,171)	(14.7)%
Total used	<u>99,866</u>	<u>112,842</u>	<u>(12,976)</u>	<u>(11.5)%</u>
<b>Average sales price per unit sold:</b>				
New vehicle retail	\$ 41,342	\$ 39,135	\$ 2,207	5.6 %
Used vehicle retail	\$ 21,099	\$ 20,565	\$ 534	2.6 %
<b>Gross profit per unit sold:</b>				
New vehicle retail sales	\$ 2,467	\$ 1,830	\$ 637	34.8 %
Used vehicle retail sales	\$ 1,543	\$ 1,371	\$ 172	12.5 %
Used vehicle wholesale sales	\$ 336	\$ 113	\$ 223	198.2 %
Total used	\$ 1,321	\$ 1,131	\$ 190	16.8 %
F&I PRU	\$ 1,926	\$ 1,764	\$ 162	9.2 %
<b>Other:</b>				
SG&A expenses	\$ 706.0	\$ 809.5	\$ (103.5)	(12.8)%
SG&A as % gross profit	65.3%	72.9%	(7.6)%	

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**Same Store Operating Data - U.S.**

(In millions, except unit data)

	Nine Months Ended September 30,			
	2020	2019	Increase/(Decrease)	% Change
<b>Revenues:</b>				
New vehicle retail sales	\$ 3,026.1	\$ 3,494.0	\$ (467.9)	(13.4)%
Used vehicle retail sales	1,680.6	1,861.4	(180.8)	(9.7)%
Used vehicle wholesale sales	120.4	130.2	(9.8)	(7.5)%
Total used	1,801.0	1,991.6	(190.6)	(9.6)%
Parts and service sales	850.3	914.6	(64.3)	(7.0)%
F&I, net	297.5	317.6	(20.1)	(6.3)%
Total revenues	<u>\$ 5,974.9</u>	<u>\$ 6,717.8</u>	<u>\$ (742.9)</u>	<u>(11.1)%</u>
<b>Gross profit:</b>				
New vehicle retail sales	\$ 178.0	\$ 163.2	\$ 14.7	9.0 %
Used vehicle retail sales	122.7	124.3	(1.7)	(1.3)%
Used vehicle wholesale sales	6.1	2.5	3.7	150.6 %
Total used	128.8	126.8	2.0	1.6 %
Parts and service sales	456.7	495.5	(38.8)	(7.8)%
F&I, net	297.5	317.6	(20.1)	(6.3)%
Total gross profit	<u>\$ 1,061.0</u>	<u>\$ 1,103.2</u>	<u>\$ (42.1)</u>	<u>(3.8)%</u>
<b>Gross margin:</b>				
New vehicle retail sales	5.9%	4.7%	1.2 %	
Used vehicle retail sales	7.3%	6.7%	0.6 %	
Used vehicle wholesale sales	5.1%	1.9%	3.2 %	
Total used	7.2%	6.4%	0.8 %	
Parts and service sales	53.7%	54.2%	(0.5)%	
F&I, net	100.0%	100.0%	— %	
Total gross margin	17.8%	16.4%	1.3 %	
<b>Units sold:</b>				
Retail new vehicles sold	73,433	89,170	(15,737)	(17.6)%
Retail used vehicles sold	80,055	90,190	(10,135)	(11.2)%
Wholesale used vehicles sold	18,169	21,159	(2,990)	(14.1)%
Total used	<u>98,224</u>	<u>111,349</u>	<u>(13,125)</u>	<u>(11.8)%</u>
<b>Average sales price per unit sold:</b>				
New vehicle retail	\$ 41,209	\$ 39,183	\$ 2,026	5.2 %
Used vehicle retail	\$ 20,993	\$ 20,639	\$ 354	1.7 %
<b>Gross profit per unit sold:</b>				
New vehicle retail sales	\$ 2,424	\$ 1,831	\$ 593	32.4 %
Used vehicle retail sales	\$ 1,532	\$ 1,378	\$ 154	11.2 %
Used vehicle wholesale sales	\$ 338	\$ 116	\$ 222	191.8 %
Total used	\$ 1,311	\$ 1,138	\$ 173	15.2 %
F&I PRU	\$ 1,938	\$ 1,771	\$ 167	9.4 %
<b>Other:</b>				
SG&A expenses	\$ 693.1	\$ 805.5	\$ (112.4)	(14.0)%
SG&A as % gross profit	65.3%	73.0%	(7.7)%	

The following discussion of our U.S. operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. Our U.S. dealership operations have been impacted by the reduced demand caused by the COVID-19 pandemic and the restrictions put in place by local governments to contain the virus.

#### *Revenues*

Total revenues in the U.S. during the nine months ended September 30, 2020 decreased \$681.0 million, or 10.1%, as compared to the same period in 2019. Total same store revenues in the U.S. during the nine months ended September 30, 2020 decreased \$742.9 million, or 11.1%, as compared to the same period in 2019. The decrease in U.S. same store revenues was driven by declines in all of our revenue streams. The declines of 13.4% in new vehicle retail same store sales, 9.7% in used vehicle retail same store sales and 7.5% in used vehicle wholesale same store sales were driven by declines of 17.6%, 11.2% and 14.1% in new vehicle, used vehicle retail and used vehicle wholesale unit sales, respectively, reflecting reduced demand at our dealerships caused by the COVID-19 pandemic and inventory supply shortages. Partially offsetting these declines, our online new and used vehicle sales platform, AcceleRide® was instrumental in allowing us to connect with and serve our customers throughout the restricted social distancing environment. Parts and service same store revenues decreased 7.0% driven by an 18.1% decrease in collision revenues, 10.6% decrease in warranty revenues, 4.5% decrease in customer-pay revenues and a 1.8% decrease in wholesale parts revenues. F&I same store revenues decreased 6.3% driven by a 14.4% decrease in same store retail unit sales as discussed above, which was partially offset by higher penetration rates and income per contract on many of our finance and insurance product offerings and a decline in our overall chargeback experience.

#### *Gross Profit*

Total gross profit in the U.S. during the nine months ended September 30, 2020 decreased \$29.4 million, or 2.6%, as compared to the same period in 2019. Total same store gross profit in the U.S. during the nine months ended September 30, 2020 decreased \$42.1 million, or 3.8%, as compared to the same period in 2019. The decrease in total gross profit was driven by decreases in all of our operations except for new vehicle retail and used vehicle wholesale. New vehicle retail same store gross profit increased 9.0% driven by a 32.4% increase in new vehicle retail same store gross profit per unit sold which was partially offset by a 17.6% decrease in new vehicle retail unit sales. The increase in new vehicle retail same store gross profit per unit sold reflects supply constraints as many manufacturers had put a hold on production due to the COVID-19 pandemic earlier in the year and have not returned to normal production levels. The 1.3% decrease in used vehicle retail same store gross profit was related to an 11.2% decline in used vehicle retail unit sales which was mostly offset by an 11.2% increase in used vehicle retail same store average gross profit per unit sold. The decline in used vehicle retail same store gross profit was related to inventory supply constraints and the reduced demand during the first half of the year caused by the COVID-19 pandemic. Parts and service same store gross profit and F&I same store gross profit decreased 7.8% and 6.3%, respectively, driven by decreases described above. Total same store gross margin increased 130 basis points primarily as a result of higher new vehicle and used vehicle retail and wholesale margins related to the supply constraints of inventory in the industry.

#### *SG&A Expenses*

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in the U.S. during the nine months ended September 30, 2020 decreased \$103.5 million, or 12.8%, as compared to the same period in 2019. Total same store SG&A expenses in the U.S. during the nine months ended September 30, 2020, decreased \$112.4 million, or 14.0%, as compared to the same period in 2019. The U.S. dealership operations were directly impacted by reduced demand caused by the COVID-19 pandemic. In an effort to reduce costs, beginning in March, we furloughed and terminated employees and significantly reduced advertising and other SG&A expenses. As market conditions have improved, we have strived to retain our lower operating cost structure as a result of the pandemic. Total same store SG&A expenses in the U.S. for the first nine months of 2019 included \$17.8 million in net costs associated with hailstorms and flooding from Tropical Storm Imelda in Texas; \$1.8 million in non-core legal expenses; and \$0.5 million in net gains on real estate and dealership transactions. Total same store SG&A expenses in the U.S. during the first nine months of 2020 included \$10.6 million in expense for an out-of-period adjustment related to stock-based compensation. Total same store SG&A as a percent of gross profit decreased from 73.0% for the nine months ended 2019 to 65.3% for the same period of 2020 driven by cost cutting measures taken due to the impact of the COVID-19 pandemic.



**Reported Operating Data - U.K.**

(In millions, except unit data)

	Three Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 376.6	\$ 290.7	\$ 85.8	29.5 %	\$ 15.8	24.1 %
Used vehicle retail sales	248.1	189.3	58.8	31.1 %	11.2	25.2 %
Used vehicle wholesale sales	39.5	35.0	4.5	12.9 %	1.7	8.0 %
Total used	287.6	224.3	63.3	28.2 %	12.9	22.5 %
Parts and service sales	61.3	56.6	4.7	8.2 %	2.7	3.4 %
F&I, net	15.4	13.0	2.4	18.2 %	0.7	13.1 %
Total revenues	\$ 740.8	\$ 584.6	\$ 156.2	26.7 %	\$ 32.1	21.2 %
<b>Gross profit:</b>						
New vehicle retail sales	\$ 16.8	\$ 12.2	\$ 4.5	37.1 %	\$ 0.7	31.1 %
Used vehicle retail sales	17.2	8.9	8.3	93.4 %	0.8	84.2 %
Used vehicle wholesale sales	2.0	(0.3)	2.3	713.0 %	0.1	690.0 %
Total used	19.2	8.6	10.7	124.3 %	0.9	113.8 %
Parts and service sales	36.2	31.3	4.9	15.7 %	1.6	10.6 %
F&I, net	15.4	13.0	2.4	18.2 %	0.7	13.1 %
Total gross profit	\$ 87.6	\$ 65.1	\$ 22.5	34.6 %	\$ 3.9	28.6 %
<b>Gross margin:</b>						
New vehicle retail sales	4.5%	4.2 %	0.2 %			
Used vehicle retail sales	6.9%	4.7 %	2.2 %			
Used vehicle wholesale sales	5.1%	(0.9)%	6.0 %			
Total used	6.7%	3.8 %	2.9 %			
Parts and service sales	59.1%	55.3 %	3.8 %			
F&I, net	100.0%	100.0 %	— %			
Total gross margin	11.8%	11.1 %	0.7 %			
<b>Units sold:</b>						
Retail new vehicles sold	10,689	9,329	1,360	14.6 %		
Retail used vehicles sold	10,101	8,573	1,528	17.8 %		
Wholesale used vehicles sold	5,104	4,894	210	4.3 %		
Total used	15,205	13,467	1,738	12.9 %		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 35,230	\$ 31,164	\$ 4,066	13.0 %	\$ 1,479	8.3 %
Used vehicle retail	\$ 24,561	\$ 22,077	\$ 2,484	11.2 %	\$ 1,105	6.2 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 1,571	\$ 1,313	\$ 258	19.7 %	\$ 69	14.4 %
Used vehicle retail sales	\$ 1,706	\$ 1,039	\$ 667	64.2 %	\$ 81	56.4 %
Used vehicle wholesale sales	\$ 394	\$ (67)	\$ 462	687.8 %	\$ 15	665.7 %
Total used	\$ 1,266	\$ 637	\$ 629	98.7 %	\$ 59	89.4 %
F&I PRU	\$ 739	\$ 726	\$ 13	1.8 %	\$ 32	(2.6)%
<b>Other:</b>						
SG&A expenses	\$ 53.7	\$ 57.6	\$ (3.9)	(6.8)%	\$ 2.4	(11.0)%
SG&A as % gross profit	61.2%	88.4 %	(27.2)%			

**Same Store Operating Data - U.K.**

(In millions, except unit data)

	Three Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 360.2	\$ 289.3	\$ 70.9	24.5 %	\$ 15.3	19.2 %
Used vehicle retail sales	237.5	187.6	50.0	26.6 %	10.8	20.9 %
Used vehicle wholesale sales	37.9	34.5	3.4	9.8 %	1.7	4.9 %
Total used	275.4	222.1	53.3	24.0 %	12.5	18.4 %
Parts and service sales	56.8	52.3	4.5	8.6 %	2.5	3.8 %
F&I, net	14.6	12.9	1.7	13.3 %	0.6	8.3 %
Total revenues	\$ 707.0	\$ 576.5	\$ 130.5	22.6 %	\$ 30.9	17.3 %
<b>Gross profit:</b>						
New vehicle retail sales	\$ 16.1	\$ 12.2	\$ 3.9	32.0 %	\$ 0.7	26.1 %
Used vehicle retail sales	16.6	8.8	7.8	87.9 %	0.8	78.9 %
Used vehicle wholesale sales	1.9	(0.3)	2.3	717.3 %	0.1	694.3 %
Total used	18.5	8.5	10.0	117.8 %	0.9	107.6 %
Parts and service sales	33.6	29.3	4.3	14.6 %	1.5	9.5 %
F&I, net	14.6	12.9	1.7	13.3 %	0.6	8.3 %
Total gross profit	\$ 82.8	\$ 62.9	\$ 19.9	31.6 %	\$ 3.7	25.7 %
<b>Gross margin:</b>						
New vehicle retail sales	4.5%	4.2 %	0.3 %			
Used vehicle retail sales	7.0%	4.7 %	2.3 %			
Used vehicle wholesale sales	5.1%	(0.9)%	6.1 %			
Total used	6.7%	3.8 %	2.9 %			
Parts and service sales	59.1%	56.1 %	3.1 %			
F&I, net	100.0%	100.0 %	— %			
Total gross margin	11.7%	10.9 %	0.8 %			
<b>Units sold:</b>						
Retail new vehicles sold	10,256	9,273	983	10.6 %		
Retail used vehicles sold	9,705	8,507	1,198	14.1 %		
Wholesale used vehicles sold	4,908	4,847	61	1.3 %		
Total used	14,613	13,354	1,259	9.4 %		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 35,123	\$ 31,195	\$ 3,927	12.6 %	\$ 1,490	7.8 %
Used vehicle retail	\$ 24,474	\$ 22,049	\$ 2,425	11.0 %	\$ 1,114	5.9 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 1,565	\$ 1,312	\$ 253	19.3 %	\$ 69	14.0 %
Used vehicle retail sales	\$ 1,708	\$ 1,037	\$ 671	64.7 %	\$ 82	56.8 %
Used vehicle wholesale sales	\$ 397	\$ (65)	\$ 462	709.7 %	\$ 15	686.9 %
Total used	\$ 1,268	\$ 637	\$ 631	99.0 %	\$ 60	89.7 %
F&I PRU	\$ 732	\$ 725	\$ 7	0.9 %	\$ 32	(3.5)%
<b>Other:</b>						
SG&A expenses	\$ 50.1	\$ 54.4	\$ (4.3)	(7.9)%	\$ 2.3	(12.1)%
SG&A as % gross profit	60.6%	86.5 %	(26.0)%			

The following discussion of our U.K. operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. During the third quarter of 2020, our U.K. dealership operations have been steadily recovering from the impact on business caused by the COVID-19 pandemic.

#### *Revenues*

Total revenues in the U.K. during the three months ended September 30, 2020 increased \$156.2 million, or 26.7%, as compared to the same period in 2019. Total same store revenues in the U.K. during the three months ended September 30, 2020 increased \$130.5 million, or 22.6%, as compared to the same period in 2019. On a constant currency basis, total same store revenues increased 17.3% driven by improvements in all of our dealership operations. In response to the COVID-19 pandemic, during March the government mandated the closure of all U.K. dealerships in an effort to stop the spread of the virus with the exception of emergency vehicle repairs. U.K. showrooms were allowed to reopen June 1, 2020. Since reopening, dealership operations have continued to improve throughout the third quarter. On a constant currency basis, new vehicle retail same store revenues grew 19.2% driven by a 10.6% increase in new vehicle retail same store unit sales, coupled with a 7.8% increase in average new vehicle retail same store sales price. While industry sales declined slightly, our new vehicle retail same store unit sales were up reflecting 2019 inventory shortages experienced in our Audi and VW brands as a result of the stricter emissions standards imposed by the Worldwide Harmonised Light Vehicle Test Procedure. Used vehicle retail same store revenues on a constant currency basis increased 20.9% as used vehicle retail same store unit sales improved 14.1%, coupled with a 5.9% increase in average used retail same store sales price reflecting higher demand. Parts and service same store revenues increased 3.8% on a constant currency basis, driven by a 12.3% increase in customer-pay business, partially offset by declines in our other parts and service businesses. F&I same store revenues on a constant currency basis increased 8.3% as an increase in retail unit sales volumes was partially offset by lower penetration rates.

#### *Gross Profit*

Total gross profit in the U.K. during the three months ended September 30, 2020 increased \$22.5 million, or 34.6%, as compared to the same period in 2019. Total same store gross profit in the U.K. during the three months ended September 30, 2020 increased \$19.9 million, or 31.6%, as compared to the same period in 2019. On a constant currency basis, total same store gross profit increased 25.7%, driven by increases in all of our operations. New vehicle retail same store gross profit increased 26.1% on a constant currency basis, driven by a 10.6% growth in new vehicle retail same store unit sales, coupled with a 14.0% increase in new vehicle retail same store gross profit per unit. The increase in new vehicle gross profit per unit primarily reflects increased demand coupled with our current supply constraints. On a constant currency basis, used vehicle retail same store gross profit improved 78.9%, reflecting a 14.1% increase in used vehicle retail same store unit sales, coupled with a 56.8% increase in used vehicle retail same store gross profit per unit sold. The increase in used vehicle retail same store gross profit per unit sold reflects supply constraints similar to new vehicles. Used vehicle wholesale same store gross profit increased 694.3% on a constant currency basis, driven by an increase in auction prices and improved processes. Parts and service same store gross profit on a constant currency basis increased 9.5% driven by the 12.3% increase in our higher margin customer-pay business discussed above. F&I same store revenues on a constant currency basis increased 8.3% as previously discussed.

#### *SG&A Expenses*

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in the U.K. during the three months ended September 30, 2020 decreased \$3.9 million, or 6.8%, as compared to the same period in 2019. Total same store SG&A expenses in the U.K. during the three months ended September 30, 2020, decreased \$4.3 million, or 7.9%, as compared to the same period in 2019. On a constant currency basis, total same store SG&A expenses decreased 12.1%, driven by the implementation and continual execution of cost reduction strategies as a reaction to the COVID-19 pandemic. As market conditions have improved, we have strived to retain our lower operating cost structure as a result of the pandemic and we continued to benefit from these cost cutting measures in the third quarter. Total same store SG&A expenses in 2019 included \$0.2 million in losses on dealership and real estate transactions. As a percentage of gross profit, total same store SG&A expenses decreased from 86.5% for the third quarter of 2019 to 60.6% for the same period of 2020.

**Reported Operating Data - U.K.**

(In millions, except unit data)

	Nine Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 800.1	\$ 911.5	\$ (111.4)	(12.2)%	\$ (0.8)	(12.1)%
Used vehicle retail sales	529.7	586.8	(57.1)	(9.7)%	3.1	(10.3)%
Used vehicle wholesale sales	90.6	127.1	(36.6)	(28.8)%	0.3	(29.0)%
Total used	620.3	714.0	(93.7)	(13.1)%	3.4	(13.6)%
Parts and service sales	139.5	172.5	(33.0)	(19.1)%	0.8	(19.6)%
F&I, net	35.1	43.2	(8.1)	(18.8)%	—	(18.8)%
Total revenues	\$ 1,595.0	\$ 1,841.2	\$ (246.2)	(13.4)%	\$ 3.3	(13.6)%
<b>Gross profit:</b>						
New vehicle retail sales	\$ 34.7	\$ 39.6	\$ (4.9)	(12.4)%	\$ (0.2)	(12.0)%
Used vehicle retail sales	31.3	25.5	5.8	22.7 %	0.3	21.7 %
Used vehicle wholesale sales	2.3	(2.6)	5.0	188.8 %	—	188.4 %
Total used	33.6	22.9	10.8	47.0 %	0.3	45.9 %
Parts and service sales	78.5	95.5	(17.0)	(17.8)%	0.4	(18.3)%
F&I, net	35.1	43.2	(8.1)	(18.8)%	—	(18.8)%
Total gross profit	\$ 181.9	\$ 201.2	\$ (19.3)	(9.6)%	\$ 0.6	(9.9)%
<b>Gross margin:</b>						
New vehicle retail sales	4.3%	4.3 %	— %			
Used vehicle retail sales	5.9%	4.3 %	1.6 %			
Used vehicle wholesale sales	2.6%	(2.1)%	4.6 %			
Total used	5.4%	3.2 %	2.2 %			
Parts and service sales	56.3%	55.4 %	0.9 %			
F&I, net	100.0%	100.0 %	— %			
Total gross margin	11.4%	10.9 %	0.5 %			
<b>Units sold:</b>						
Retail new vehicles sold	23,424	28,939	(5,515)	(19.1)%		
Retail used vehicles sold	22,165	25,284	(3,119)	(12.3)%		
Wholesale used vehicles sold	11,517	16,033	(4,516)	(28.2)%		
Total used	33,682	41,317	(7,635)	(18.5)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 34,157	\$ 31,498	\$ 2,658	8.4 %	\$ (36)	8.6 %
Used vehicle retail	\$ 23,899	\$ 23,210	\$ 689	3.0 %	\$ 141	2.4 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 1,482	\$ 1,370	\$ 112	8.2 %	\$ (8)	8.8 %
Used vehicle retail sales	\$ 1,411	\$ 1,008	\$ 403	40.0 %	\$ 12	38.9 %
Used vehicle wholesale sales	\$ 203	\$ (164)	\$ 366	223.7 %	\$ 1	223.1 %
Total used	\$ 998	\$ 553	\$ 445	80.4 %	\$ 8	78.9 %
F&I PRU	\$ 769	\$ 796	\$ (27)	(3.4)%	\$ 1	(3.5)%
<b>Other:</b>						
SG&A expenses	\$ 141.8	\$ 175.8	\$ (34.0)	(19.3)%	\$ 0.4	(19.6)%
SG&A as % gross profit	78.0%	87.4 %	(9.4)%			

**Same Store Operating Data - U.K.**

(In millions, except unit data)

	Nine Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 747.4	\$ 888.3	\$ (140.9)	(15.9)%	\$ (0.3)	(15.8)%
Used vehicle retail sales	498.0	573.0	(75.0)	(13.1)%	3.2	(13.7)%
Used vehicle wholesale sales	84.8	123.6	(38.8)	(31.4)%	0.3	(31.6)%
Total used	582.8	696.6	(113.8)	(16.3)%	3.5	(16.8)%
Parts and service sales	126.5	159.4	(32.8)	(20.6)%	0.7	(21.1)%
F&I, net	32.6	42.2	(9.6)	(22.7)%	—	(22.8)%
Total revenues	\$ 1,489.3	\$ 1,786.4	\$ (297.1)	(16.6)%	\$ 3.9	(16.8)%
<b>Gross profit:</b>						
New vehicle retail sales	\$ 32.5	\$ 38.8	\$ (6.4)	(16.4)%	\$ (0.2)	(16.0)%
Used vehicle retail sales	29.7	25.2	4.5	17.9 %	0.3	16.9 %
Used vehicle wholesale sales	2.2	(2.4)	4.7	193.0 %	—	192.5 %
Total used	31.9	22.7	9.2	40.3 %	0.3	39.1 %
Parts and service sales	71.3	89.3	(18.0)	(20.1)%	0.4	(20.6)%
F&I, net	32.6	42.2	(9.6)	(22.7)%	—	(22.8)%
Total gross profit	\$ 168.4	\$ 193.1	\$ (24.7)	(12.8)%	\$ 0.6	(13.1)%
<b>Gross margin:</b>						
New vehicle retail sales	4.3%	4.4 %	— %			
Used vehicle retail sales	6.0%	4.4 %	1.6 %			
Used vehicle wholesale sales	2.7%	(2.0)%	4.6 %			
Total used	5.5%	3.3 %	2.2 %			
Parts and service sales	56.4%	56.0 %	0.4 %			
F&I, net	100.0%	100.0 %	— %			
Total gross margin	11.3%	10.8 %	0.5 %			
<b>Units sold:</b>						
Retail new vehicles sold	21,775	27,891	(6,116)	(21.9)%		
Retail used vehicles sold	20,741	24,735	(3,994)	(16.1)%		
Wholesale used vehicles sold	10,780	15,657	(4,877)	(31.1)%		
Total used	31,521	40,392	(8,871)	(22.0)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 34,324	\$ 31,848	\$ 2,476	7.8 %	\$ (15)	7.8 %
Used vehicle retail	\$ 24,008	\$ 23,165	\$ 843	3.6 %	\$ 155	3.0 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 1,491	\$ 1,393	\$ 98	7.1 %	\$ (7)	7.6 %
Used vehicle retail sales	\$ 1,430	\$ 1,017	\$ 413	40.6 %	\$ 12	39.4 %
Used vehicle wholesale sales	\$ 209	\$ (154)	\$ 363	235.1 %	\$ 1	234.3 %
Total used	\$ 1,012	\$ 563	\$ 449	79.8 %	\$ 8	78.3 %
F&I PRU	\$ 767	\$ 802	\$ (35)	(4.3)%	\$ 1	(4.4)%
<b>Other:</b>						
SG&A expenses	\$ 127.3	\$ 166.0	\$ (38.7)	(23.3)%	\$ 0.4	(23.6)%
SG&A as % gross profit	75.6%	86.0 %	(10.4)%			

The following discussion of our U.K. operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. Our U.K. dealership operations have been impacted by the restrictions put in place by the national government in efforts to contain the spread of COVID-19.

#### *Revenues*

Total revenues in the U.K. during the nine months ended September 30, 2020 decreased \$246.2 million, or 13.4%, as compared to the same period in 2019. Total same store revenues in the U.K. during the nine months ended September 30, 2020 decreased \$297.1 million, or 16.6%, as compared to the same period in 2019. On a constant currency basis, total same store revenues decreased 16.8%, driven by decreases in all of our operations due to the COVID-19 pandemic. Beginning March 21, 2020, the government mandated the closure of all U.K. dealerships in efforts to stop the spread of the virus. The government shutdown remained in effect through May 18, 2020 for service, with the exception of emergency vehicle repairs, and June 1, 2020 for showrooms. Since June, business has recovered but not enough to offset the declines caused by the shutdown. New vehicle retail same store revenues on a constant currency basis decreased 15.8%, as a 21.9% decrease in new vehicle retail same store unit sales was partially offset by a 7.8% increase in new vehicle retail same store average sales price per unit sold. On a constant currency basis, used vehicle retail same store revenues decreased 13.7%, as a 16.1% decrease in used vehicle retail same store unit sales was partially offset by a 3.0% increase in used vehicle retail same store average sales price per unit sold. Parts and service same store revenues decreased 21.1% on a constant currency basis driven by declines of 13.1% in customer-pay, 32.4% in warranty, 35.5% in collision, and 27.0% in wholesale parts revenues. The decreases in all parts and service businesses are a result of the limitations on the business due to COVID-19. F&I same store revenues on a constant currency basis decreased 22.8% driven by the decline in retail unit sales and lower penetration rates.

#### *Gross Profit*

Total gross profit in the U.K. during the nine months ended September 30, 2020 decreased \$19.3 million, or 9.6%, as compared to the same period in 2019. Total same store gross profit in the U.K. during the nine months ended September 30, 2020 decreased \$24.7 million, or 12.8%, as compared to the same period in 2019. On a constant currency basis, total same store gross profit decreased 13.1%, driven by decreases in all of our operations, except for used vehicle, as result of the COVID-19 pandemic. New vehicle retail same store gross profit on a constant currency basis decreased 16.0%, driven by a 21.9% decline in new vehicle retail same store unit sales, partially offset by a 7.6% increase in new vehicle retail same store average gross profit per unit sold. The increase in new vehicle retail same store gross profit per unit sold reflects supply constraints related to the COVID-19 pandemic as many manufacturers had put a hold on production earlier in the year and have not returned to normal production levels. Used vehicle retail same store gross profit on a constant currency basis increased 16.9% on a 39.4% increase in used vehicle retail same store average gross profit per unit sold, partially offset by a 16.1% decrease in used vehicle retail same store unit sales. The increase in used vehicle retail same store average gross profit per unit sold reflects supply constraints similar to new vehicles. Used vehicle wholesale same store gross profit improved 192.5% on a constant currency basis driven by an increase in auction prices due to supply constraints and improved processes. Parts and service same store gross profit on a constant currency basis decreased 20.6% as a result of a 21.1% decline in revenues discussed above. F&I same store gross profit on a constant currency basis decreased 22.8% as discussed above.

#### *SG&A Expenses*

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in the U.K. during the nine months ended September 30, 2020 decreased \$34.0 million, or 19.3%, as compared to the same period in 2019. Total same store SG&A expenses in the U.K. during the nine months ended September 30, 2020, decreased \$38.7 million, or 23.3%, as compared to the same period in 2019. On a constant currency basis, total same store SG&A expenses decreased 23.6%. This decline was driven by the implementation and execution of cost reduction strategies as a reaction to the COVID-19 pandemic, which enabled us to partially offset the negative impact of lower gross profit. Total same store SG&A expenses in 2020 included \$1.2 million in severance costs for redundancy due to the COVID-19 pandemic. Total same store SG&A expenses in 2019 included \$0.2 million in losses on dealership and real estate transactions. As a percentage of gross profit, total same store SG&A expenses decreased from 86.0% for the nine months ended 2019 to 75.6% for the same period of 2020.

**Reported Operating Data - Brazil**

(In millions, except unit data)

	Three Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 31.9	\$ 69.9	\$ (38.0)	(54.4)%	\$ (11.2)	(38.3)%
Used vehicle retail sales	10.9	22.8	(11.9)	(52.1)%	(3.9)	(35.1)%
Used vehicle wholesale sales	2.4	4.4	(2.0)	(44.8)%	(0.9)	(24.8)%
Total used	13.4	27.2	(13.8)	(50.9)%	(4.7)	(33.5)%
Parts and service sales	8.0	12.0	(4.0)	(33.6)%	(2.9)	(9.7)%
F&I, net	1.1	1.9	(0.8)	(41.4)%	(0.4)	(20.2)%
Total revenues	\$ 54.3	\$ 110.9	\$ (56.6)	(51.1)%	\$ (19.2)	(33.8)%
<b>Gross profit:</b>						
New vehicle retail sales	\$ 2.6	\$ 4.5	\$ (1.8)	(41.2)%	\$ (0.9)	(20.5)%
Used vehicle retail sales	1.0	1.8	(0.8)	(42.6)%	(0.4)	(22.0)%
Used vehicle wholesale sales	0.2	0.3	(0.1)	(37.1)%	(0.1)	(14.7)%
Total used	1.2	2.1	(0.9)	(41.8)%	(0.4)	(20.9)%
Parts and service sales	3.7	5.1	(1.5)	(28.8)%	(1.3)	(3.4)%
F&I, net	1.1	1.9	(0.8)	(41.4)%	(0.4)	(20.2)%
Total gross profit	\$ 8.6	\$ 13.6	\$ (5.0)	(36.6)%	\$ (3.1)	(14.0)%
<b>Gross margin:</b>						
New vehicle retail sales	8.3%	6.4%	1.9 %			
Used vehicle retail sales	9.3%	7.8%	1.5 %			
Used vehicle wholesale sales	8.0%	7.1%	1.0 %			
Total used	9.1%	7.7%	1.4 %			
Parts and service sales	46.1%	43.0%	3.1 %			
F&I, net	100.0%	100.0%	— %			
Total gross margin	15.8%	12.2%	3.6 %			
<b>Units sold:</b>						
Retail new vehicles sold	1,200	2,262	(1,062)	(46.9)%		
Retail used vehicles sold	552	1,219	(667)	(54.7)%		
Wholesale used vehicles sold	282	430	(148)	(34.4)%		
Total used	834	1,649	(815)	(49.4)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 26,558	\$ 30,883	\$ (4,325)	(14.0)%	\$ (9,343)	16.2 %
Used vehicle retail	\$ 19,766	\$ 18,681	\$ 1,085	5.8 %	\$ (6,995)	43.3 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 2,196	\$ 1,980	\$ 216	10.9 %	\$ (772)	49.9 %
Used vehicle retail sales	\$ 1,840	\$ 1,453	\$ 387	26.7 %	\$ (661)	72.2 %
Used vehicle wholesale sales	\$ 696	\$ 726	\$ (30)	(4.1)%	\$ (247)	30.0 %
Total used	\$ 1,453	\$ 1,263	\$ 190	15.1 %	\$ (521)	56.3 %
F&I PRU	\$ 621	\$ 533	\$ 88	16.5 %	\$ (224)	58.5 %
<b>Other:</b>						
SG&A expenses	\$ 6.9	\$ 11.0	\$ (4.2)	(37.8)%	\$ (2.5)	(15.5)%
SG&A as % gross profit	79.9%	81.4%	(1.5)%			

**Same Store Operating Data - Brazil**

(In millions, except unit data)

	Three Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 31.9	\$ 69.9	\$ (38.0)	(54.4)%	\$ (11.2)	(38.3)%
Used vehicle retail sales	10.9	22.6	(11.7)	(51.8)%	(3.9)	(34.7)%
Used vehicle wholesale sales	2.4	4.4	(2.0)	(44.8)%	(0.9)	(24.8)%
Total used	13.4	27.1	(13.7)	(50.6)%	(4.7)	(33.1)%
Parts and service sales	7.9	11.8	(3.8)	(32.5)%	(2.8)	(8.4)%
F&I, net	1.1	1.9	(0.8)	(41.4)%	(0.4)	(20.3)%
Total revenues	\$ 54.3	\$ 110.5	\$ (56.3)	(50.9)%	\$ (19.2)	(33.6)%
<b>Gross profit:</b>						
New vehicle retail sales	\$ 2.6	\$ 4.5	\$ (1.9)	(41.3)%	\$ (0.9)	(20.7)%
Used vehicle retail sales	1.0	1.8	(0.7)	(42.3)%	(0.4)	(21.5)%
Used vehicle wholesale sales	0.2	0.3	(0.1)	(37.1)%	(0.1)	(14.7)%
Total used	1.2	2.1	(0.9)	(41.5)%	(0.4)	(20.5)%
Parts and service sales	3.7	5.2	(1.5)	(29.0)%	(1.3)	(3.6)%
F&I, net	1.1	1.9	(0.8)	(41.4)%	(0.4)	(20.3)%
Total gross profit	\$ 8.6	\$ 13.6	\$ (5.0)	(36.7)%	\$ (3.1)	(14.1)%
<b>Gross margin:</b>						
New vehicle retail sales	8.3%	6.4%	1.8 %			
Used vehicle retail sales	9.3%	7.8%	1.5 %			
Used vehicle wholesale sales	8.0%	7.1%	1.0 %			
Total used	9.1%	7.7%	1.4 %			
Parts and service sales	46.1%	43.8%	2.3 %			
F&I, net	100.0%	100.0%	— %			
Total gross margin	15.8%	12.3%	3.6 %			
<b>Units sold:</b>						
Retail new vehicles sold	1,200	2,262	(1,062)	(46.9)%		
Retail used vehicles sold	552	1,216	(664)	(54.6)%		
Wholesale used vehicles sold	282	430	(148)	(34.4)%		
Total used	834	1,646	(812)	(49.3)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 26,558	\$ 30,883	\$ (4,325)	(14.0)%	\$ (9,343)	16.2 %
Used vehicle retail	\$ 19,766	\$ 18,613	\$ 1,152	6.2 %	\$ (7,001)	43.8 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 2,196	\$ 1,985	\$ 211	10.6 %	\$ (772)	49.5 %
Used vehicle retail sales	\$ 1,840	\$ 1,447	\$ 393	27.2 %	\$ (662)	72.9 %
Used vehicle wholesale sales	\$ 696	\$ 726	\$ (30)	(4.1)%	\$ (247)	30.0 %
Total used	\$ 1,453	\$ 1,258	\$ 195	15.5 %	\$ (522)	56.9 %
F&I PRU	\$ 621	\$ 533	\$ 87	16.3 %	\$ (224)	58.3 %
<b>Other:</b>						
SG&A expenses	\$ 6.9	\$ 11.2	\$ (4.4)	(38.9)%	\$ (2.5)	(17.0)%
SG&A as % gross profit	79.8%	82.6%	(2.9)%			



The following discussion of our Brazil operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. Our Brazil dealership operations have been significantly impacted by the reduced demand caused by the COVID-19 pandemic and the restrictions put in place by local governments to contain the virus.

#### *Revenues*

Total revenues in Brazil during the three months ended September 30, 2020 decreased \$56.6 million, or 51.1%, as compared to the same period in 2019. Total same store revenues in Brazil during the three months ended September 30, 2020 decreased \$56.3 million, or 50.9%, as compared to the same period in 2019. On a constant currency basis, total same store revenues decreased 33.6% driven by declines in all business lines caused by the continued negative impacts of the COVID-19 pandemic. New vehicle retail same store revenues on a constant currency basis decreased 38.3%, as a 46.9% decrease in new vehicle retail same store unit sales was partially offset by a 16.2% increase in new vehicle retail same store average sales price per unit sold. Used vehicle retail same store revenues on a constant currency basis decreased 34.7%, reflecting a 54.6% decrease in used vehicle same store unit sales partially offset by a 43.8% increase in used vehicle retail same store average sales price per unit sold. Used vehicle wholesale same store revenues decreased 24.8% on a constant currency basis reflecting a 34.4% decline in wholesale used vehicle same store unit sales. Reduced demand and a limited availability of inventory drove the reduction in new and used vehicle same store unit sales. The increases in new and used vehicle retail same store average sales price per unit reflect the supply constraints and a change in brand mix, which has shifted towards our higher priced luxury brands. Parts and service same store revenues on a constant currency basis decreased 8.4% primarily driven by declines in collision and customer-pay revenues. F&I same store revenues on a constant currency basis decreased 20.3% primarily due to the decline in retail unit sales partially offset by an increase in the penetration rate and income per contract for our retail finance fees.

#### *Gross Profit*

Total gross profit in Brazil during the three months ended September 30, 2020 decreased \$5.0 million, or 36.6%, as compared to the same period in 2019. Total same store gross profit in Brazil during the three months ended September 30, 2020 decreased \$5.0 million, or 36.7%, as compared to the same period in 2019. On a constant currency basis, total same store gross profit decreased 14.1% driven by declines in all business lines. New vehicle retail same store gross profit on a constant currency basis decreased 20.7% driven by the 46.9% decline in new vehicle retail same store units sold partially offset by a 49.5% increase in new vehicle retail same store average gross profit per unit sold. Used vehicle retail same store gross profit on a constant currency basis decreased 21.5% reflecting the 54.6% decline in used vehicle retail same store unit sales partially offset by a 72.9% increase in used vehicle retail same store average gross profit per unit sold. Used vehicle wholesale same store gross profit on a constant currency basis decreased 14.7% driven by the 34.4% decline in wholesale used vehicles same store unit sales partially offset by a 30.0% increase in used vehicle wholesale same store average gross profit per unit sold. The improvement in new and used same store gross profit PRU was a direct result of supply constraints and a mix shift towards our luxury brands. Parts and service same store gross profit on a constant currency basis decreased 3.6% as a result of the 8.4% decrease in revenues described above. F&I same store gross profit on a constant currency basis decreased 20.3% as discussed above.

#### *SG&A Expenses*

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in Brazil during the three months ended September 30, 2020 decreased \$4.2 million, or 37.8%, as compared to the same period in 2019. Total same store SG&A expenses in Brazil during the three months ended September 30, 2020 decreased \$4.4 million, or 38.9%, as compared to the same period in 2019. On a constant currency basis, total same store SG&A expenses decreased 17.0% while total same store gross profit decreased 14.1%, resulting in a 290 basis points decrease in total same store SG&A as a percentage of gross profit. The decrease in same store SG&A is explained by expense control measures taken by management due to COVID-19, primarily driven by a decrease in personnel expense.

**Reported Operating Data - Brazil**

(In millions, except unit data)

	Nine Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 109.1	\$ 208.4	\$ (99.2)	(47.6)%	\$ (27.4)	(34.5)%
Used vehicle retail sales	38.3	63.4	(25.1)	(39.6)%	(9.6)	(24.4)%
Used vehicle wholesale sales	9.2	13.3	(4.1)	(31.1)%	(2.5)	(12.2)%
Total used	47.5	76.7	(29.3)	(38.1)%	(12.1)	(22.3)%
Parts and service sales	23.4	36.1	(12.7)	(35.2)%	(6.6)	(17.0)%
F&I, net	3.4	5.6	(2.2)	(39.9)%	(0.9)	(24.2)%
Total revenues	\$ 183.4	\$ 326.9	\$ (143.5)	(43.9)%	\$ (47.0)	(29.5)%
<b>Gross profit:</b>						
New vehicle retail sales	\$ 7.5	\$ 12.6	\$ (5.1)	(40.3)%	\$ (2.0)	(24.6)%
Used vehicle retail sales	2.5	4.7	(2.2)	(46.6)%	(0.7)	(31.9)%
Used vehicle wholesale sales	0.5	0.9	(0.4)	(45.6)%	(0.1)	(30.1)%
Total used	3.0	5.6	(2.6)	(46.5)%	(0.8)	(31.6)%
Parts and service sales	10.3	15.8	(5.5)	(34.7)%	(2.9)	(16.4)%
F&I, net	3.4	5.6	(2.2)	(39.9)%	(0.9)	(24.2)%
Total gross profit	\$ 24.2	\$ 39.6	\$ (15.4)	(38.9)%	\$ (6.6)	(22.2)%
<b>Gross margin:</b>						
New vehicle retail sales	6.9%	6.1%	0.8 %			
Used vehicle retail sales	6.5%	7.4%	(0.9)%			
Used vehicle wholesale sales	5.2%	6.6%	(1.4)%			
Total used	6.3%	7.3%	(1.0)%			
Parts and service sales	44.1%	43.8%	0.3 %			
F&I, net	100.0%	100.0%	— %			
Total gross margin	13.2%	12.1%	1.1 %			
<b>Units sold:</b>						
Retail new vehicles sold	3,865	6,911	(3,046)	(44.1)%		
Retail used vehicles sold	2,006	3,295	(1,289)	(39.1)%		
Wholesale used vehicles sold	1,081	1,386	(305)	(22.0)%		
Total used	3,087	4,681	(1,594)	(34.1)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 28,238	\$ 30,153	\$ (1,915)	(6.4)%	\$ (7,093)	17.2 %
Used vehicle retail	\$ 19,100	\$ 19,251	\$ (151)	(0.8)%	\$ (4,794)	24.1 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 1,950	\$ 1,826	\$ 123	6.7 %	\$ (514)	34.9 %
Used vehicle retail sales	\$ 1,245	\$ 1,421	\$ (175)	(12.3)%	\$ (343)	11.8 %
Used vehicle wholesale sales	\$ 444	\$ 637	\$ (192)	(30.2)%	\$ (126)	(10.4)%
Total used	\$ 965	\$ 1,189	\$ (224)	(18.8)%	\$ (267)	3.7 %
F&I PRU	\$ 576	\$ 551	\$ 25	4.5 %	\$ (150)	31.8 %
<b>Other:</b>						
SG&A expenses	\$ 23.1	\$ 35.0	\$ (11.9)	(34.0)%	\$ (6.4)	(15.8)%
SG&A as % gross profit	95.3%	88.3%	7.0 %			

**Same Store Operating Data - Brazil**

(In millions, except unit data)

	Nine Months Ended September 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 109.1	\$ 205.6	\$ (96.4)	(46.9)%	\$ (27.4)	(33.6)%
Used vehicle retail sales	38.3	60.7	(22.4)	(36.9)%	(9.6)	(21.1)%
Used vehicle wholesale sales	9.2	11.2	(2.0)	(18.1)%	(2.5)	4.4 %
Total used	47.4	71.9	(24.4)	(34.0)%	(12.1)	(17.1)%
Parts and service sales	23.4	35.4	(12.0)	(33.9)%	(6.6)	(15.2)%
F&I, net	3.4	5.6	(2.2)	(39.1)%	(0.9)	(23.2)%
Total revenues	\$ 183.4	\$ 318.3	\$ (135.0)	(42.4)%	\$ (47.0)	(27.7)%
<b>Gross profit:</b>						
New vehicle retail sales	\$ 7.5	\$ 12.6	\$ (5.1)	(40.3)%	\$ (2.0)	(24.6)%
Used vehicle retail sales	2.5	4.7	(2.2)	(46.6)%	(0.7)	(31.8)%
Used vehicle wholesale sales	0.5	0.9	(0.4)	(44.5)%	(0.1)	(28.8)%
Total used	3.0	5.5	(2.6)	(46.3)%	(0.8)	(31.4)%
Parts and service sales	10.3	15.5	(5.2)	(33.4)%	(2.9)	(14.7)%
F&I, net	3.4	5.6	(2.2)	(39.1)%	(0.9)	(23.2)%
Total gross profit	\$ 24.2	\$ 39.2	\$ (15.0)	(38.3)%	\$ (6.6)	(21.4)%
<b>Gross margin:</b>						
New vehicle retail sales	6.9%	6.1%	0.8 %			
Used vehicle retail sales	6.5%	7.7%	(1.2)%			
Used vehicle wholesale sales	5.2%	7.7%	(2.5)%			
Total used	6.3%	7.7%	(1.4)%			
Parts and service sales	44.1%	43.8%	0.3 %			
F&I, net	100.0%	100.0%	— %			
Total gross margin	13.2%	12.3%	0.9 %			
<b>Units sold:</b>						
Retail new vehicles sold	3,865	6,866	(3,001)	(43.7)%		
Retail used vehicles sold	2,006	3,217	(1,211)	(37.6)%		
Wholesale used vehicles sold	1,081	1,319	(238)	(18.0)%		
Total used	3,087	4,536	(1,449)	(31.9)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 28,238	\$ 29,938	\$ (1,701)	(5.7)%	\$ (7,089)	18.0 %
Used vehicle retail	\$ 19,086	\$ 18,861	\$ 225	1.2 %	\$ (4,781)	26.5 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 1,950	\$ 1,839	\$ 110	6.0 %	\$ (514)	33.9 %
Used vehicle retail sales	\$ 1,244	\$ 1,453	\$ (210)	(14.4)%	\$ (345)	9.3 %
Used vehicle wholesale sales	\$ 444	\$ 656	\$ (212)	(32.3)%	\$ (126)	(13.1)%
Total used	\$ 964	\$ 1,222	\$ (258)	(21.1)%	\$ (268)	0.9 %
F&I PRU	\$ 576	\$ 551	\$ 25	4.6 %	\$ (150)	31.9 %
<b>Other:</b>						
SG&A expenses	\$ 23.0	\$ 34.4	\$ (11.4)	(33.1)%	\$ (6.4)	(14.7)%
SG&A as % gross profit	95.1%	87.8%	7.3 %			

The following discussion of our Brazil operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. Our Brazil dealership operations have been significantly impacted by the reduced demand caused by the COVID-19 pandemic and the restrictions put in place by local governments to contain the virus.

#### *Revenues*

Total revenues in Brazil during the nine months ended September 30, 2020 decreased \$143.5 million, or 43.9%, as compared to the same period in 2019. Total same store revenues in Brazil during the nine months ended September 30, 2020 decreased \$135.0 million, or 42.4%, as compared to the same period in 2019. On a constant currency basis, total same store revenues decreased 27.7% with declines in all revenue lines except for used vehicle wholesale. Beginning March 20, 2020, all our dealerships were required to close in efforts to stop the spread of the virus and while our service centers reopened and operated throughout the second quarter, our showrooms did not reopen until May 2020 with reduced hours. New vehicle retail same store revenues on a constant currency basis decreased 33.6%, as a 43.7% decrease in new vehicle retail same store unit sales was partially offset by an 18.0% increase in new vehicle retail same store average sales price per unit sold. Used vehicle retail same store revenues on a constant currency basis decreased 21.1%, as a 37.6% decrease in used vehicle retail same store unit sales more than offset a 26.5% increase in used vehicle retail same store average sales price per unit sold. Used vehicle wholesale same store revenues increased 4.4% on a constant currency basis. The improvement in used vehicle wholesale same store revenues and the increases in new and used vehicle retail same store average sales price per unit sold reflect supply constraints and a shift in brand mix to higher priced luxury brands. The decline in total units sold reflects the shutdowns and subsequent lower demand and inventory shortages caused by the COVID-19 pandemic. Parts and service same store revenues on a constant currency basis decreased 15.2% driven by declines in customer-pay, warranty and collision revenues partially offset by an increase in wholesale revenues. F&I same store revenues on a constant currency basis decreased 23.2% primarily as a result of a decline in our retail unit sales partially offset by an improvement in income per contract on our retail finance fees.

#### *Gross Profit*

Total gross profit in Brazil during the nine months ended September 30, 2020 decreased \$15.4 million, or 38.9%, as compared to the same period in 2019. Total same store gross profit in Brazil during the nine months ended September 30, 2020 decreased \$15.0 million, or 38.3%, as compared to the same period in 2019. On a constant currency basis total same store gross profit decreased 21.4% driven by declines in all business lines. New vehicle retail same store gross profit on a constant currency basis decreased 24.6%, driven by a 43.7% decrease in new vehicle retail same store units sold partially offset by a 33.9% increase in new vehicle retail same store average gross profit per unit sold. Used vehicle retail same store gross profit on a constant currency basis decreased 31.8%, reflecting a 37.6% decrease in used vehicle retail same store unit sales partially offset by a 9.3% increase in used vehicle retail same store average gross profit per unit sold. The improvement in new and used vehicle retail same store gross profit per unit reflects the shift towards our higher priced luxury brands and supply constraints experienced during the COVID-19 pandemic as many manufacturers had put a hold on production earlier in the year and have not returned to normal production levels. Parts and service same store gross profit decreased 14.7% on a constant currency basis, driven by the 15.2% decrease in parts and service revenues described above. F&I same store gross profit on a constant currency basis decreased 23.2% as discussed above.

#### *SG&A Expenses*

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in Brazil during the nine months ended September 30, 2020 decreased \$11.9 million, or 34.0%, as compared to the same period in 2019. Total same store SG&A expenses in Brazil during the nine months ended September 30, 2020, decreased \$11.4 million, or 33.1%, as compared to the same period in 2019. On a constant currency basis, total same store SG&A expenses decreased 14.7% while total same store gross profit decreased 21.4%, resulting in a 730 basis points increase in total same store SG&A as a percentage of gross profit. The decrease in SG&A expenses was a result of cost control initiatives implemented by the management team centered around reducing personnel expense. Total same store SG&A expenses in 2020 included \$0.9 million of severance costs associated with the termination of employees as a result of the COVID-19 pandemic.

The following discussion of our results of operations is on a consolidated basis, unless otherwise noted.

### **Depreciation and Amortization Expense**

Our total depreciation and amortization expense increased from \$18.2 million to \$19.1 million and from \$53.0 million to \$56.5 million for the three and nine months ended September 30, 2020, respectively, when compared to the same period in 2019. The slight increase is attributed to an increase in property and equipment in our U.S. segment.

### **Impairment of Assets**

We evaluate intangible assets, consisting entirely of indefinite-lived franchise rights and goodwill, for impairment annually, or more frequently if events or circumstances indicate possible impairment. During the three months ended June 30, 2020 we recorded goodwill impairment charges of \$10.7 million within the Brazil reporting unit and franchise rights impairment charges of \$11.1 million within the U.K. segment and \$0.1 million within the Brazil segment. During the three months ended September 30, 2019 we recorded franchise rights impairment charges of \$5.6 million in the U.K. segment and \$3.0 million in the U.S. segment. See Part I, “Item 1. Financial Statements,” Note 8 “Intangibles” for additional discussion of our interim impairment assessment.

We also review long-lived assets that are held-for-use, including our property and equipment and ROU assets, for impairment at the lowest level of identifiable cash flows whenever there are indicators that the carrying value of these assets may not be recoverable. During the three months ended June 30, 2020, we recognized ROU asset impairment charges of \$1.7 million relating to seven dealerships within the U.K. segment and \$0.2 million relating to one dealership within the Brazil segment. During the three months ended September 30, 2019 we recognized a ROU asset impairment charge of \$1.4 million in the U.K. segment and asset impairment charges of \$0.2 million in the U.S. segment. During the three months ended June 30, 2019 we recognized asset impairment charges of \$0.5 million within the Brazil segment. See Part I, “Item 1. Financial Statements,” Note 1 “Interim Financial Information” for additional discussion of our interim impairment assessment.

The impairment charges were recognized within *Asset impairments* in our Condensed Consolidated Statements of Operations.

### **Floorplan Interest Expense**

Our floorplan interest expense fluctuates with changes in our borrowings outstanding and interest rates, which are based on LIBOR, Prime rate or a benchmark rate. To mitigate the impact of interest rate fluctuations, we employ an interest rate hedging strategy, whereby we swap variable interest rate exposure for a fixed interest rate over the term of the variable interest rate borrowing.

For the three months ended September 30, 2020, total floorplan interest expense decreased 47.1% as compared to the same period in 2019. For the nine months ended September 30, 2020, total floorplan interest expense decreased 33.8% as compared to the same period in 2019. The decrease in both comparative periods is primarily due to lower inventory levels and lower weighted average interest rates mainly due to a decline in LIBOR, partially offset by higher expense on our interest rate swaps.

### **Other Interest Expense, Net**

Other interest expense, net consists of interest charges primarily on our real estate related debt, working capital lines of credit and other long-term debt, partially offset by interest income. For the three months ended September 30, 2020, other interest expense, net decreased from \$18.9 million to \$14.6 million as compared to the same period in 2019. For the nine months ended September 30, 2020, other interest expense, net decreased from \$55.8 million to \$49.0 million as compared to the same period in 2019. The decrease in both comparable periods was primarily attributable to lower interest rates achieved through debt refinancings in the current year, including the redemption of \$300.0 million in aggregate principal of our 5.25% Senior Notes on April 2, 2020, which was funded at lower interest rates through increased borrowings on our real estate related debt and Acquisition Line, and the redemption of \$550.0 million aggregate principal of our 5.00% Senior Notes on September 2, 2020, which was funded through the issuance of \$550.0 million aggregate principal amount of our 4.00% Senior Notes on August 17, 2020. See “Sources and Uses of Liquidity from Financing Activities” within “Liquidity and Capital Resources” below for further discussion of our debt refinancings in the current year.

### **Loss on Extinguishment of Debt**

On April 2, 2020, we fully redeemed \$300.0 million in aggregate principal amount of our outstanding 5.25% Senior Notes due June 2023, at a premium of 102.625%. The total redemption price, consisting of the principal amount of the notes redeemed plus associated premium, amounted to \$307.9 million. We recognized a loss on extinguishment of \$10.4 million which included write offs of an unamortized discount in the amount of \$1.9 million and unamortized debt issuance costs in the amount of \$0.6 million.

On September 2, 2020, we fully redeemed \$550.0 million in aggregate principal amount of our outstanding 5.00% Senior Notes due June 2022, at par value. We recognized a loss on extinguishment of \$3.3 million which included write offs of an unamortized discount in the amount of \$2.6 million and unamortized debt issuance costs in the amount of \$0.7 million.

### **Provision for Income Taxes**

Our provision for income taxes increased \$23.6 million to \$34.6 million for the three months ended September 30, 2020 as compared to the same period in 2019. For the nine months ended September 30, 2020, our provision for income taxes increased \$17.4 million to \$55.8 million, as compared to the same period in 2019. The increases were primarily due to increases in pretax book income. For the three months ended September 30, 2020, our effective tax rate decreased to 21.5% from 22.3% as compared to the same period in 2019. This decrease was primarily due to changes to valuation allowances provided for net operating losses in certain U.S. states and in Brazil. For the nine months ended September 30, 2020, our effective tax rate decreased to 23.1% from 23.4% as compared to the same period in 2019. This decrease was primarily due to increased tax deductions in excess of book expense with respect to RSAs that vested in 2020, partially offset by higher disallowed excess compensation expense in 2020 and reductions to valuation allowances provided for net operating losses in certain U.S. states and in Brazil that were higher in 2019.

We expect our effective tax rate for the remainder of 2020 will be between 23.0% and 24.0%. We believe that it is more-likely-than-not that our deferred tax assets, net of valuation allowances provided, will be realized, based primarily on assumptions of our future taxable income, considering future reversals of existing taxable temporary differences. The anticipated effects of the COVID-19 pandemic should not materially impact our estimated effective tax rate for the full-year of 2020.

### **Liquidity and Capital Resources**

Our liquidity and capital resources are primarily derived from cash on hand, cash temporarily invested as a pay down of our Floorplan Line and FMCC Facility levels (see Part I, "Item 1. Financial Statements," Note 10 "Floorplan Notes Payable" in the Notes to Condensed Consolidated Financial Statements for additional information), cash from operations, borrowings under our credit facilities, which provide vehicle floorplan financing, working capital, dealership and real estate acquisition financing and proceeds from debt and equity offerings. Based on current facts and circumstances, we believe we will have adequate cash flow, coupled with available borrowing capacity, to fund our current operations, capital expenditures and acquisitions for the next 12 months. If economic and business conditions deteriorate or if our capital expenditures or acquisition plans for 2020 change, we may need to access the private or public capital markets to obtain additional funding. See "Sources and Uses of Liquidity from Investing Activities" below for further discussion of expectations regarding future capital expenditures.

#### ***Cash on Hand***

As of September 30, 2020, our total cash on hand was \$66.2 million. The balance of cash on hand excludes \$126.7 million of immediately available funds used to pay down our Floorplan Line and FMCC Facility as of September 30, 2020. We use the pay down of our Floorplan Line and FMCC Facility as a channel for the short-term investment of excess cash.

#### ***Cash Flows***

We utilize various credit facilities to finance the purchase of our new and used vehicle inventory. With respect to all new vehicle floorplan borrowings in the normal course of business, the manufacturers of the vehicles draft our credit facilities directly with no cash flows to or from us. With respect to borrowings for used vehicle financing, we finance up to 85% of the value of our used vehicle inventory in the U.S. and the funds flow directly between us and the lender.

We categorize the cash flows associated with borrowings and repayments on these various credit facilities as *Cash Flows from Operating Activities* or *Cash Flows from Financing Activities* in our Condensed Consolidated Statements of Cash Flows. All borrowings from, and repayments to, lenders affiliated with our vehicle manufacturers (excluding the cash flows from or to manufacturer-affiliated lenders participating in our syndicated lending group) are presented within *Cash Flows from Operating Activities* in the Condensed Consolidated Statements of Cash Flows in conformity with U.S. GAAP. All borrowings from, and repayments to, the Revolving Credit Facility (see Part I, “Item 1. Financial Statements,” Note 10 “Floorplan Notes Payable” in the Notes to Condensed Consolidated Financial Statements for additional information) (including the cash flows from or to manufacturer-affiliated lenders participating in the facility) and other credit facilities in the U.K. and Brazil unaffiliated with our manufacturer partners (collectively, “Non-OEM Floorplan Credit Facilities”), are presented within *Cash Flows from Financing Activities* in conformity with U.S. GAAP. However, the incurrence of all floorplan notes payable represents an activity necessary to acquire inventory for resale, resulting in a trade payable. Our decision to utilize our Revolving Credit Facility does not substantially alter the process by which our vehicle inventory is financed, nor does it significantly impact the economics of our vehicle procurement activities. Therefore, we believe that all floorplan financing of inventory purchases in the normal course of business should correspond with the related inventory activity and be classified as an operating activity. As a result, we use the non-GAAP measure “Adjusted net cash provided by/used in operating activities” and “Adjusted net cash provided by/used in financing activities” to further evaluate our cash flows. We believe that this classification eliminates excess volatility in our operating cash flows prepared in accordance with U.S. GAAP and avoids the potential to mislead the users of our financial statements.

In addition, for dealership acquisitions and dispositions that are negotiated as asset purchases, we do not assume transfer of liabilities for floorplan financing in the execution of the transactions. Therefore, borrowings and repayments of all floorplan financing associated with dealership acquisitions and dispositions are characterized as either *Cash Flow from Operating Activities* or *Cash Flow from Financing Activities* in our Condensed Consolidated Statements of Cash Flows presented in conformity with U.S. GAAP, depending on the relationship described above. However, the floorplan financing activity is so closely related to the inventory acquisition process that we believe the presentation of all acquisition and disposition related floorplan financing activities should be classified as investing activity to correspond with the associated inventory activity, which more closely reflects the cash flows associated with our acquisition and disposition strategy and eliminates excess volatility in our operating cash flows prepared in accordance with U.S. GAAP. We have made such adjustments in our adjusted operating cash flow presentations.

The following table reconciles cash flows provided by (used in) operating, investing and financing activities on a U.S. GAAP basis to the corresponding adjusted amounts (in millions):

	<b>Nine Months Ended September 30,</b>		
	<b>2020</b>	<b>2019</b>	<b>% Change</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net cash provided by (used in) operating activities:	\$ 712.7	\$ 310.8	129.3 %
Change in Floorplan notes payable — credit facilities and other, excluding floorplan offset and net acquisition and disposition	(368.9)	(68.9)	
Change in Floorplan notes payable — manufacturer affiliates associated with net acquisition and disposition and floorplan offset activity	14.5	0.1	
Adjusted net cash provided by (used in) operating activities	<u>\$ 358.3</u>	<u>\$ 242.0</u>	48.1 %
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net cash provided by (used in) investing activities:	\$ (78.8)	\$ (193.5)	59.3 %
Change in cash paid for acquisitions, associated with Floorplan notes payable	—	14.3	
Change in proceeds from disposition of franchises, property and equipment, associated with Floorplan notes payable	—	(19.5)	
Adjusted net cash provided by (used in) investing activities	<u>\$ (78.8)</u>	<u>\$ (198.7)</u>	60.4 %
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net cash provided by (used in) financing activities:	\$ (590.4)	\$ (90.1)	(555.1)%
Change in Floorplan notes payable, excluding floorplan offset	354.4	74.0	
Adjusted net cash provided by (used in) financing activities	<u>\$ (236.0)</u>	<u>\$ (16.1)</u>	(1,368.5)%

### ***Sources and Uses of Liquidity from Operating Activities***

For the nine months ended September 30, 2020, we generated \$712.7 million of net cash flows from operating activities. On an adjusted basis for the same period, we generated \$358.3 million in net cash flows from operating activities, primarily consisting of \$186.4 million in net income, coupled with non-cash adjustments related to depreciation and amortization of \$56.5 million, stock-based compensation of \$27.0 million, asset impairments of \$23.8 million, operating lease assets of \$18.1 million and a loss on extinguishment of \$13.7 million related to the 5.00% Senior Notes and 5.25% Senior Notes. Adjusted net cash flows from operating activities also included a \$31.1 million adjusted net change in operating assets and liabilities, including cash inflows of \$499.6 million from decreases in inventory levels, \$41.1 million from net decreases in prepaid expenses and other assets, \$33.0 million from net decreases in contracts-in-transit and vehicle receivables and \$25.2 million from net decreases in accounts and notes receivables. These cash inflows were partially offset by cash outflows of \$492.3 million from adjusted net floorplan repayments and \$58.8 million from decreases in accounts payable and accrued expenses.

For the nine months ended September 30, 2019, we generated \$310.8 million of net cash flows from operating activities. On an adjusted basis for the same period, we generated \$242.0 million in net cash flows from operating activities, primarily consisting of \$125.9 million in net income, coupled with non-cash adjustments related to depreciation and amortization of \$53.0 million, operating lease assets of \$21.2 million, stock-based compensation of \$14.5 million, asset impairments of \$10.8 million and deferred income taxes of \$3.6 million, partially offset by a \$5.9 million gain on the disposition of assets. Adjusted net cash flows from operating activities also includes a \$15.0 million adjusted net change in operating assets and liabilities, including cash inflows of \$99.0 million from increases in accounts payable and accrued expenses and \$41.7 million from decreases in inventory levels. These cash inflows were partially offset by cash outflows of \$70.0 million from adjusted net floorplan repayments, \$31.7 million from net increases in accounts and notes receivables and \$21.3 million from decreases in operating lease liabilities.

### ***Working Capital***

At September 30, 2020, we had a \$104.6 million surplus of working capital. This represents an increase of \$10.5 million from December 31, 2019, when we had a \$94.0 million surplus of working capital. Changes in our working capital are typically explained by changes in floorplan notes payable outstanding. Borrowings on our new vehicle floorplan notes payable, subject to agreed-upon pay-off terms, are equal to 100% of the factory invoice of the vehicles. Borrowings on our used vehicle floorplan notes payable, subject to agreed-upon pay-off terms, are limited to 85% of the aggregate book value of our used vehicle inventory, except in the U.K. and Brazil. At times, we have made payments on our floorplan notes payable using excess cash flows from operations and the proceeds of debt and equity offerings. As needed, we re-borrow the amounts later, up to the limits on the floorplan notes payable discussed above, for working capital, acquisitions, capital expenditures or general corporate purposes.

### ***Sources and Uses of Liquidity from Investing Activities***

During the nine months ended September 30, 2020, we used \$78.8 million in net cash flows from investing activities on both an unadjusted and adjusted basis, which represented \$78.8 million used for purchases of property and equipment and to construct new and improve existing facilities, \$1.3 million used for acquisition activity, partially offset by cash inflows of \$1.3 million related to the disposition of property and equipment. Of the \$78.8 million in property and equipment purchases, \$55.4 million was used for non-real estate related capital expenditures, \$22.4 million was used for the purchase of real estate associated with existing dealership operations and \$1.0 million represented the net decrease in the accrual for capital expenditures from year-end.

During the nine months ended September 30, 2019, we used \$193.5 million in net cash flows from investing activities. On an adjusted basis for the same period, we used \$198.7 million in net cash flows from investing activities, representing \$139.6 million used for purchases of property and equipment and to construct new and improve existing facilities and \$82.7 million used for dealership acquisition activity, partially offset by cash inflows of \$23.6 million related to the disposition of franchises and property and equipment. Of the \$139.6 million in property and equipment purchases, \$70.8 million was used for non-real estate related capital expenditures, \$65.1 million was used for the purchase of real estate associated with existing dealership operations and \$3.6 million represented the net decrease in the accrual for capital expenditures from year-end.



### Capital Expenditures

Our capital expenditures include costs to extend the useful lives of current facilities, as well as to start or expand operations. In general, expenditures relating to the construction or expansion of dealership facilities are driven by dealership acquisition activity, new franchises being granted to us by a manufacturer, significant growth in sales at an existing facility, relocation opportunities or manufacturer imaging programs. We critically evaluate all planned future capital spending, working closely with our manufacturer partners to maximize the return on our investments. We forecast our capital expenditures for the full year of 2020 will be approximately \$80 million excluding expenditures related to real estate purchases and future acquisitions, which could generally be funded from excess cash.

### Acquisitions

We evaluate the expected return on investment in our consideration of potential business purchases. Cash needed to complete our acquisitions generally comes from excess working capital, operating cash flows of our dealerships and borrowings under our floorplan facilities, term loans and our Acquisition Line.

### Sources and Uses of Liquidity from Financing Activities

For the nine months ended September 30, 2020, we used \$590.4 million in net cash flows from financing activities. On an adjusted basis for the same period, we used \$236.0 million in net cash flows from financing activities, primarily related to cash outflows of \$857.9 million related to the extinguishment of our 5.00% and 5.25% Senior Notes, \$48.9 million related to the repurchase of our common stock and \$5.5 million in dividend payments. These cash outflows were partially offset by \$550.0 million from the issuance of our 4.00% Senior Notes. The \$162.1 million net borrowings on other debt primarily reflected increased mortgage borrowings in the U.S. to partially fund the redemption of the 5.25% Senior Notes.

For the nine months ended September 30, 2019, we used \$90.1 million in net cash flows from financing activities. On an adjusted basis for the same period, we used \$16.1 million in net cash flows from financing activities, primarily related to cash outflows of \$35.8 million in net repayments on other debt and \$14.9 million in dividend payments, partially offset by \$19.1 million in net borrowings on our Acquisition Line and \$15.8 million in net borrowings on our Floorplan Lines (representing the net cash activity in our floorplan offset accounts).

### Credit Facilities, Debt Instruments and Other Financing Arrangements

Our various credit facilities, debt instruments and other financing arrangements are used to finance the purchase of inventory and real estate, provide acquisition funding and provide working capital for general corporate purposes.

The following table summarizes the position of our U.S. credit facilities as of September 30, 2020 (in millions):

	Total Commitment	Outstanding	Available
Floorplan line <sup>(1)</sup>	\$ 1,396.0	\$ 732.3	\$ 663.7
Acquisition line <sup>(2)</sup>	349.0	75.9	273.1
<b>Total Revolving Credit Facility</b>	<b>1,745.0</b>	<b>808.1</b>	<b>936.9</b>
FMCC facility <sup>(3)</sup>	300.0	114.7	185.3
<b>Total U.S. credit facilities <sup>(4)</sup></b>	<b>\$ 2,045.0</b>	<b>\$ 922.8</b>	<b>\$ 1,122.2</b>

<sup>(1)</sup> The available balance at September 30, 2020 includes \$108.2 million of immediately available funds. The remaining available balance can be used for inventory financing.

<sup>(2)</sup> The outstanding balance of \$75.9 million is related to outstanding letters of credit of \$17.8 million and \$58.1 million in borrowings as of September 30, 2020. The borrowings outstanding under the Acquisition Line included no U.S. dollar borrowings and £45 million of British pound sterling borrowings translated at the spot rate on the day borrowed, solely for the purpose of calculating the outstanding and available borrowings under the Acquisition Line. The available borrowings may be limited from time to time, based on certain debt covenants.

<sup>(3)</sup> The available balance at September 30, 2020 includes \$18.5 million of immediately available funds. The remaining available balance can be used for Ford new vehicle inventory financing.

<sup>(4)</sup> The outstanding balance excludes \$239.1 million of borrowings with manufacturer-affiliates and third-party financial institutions for foreign and rental vehicle financing not associated with any of our U.S. credit facilities.

We have other credit facilities in the U.S., U.K. and Brazil with third-party financial institutions, most of which are affiliated with the automobile manufacturers that provide financing for portions of our new, used and rental vehicle inventories. In addition, we have outstanding debt instruments, including our 4.00% Senior Notes, as well as real estate related and other long-term debt instruments.

#### 4.00% Senior Notes Issuance

On August 17, 2020, we issued Senior Notes maturing on August 15, 2028 in aggregate principal amount of \$550.0 million. Interest on the notes is payable semi-annually on February 15<sup>th</sup> and August 15<sup>th</sup> at a coupon rate of 4.00%. The notes were issued at par and carry an effective interest rate of 4.21% after consideration of associated debt issuance costs. At our option, we may redeem some or all of the Senior Notes at varying redemption prices (expressed as percentages of principal amount of the notes) and redemption periods throughout the term. Refer to Part I, “Item 1. Financial Statements,” Note 9 “Debt” within our Notes to Condensed Consolidated Financial Statements for further information regarding our 4.00% Senior Notes.

#### 5.00% Senior Notes Redemption and Debt Refinancing

On September 2, 2020, we fully redeemed \$550.0 million in aggregate principal amount of our outstanding 5.00% Senior Notes due June 2022, at par value. We recognized a loss on extinguishment of \$3.3 million which included write offs of an unamortized discount in the amount of \$2.6 million and unamortized debt issuance costs in the amount of \$0.7 million. Additionally, we paid accrued interest of \$6.9 million. The redemption was funded with \$550.0 million of our newly issued 4.00% Senior Notes due 2028. See *4.00% Senior Notes Issuance*. These refinancings are expected to lower our annual interest expense by approximately \$5.5 million.

#### 5.25% Senior Notes Redemption and Debt Refinancing

On April 2, 2020, we fully redeemed \$300.0 million in aggregate principal amount of our outstanding 5.25% Senior Notes due 2023, at a premium of 102.625%. The total redemption price, consisting of the principal amount of the notes redeemed plus associated premium, amounted to \$307.9 million. We recognized a loss on extinguishment of \$10.4 million which included write offs of an unamortized discount in the amount of \$1.9 million and unamortized debt issuance costs in the amount of \$0.6 million. Additionally, we paid \$4.6 million of accrued interest up to the date of redemption. The redemption was funded through a combination of Acquisition Line borrowings, mortgage borrowings, and excess cash. Additional mortgage debt was funded during the second quarter of 2020 to provide supplemental liquidity. These refinancings are expected to lower our annual interest expense by approximately \$10.8 million.

#### Covenants

Our Revolving Credit Facility, indentures governing our senior notes and certain mortgage term loans contain customary financial and operating covenants that place restrictions on us, including our ability to incur additional indebtedness, create liens or to sell or otherwise dispose of assets, and to merge or consolidate with other entities. Certain of our mortgage agreements contain cross-default provisions that in the event of a default of certain mortgage agreements and of our Revolving Credit Facility, could trigger an uncured default.

As of September 30, 2020, we were in compliance with the requirements of the financial covenants under our debt agreements. We are required to maintain the ratios detailed in the following table:

	As of September 30, 2020	
	Required	Actual
Total adjusted leverage ratio	< 5.50	2.54
Fixed charge coverage ratio	> 1.20	3.91

As of September 30, 2020, we had \$66.2 million of cash on hand and an additional \$126.7 million invested in our floorplan offset accounts, bringing total cash liquidity to \$192.9 million. In addition, we had \$273.1 million of additional borrowing capacity on our Acquisition Line, bringing total immediate liquidity to \$466.0 million as of September 30, 2020. Based on our position as of September 30, 2020 and our outlook as discussed within “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” we have sufficient liquidity currently and do not anticipate any material liquidity constraints or issues with our ability to remain in compliance with our debt covenants.

See Part I, “Item 1. Financial Statements,” Note 9 “Debt” and Note 10 “Floorplan Notes Payable” in our Notes to Condensed Consolidated Financial Statements for further discussion of our debt instruments, credit facilities, and other financing arrangements existing as of September 30, 2020.

#### Stock Repurchases and Dividends

Our Board of Directors from time to time, authorizes the repurchase of shares of our common stock up to a certain monetary limit. On April 7, 2020, we canceled our most recently authorized share repurchase program in light of the COVID-19 pandemic. During the first quarter 2020 and through the cancellation date, 597,764 shares were repurchased at an average price of \$81.83 per share, for a total of \$48.9 million.

During the first quarter of 2020, our Board of Directors approved a quarterly cash dividend of \$0.30 per share on all shares of our common stock, which resulted in \$5.3 million paid to common shareholders and \$0.2 million to unvested RSA holders. On April 7, 2020, we temporarily suspended quarterly dividends in light of the COVID-19 pandemic.

On October 5, 2020, our Board of Directors approved a new \$200.0 million share repurchase program. Future share repurchases and the payment of any future dividends are subject to the business judgment of our Board of Directors, taking into consideration our historical and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance, current economic environment and other factors considered relevant.

### Recent Regulatory Developments

In Brazil, Law No. 13,709/2018, the General Data Protection Act (Lei Geral de Proteção de Dados, or “GDPA”) will come into force in May 2021 and will change personal data protection in Brazil. The GDPA establishes a new legal framework covering personal data processing, including client, supplier and employee data. The GDPA establishes, among others, personal data owners’ rights, the legal basis for personal data protection, requirements for obtaining consent from personal data owners, obligations and requirements related to security incidents, data leaks and data transfers, as well as the creation of a National Data Protection Authority. We have begun initial preparations to comply with the GDPA ahead of its May 2021 effective date; however, we may have difficulty adapting our systems and processes to the new legislation due to the legislation’s complexity. In the event of non-compliance with the GDPA, we may be subject to penalties, beginning in August 2021, including making certain disclosures to authorities, the required deletion of personal data and fines, per infraction, of up to 2% (subject to an upper limit of R\$50,000,000) of our revenues in Brazil during our last fiscal year, excluding taxes. See the risk factor titled “We are subject to substantial governmental laws and regulations, which if we are found to be in violation of, or subject to liabilities under, may adversely affect our business and results of operations” in Part I, “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019.

On March 31, 2020, the U.S. Environmental Protection Agency and National Highway Traffic Safety Administration under the Trump Administration issued a final rule re-setting corporate average fuel economy (“CAFE”) and greenhouse gas (“GHG”) emissions standards for model years 2021-2026 passenger cars and light trucks. The March 31, 2020 final rule will increase stringency of CAFE and GHG emissions standards by 1.5% each year through model year 2026, as compared with the standards issued in 2012, which would have required annual increases of about 5%. Legal challenges to the March 31, 2020 final rule are expected. See the risk factor titled “Our operations are subject to environmental laws and regulations that may expose us to significant costs and liabilities” in Part I, “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of market risks, including interest rate risk and foreign currency exchange rate risk. We address interest rate risks primarily through the use of interest rate swaps. We do not currently hedge foreign exchange risk, as discussed further below. The following quantitative and qualitative information is provided regarding our foreign currency exchange rates and financial instruments to which we are a party at September 30, 2020 and from which we may incur future gains or losses from changes in market interest rates and/or foreign currency rates. We do not enter into derivative or other financial instruments for speculative or trading purposes.

#### Interest Rates

We have interest rate risk on our variable-rate debt obligations, primarily consisting of our Floorplan Line. Based on the amount of variable-rate borrowings outstanding of \$1.6 billion and \$1.8 billion as of September 30, 2020 and 2019, respectively, a 100 basis-point change in interest rates would have resulted in an approximate \$6.9 million and \$9.0 million change to our annual interest expense, respectively, after consideration of the average interest rate swaps in effect during the periods.

The majority of our floorplan notes payable, mortgages and other debt are benchmarked to LIBOR. On July 27, 2017, the Chief Executive of the U.K. Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or requiring banks to submit rates for the calculation of LIBOR after 2021. The use of an alternative rate could result in increased interest expense, in addition to costs to amend the loan agreements and other applicable arrangements to a new reference rate.

Our exposure to changes in interest rates with respect to our variable-rate floorplan borrowings is partially mitigated by manufacturers’ interest assistance, which in some cases is influenced by changes in market based variable interest rates. We reflect interest assistance as a reduction of new vehicle inventory cost until the associated vehicle is sold. During the nine months ended September 30, 2020 and 2019, we recognized \$33.0 million and \$35.6 million of interest assistance as a reduction of new vehicle cost of sales, respectively.

For additional information about the potential impact of LIBOR phase out on our results of operations, see Part I, “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019.

#### **Foreign Currency Exchange Rates**

The functional currency of our U.K. subsidiaries is the GBP and of our Brazil subsidiaries is the BRL. Our exposure to fluctuating exchange rates relates to the effects of translating financial statements of those subsidiaries into our reporting currency, which we do not hedge against based on our investment strategy in these foreign operations. A 10% devaluation in average exchange rates for the GBP to the USD would have resulted in a \$145.0 million and \$167.4 million decrease to our revenues for the nine months ended September 30, 2020 and 2019, respectively. A 10% devaluation in average exchange rates for the BRL to the USD would have resulted in a \$16.7 million and \$29.7 million decrease to our revenues for the nine months ended September 30, 2020 and 2019, respectively.

For additional information about our market sensitive financial instruments, see Part I, “Item 1. Financial Statements,” Note 6 “Financial Instruments and Fair Value Measurements” within our Notes to Condensed Consolidated Financial Statements.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2020 at the reasonable assurance level.

In light of the COVID-19 pandemic, a significant portion of our back office employees remain working remotely due to the restricted social distancing environment or other restrictions. Established business continuity plans were activated in order to mitigate the impact to our control environment, operating procedures, data and internal controls. The design of our processes and controls allow for remote execution with accessibility to secure data.

Our management, including our principal executive officer and our principal financial officer, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that objectives of the control system are met. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the intentional acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events and while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.

##### **Changes in Internal Control over Financial Reporting**

There were no changes in our system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are not party to any legal proceedings, including class action lawsuits that, individually or in the aggregate, are reasonably expected to have a material adverse effect on our results of operations, financial condition or cash flows. For a discussion of our legal proceedings, see Part I, “Item 1. Financial Statements,” Note 12 “Commitments and Contingencies” within our Notes to Condensed Consolidated Financial Statements.

### Item 1A. Risk Factors

Except as set forth below, during the nine months ended September 30, 2020, there were no changes to the Risk Factors disclosed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019.

***The global outbreak of the COVID-19 pandemic has materially adversely affected, and may further materially adversely affect, our business, results of operations and cash flows.***

The global outbreak of the COVID-19 pandemic has materially disrupted, and could continue to significantly disrupt, our operations and adversely affect our financial condition and results of operations. The measures taken by international, federal, state and local public health and governmental authorities to contain and combat the outbreak and spread of the COVID-19 pandemic included mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. As a result, we were required to completely shut down or significantly reduce the operating capacity of all of our dealerships in the U.S., the U.K. and Brazil in late March 2020 and early April 2020. These measures significantly reduced our new and used vehicle sales volumes, parts and service revenues and F&I revenues, as well as impacted our vehicle and parts supply chain during March 2020 and April 2020 in particular. On October 31, 2020, the U.K. government announced a national lockdown of non-essential businesses, which includes our dealership vehicle showrooms, beginning November 5, 2020 through December 2, 2020, at which time the government will determine whether the lockdown restrictions are extended. Our dealership service operations will remain open, however this mandate will adversely impact our vehicle sales in the fourth quarter. If the U.K. lockdown is extended for a significant period of time, or if additional lockdowns, other travel and business restrictions or additional restrictions are imposed in our other markets, the adverse impact on our business, results of operations and cash flows could be material. Such business disruptions suffered as a result of the COVID-19 pandemic are not covered by our insurance policies.

In addition, the impacts from the COVID-19 pandemic caused most vehicle manufacturers and parts suppliers to suspend or limit their production or distribution of new vehicles and parts and they have not returned to normal levels yet. This has materially adversely affected, and could continue to materially adversely affect, the financial condition and results of operations of our vehicle manufacturers and impacts their ability to profitably design, market, produce or distribute new vehicles and parts. This in turn has had, and could continue to have, a material adverse effect on our business, results of operations and financial condition.

The increased volatility in market conditions due to the COVID-19 pandemic could also make it more difficult for us to raise additional capital in order to supplement our cash flow from operations. If we are unable to raise necessary additional funds on acceptable terms or do not have sufficient cash flow from operations, our business and, in particular, our acquisitions and integration strategy could be adversely affected. The substantial cost-cutting measures, stockholder dividend suspension, share repurchase cancellation and other liquidity preserving measures we have taken or may take in the future may not sufficiently reduce the risks associated with our indebtedness, including maintaining available borrowing capacity and compliance with financial covenants and having the ability to refinance or repay indebtedness on favorable terms or at all. Further, any decrease in liquidity or our share price, tightened credit conditions, reduced access to the capital markets or reduced operating performance due to the COVID-19 pandemic may adversely affect our financial performance as well as our ability to purchase or sell certain dealerships.

As the potential impact from the COVID-19 pandemic is difficult to predict, the extent to which it may negatively affect our operating results or the duration of any potential business disruption is uncertain. Any potential impact will depend on future developments and new information that may emerge regarding the severity and duration of the COVID-19 pandemic and the actions taken by authorities to contain it or address its impact, all of which are beyond our control. Even with the various restrictions on business activity lifted, there is no guarantee when or if customer demand and workforce availability will return to prior levels, and our operations could be impacted by any restrictions we may have to impose or costs we may have to incur to ensure the ongoing safety of our employees, customers and others. In addition, there is no assurance that our relationship with and the financial and operational capacities of vehicle manufacturers and distributors will remain the same. These potential impacts, while uncertain, could adversely affect our business, financial condition and results of operations.

***The impairment of our goodwill and/or indefinite-lived intangibles could have a material adverse effect on our results of operations.***

We assess goodwill and other indefinite-lived intangibles for impairment on an annual basis, or more frequently when events or circumstances indicate that an impairment may have occurred. See Part I, “Item 1. Financial Statements,” Note 8 “Intangibles” within our Notes to Condensed Consolidated Financial Statements for further discussion of our impairment model and related assumptions. During the three months ended June 30, 2020, we performed an interim impairment assessment of goodwill and intangible franchise rights to determine if events or changes in circumstances, including the impacts of the COVID-19 pandemic, indicated that it was more-likely-than-not that the assets were impaired. Based on the results of our assessment, it was concluded that it was more-likely-than-not that our goodwill for the Brazil reporting unit (resulting in an impairment charge of \$10.7 million) and some of our intangible franchise rights for the U.K. and Brazil (resulting in impairment charges of \$11.1 million and \$0.1 million, respectively) were impaired as of June 30, 2020, which was mainly attributed to our assumptions that the potential long-term impacts of the COVID-19 pandemic had worsened during the second quarter of 2020. During the three months ended September 30, 2020, we performed an interim qualitative impairment assessment and as a result determined that it is not more-likely-than-not that the capitalized value of goodwill and intangible franchise rights were impaired, primarily reflecting the improving business environments in the U.S. and U.K. regions. We may be required to record additional impairment charges if the COVID-19 pandemic and any lockdowns or restrictions to contain the pandemic continue long-term. Any such impairment charge could have a material adverse effect on our results of operations.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

**Recent Sales of Unregistered Securities**

None.

**Use of Proceeds**

None.

**Issuer Purchases of Equity Securities**

Our Board of Directors from time to time, authorizes the repurchase of shares of our common stock up to a certain monetary limit. On October 5, 2020, our Board of Directors approved a new \$200.0 million share repurchase program. Future share repurchases are subject to the business judgment of our Board of Directors, taking into consideration our historical and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance, current economic environment and other factors considered relevant.

**Item 5. Other Information**

On October 30, 2020, we amended our Eleventh Amended and Restated Revolving Credit Agreement (“Credit Facility”) to align certain restricted payments terms in the Credit Facility with the same provisions in our recently issued 4.00% Senior Notes due 2028 (“bond indenture”). The effect of this change is to permit an additional \$30.0 million of restricted payments annually before the general restricted payment basket in the Credit Facility is impacted, as provided in the bond indenture. This incremental \$30.0 million only applies if we maintain a Total Leverage Ratio throughout the calendar year that does not exceed 3.25 to 1.00. The Credit Facility amendment is made retroactive to the bond indenture date of August 17, 2020.

**Item 6. Exhibits**

The exhibits required to be filed or furnished by Item 601 of Regulation S-K are listed below.

## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
<a href="#">3.1</a>	— Amended and Restated Certificate of Incorporation of Group 1 Automotive, Inc. (incorporated by reference to Exhibit 3.1 of Group 1 Automotive, Inc.'s Current Report on Form 8-K (File No. 001-13461) filed May 22, 2015)
<a href="#">3.2</a>	— Third Amended and Restated Bylaws of Group 1 Automotive, Inc. (incorporated by reference to Exhibit 3.1 of Group 1 Automotive, Inc.'s Current Report on Form 8-K (File No. 001-13461) filed April 6, 2017)
<a href="#">4.1</a>	— Indenture, dated as of August 17, 2020, by and among Group 1 Automotive, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 of Group 1 Automotive Inc.'s Current Report on Form 8-K (File No. 001-13461) filed August 17, 2020)
<a href="#">4.2</a>	— Form of 4.000% Senior Notes due 2028 (included as Exhibit A to Exhibit 4.1).
<a href="#">10.1*†</a>	— Retention, Confidentiality and Non-Compete Agreement dated August 20, 2020 between Group 1 Automotive, Inc. and Daniel McHenry
<a href="#">10.2*</a>	— Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement dated as of March 3, 2020 among Group 1 Automotive, Inc., the Subsidiary Borrowers listed therein, the Lenders listed therein, U.S. Bank National Association, N.A., as Administrative Agent, and Comerica Bank, as Floor Plan Agent
<a href="#">10.3*†</a>	— Group 1 Automotive, Inc. Deferred Compensation Plan, As Amended and Restated, effective January 1, 2021
<a href="#">10.4*†</a>	— First Amendment to the Group 1 Automotive, Inc. 2014 Long Term Incentive Plan, effective May 13, 2020
<a href="#">10.5*</a>	— Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement dated as of October 30, 2020 among Group 1 Automotive, Inc., the Subsidiary Borrowers listed therein, the Lenders listed therein, U.S. Bank National Association, N.A., as Administrative Agent, and Comerica Bank, as Floor Plan Agent
<a href="#">31.1*</a>	— Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">31.2*</a>	— Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">32.1*</a>	— Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<a href="#">32.2*</a>	— Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	— XBRL Instance Document
101.SCH*	— XBRL Taxonomy Extension Schema Document
101.CAL*	— XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	— XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	— XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	— XBRL Taxonomy Extension Presentation Linkbase Document
104*	— Cover Page Interactive Data File (formatted in Inline XBRL and contained in exhibit 101)

\* Filed or furnished herewith

† Management contract or compensatory plan or arrangement





## RETENTION, CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Retention, Confidentiality and Non-Compete Agreement (this “Agreement”) is made by and between Group 1 Automotive, Inc. (the “Company”) and Daniel McHenry (“Employee”), effective as of August 20, 2020 (the “Effective Date”). The Company and Employee are referred to individually herein as a “Party” and collectively as the “Parties.”

### W I T N E S S E T H:

**WHEREAS**, the Company acknowledges that Employee possesses skills and knowledge that are valuable to the Company and the Company wishes to enter this Agreement in order to better ensure itself of access to the continued services of Employee, to provide further incentive for Employee to build and preserve the goodwill of the Company, and in order to protect its legitimate business interests, including the preservation of its goodwill and Confidential Information (as defined below); and

**WHEREAS**, Employee wishes to continue in employment with the Company, advance and preserve the business interests of the Company, and obtain the benefits set forth herein.

**NOW, THEREFORE**, for and in consideration of the mutual promises, covenants and obligations contained herein, the Company and Employee agree as follows:

### Article I DEFINITIONS

In addition to the terms defined in the body of this Agreement, for purposes of this Agreement, the following capitalized words shall have the meanings indicated below:

1.1 “Affiliates” means any person or entity who directly, or indirectly through one or more of intermediaries, controls, is controlled by, or is under common control with the Company.

1.2 “Board” means the board of directors of the Company

1.3 “Business” means the business in which the Company and any of its Affiliates are engaged, or in which any such entity has material plans to engage of which Employee is aware during the period of his employment with the Company or any of its Affiliates, which business includes the acquisition and disposition, development, ownership and operation of dealerships in the automotive retail industry, the operation of which involves the sale of automobiles, service contracts, and vehicle parts, the arrangement of vehicle financing, and the provision of maintenance and repair.

1.4 “Cause” means any of the following: (a) Employee’s conviction or plea of *nolo contendere* to a felony or a crime involving moral turpitude; (b) Employee’s breach of any material provision of either this Agreement, the Company’s Employee Handbook, the Company’s Code of Conduct, or the Code of Ethics for Specified Officers of the Company, or any material policy of the Company or its Affiliate that is applicable (and made known) to Employee; (c) Employee’s using for his own benefit any confidential or proprietary information of the Company, or willfully divulging for his benefit such information; (d) Employee’s (i) fraud or (ii) misappropriation or theft of any of the Company’s or any of its Affiliates’ funds or property; or (e) Employee’s willful refusal to perform his duties or gross negligence, *provided that* the Company, before terminating Employee’s employment under subsection (b) or (e) of this definition must first give written notice to Employee of the nature of the alleged breach or refusal and must provide Employee with a minimum of fifteen (15) days to correct the breach or refusal (if such breach or refusal is capable of cure) and, *provided further*, before terminating Employee’s employment for purported gross negligence, the Company must give written notice that explains the alleged gross negligence in detail and must provide Employee with a minimum of twenty (20) days to correct such alleged gross negligence, if capable of correction. For the avoidance of doubt, “Cause” shall exist in the event Employee resigns employment with the Company or any of its Affiliates without providing 120 days’ advance written notice to the Company or its applicable Affiliate of such resignation, as described in Section 6.9 of this Agreement.

1.5 “Code” means the Internal Revenue Code of 1986, as amended, and applicable administrative guidance issued thereunder.

1.6 “Date of Termination” means the effective date of the termination of Employee’s employment with the Company or its applicable Affiliate such that Employee is no longer employed by the Company or any of its Affiliates.

1.7 “Disability” means Employee’s becoming incapacitated by accident, sickness, or other circumstance which, in the reasonable opinion of a qualified doctor approved by the Board, renders him mentally or physically incapable of performing the essential functions of Employee’s position, with or without reasonable accommodation, and which will continue, in the reasonable opinion of such doctor, for a period of not less than 180 days. If Employee disagrees with the determination, Employee may appoint a doctor of his own choosing and if that doctor reaches a determination different than that of the first doctor, the two doctors shall mutually select a third doctor within ten (10) days, and such third doctor’s determination shall be deemed conclusive.

1.8 “Employment Period” means the period during which Employee is employed by the Company or any of its Affiliates.

1.9 “Person” means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, governmental agency or political subdivision thereof or other entity.

1.10 “Prohibited Period” means the period during which Employee is employed by the Company or any of its Affiliates and continuing until the date that is (a) one year following the Date of Termination with respect to any Restricted Area within the United Kingdom, and (b) two years following the Date of Termination with respect to any Restricted Area located within the United States.

1.11 “Qualifying Termination” means any termination of Employee’s employment (a) by the Company without Cause or (b) due to Employee’s death or Disability.

1.12 “Release” means a general release of claims, in a form acceptable to the Company, that releases and discharges the Company and each of its Affiliates and their respective affiliates, predecessors, successors, subsidiaries and benefit plans, and the foregoing entities’ respective equity holders, officers, directors, managers, members, partners, employees, agents, representatives and other affiliated persons from any and all claims or causes of action or any kind or character, including but not limited to all claims or causes of action arising out of Employee’s employment or the termination of such employment.

1.13 “Restricted Area” means any geographic area within 100 miles of a location where the Company or its Affiliate conducts Business, or has material plans to conduct Business of which Employee is aware, in each case as of the Date of Termination or during the twelve (12) months preceding the Date of Termination. For the avoidance of doubt, the Restricted Area includes the geographic area described in the preceding sentence located within any of the parishes listed on Exhibit A hereto. Notwithstanding the foregoing, the Restricted Area will not include any area within the State of California.

1.14 “Restricted Business” means any Person (other than the Company or any of its Affiliates) that engages in the Business and which averaged, in the aggregate, \$500 Million (\$500,000,000) or more in annual revenues for the two years preceding the date of determination as to whether such person or entity is a Restricted Business.

1.15 “Release Expiration Date” means the date that is 21 days following the date upon which the Company delivers the Release to Employee (which shall occur no later than seven days following the Date of Termination) or, in the event that such termination of employment is “in connection with an exit incentive or other employment termination program” (as such phrase is defined in the Age Discrimination in Employment Act of 1967, as amended), the date that is 45 days following such delivery date.

1.16 “Severance Payment” means the average annual base salary paid to the Employee over the 24-month period immediately preceding the Date of Termination.

## ARTICLE II SEVERANCE PAYMENTS AND INCENTIVE COMPENSATION

2.1 **Severance-Triggering Events**. In the event that Employee’s employment with the Company and, as applicable, each of its Affiliates terminates due to a Qualifying Termination such that, as a result of such termination(s), the Employment Period has ceased, then so long as the requirements of Section 2.3 are satisfied and Employee abides by Employee’s continuing obligations under Articles III and IV, the Company shall pay the Severance Payment to Employee in accordance with Section 2.2.

2.2 **Payment of Severance Payment**. The Severance Payment will be paid in a single lump sum cash payment on the Company’s first regularly scheduled pay date that is on or after the date that is 60 days after the Date of Termination.

2.3 **Incentive Compensation.** As of the Effective Date, the Company grants to Employee 2,067 shares of restricted stock in accordance with the terms and conditions of Company's 2014 Long Term Incentive Plan (the "**Restricted Stock**"). Such shares of Restricted Stock shall vest as follows: (i) 40% of the shares shall vest on the second anniversary of the Effective Date; (ii) 20% of the shares shall vest on the third anniversary of the Effective Date; (iii) 20% of the shares shall vest on the fourth anniversary of the Effective Date; and (iv) 20% of the shares shall vest on the fifth anniversary of the Effective Date, subject to Employee's continued employment with the Company through such dates. Employee shall be eligible to receive additional grants under the Company's 2014 Long Term Incentive Plan, or a successor plan, in such amounts as determined in the sole discretion of the Compensation Committee of the Board, including grants of options, Restricted Stock or other equity-based awards. The rights and obligations of the Company and Employee regarding entitlement to, and vesting of, any incentive compensation granted pursuant to this Section 2.3 (including any future awards granted to Employee following the Effective Date) shall be conditioned and dependent upon Employee's satisfaction of the terms of the Company's 2014 Long Term Incentive Plan and the terms of this Agreement, including the terms of Articles III and IV herein. In the event that (a) Employee's employment with the Company or any of its Affiliates terminates due to Cause or (b) any provision set forth in Articles III or IV herein are violated, the Company shall have the right (in addition to all other rights and remedies, at law and equity), to forfeiture of any outstanding equity award held by Employee on the Date of Termination and to demand repayment or forfeiture, as applicable, of any cash or equity award referenced in this Section 2.3 and realized during the twelve (12) months prior to such violation or Cause event.

2.4 **Release.** As a condition to Employee's receipt of the Severance Payment (and any portion thereof), (a) Employee must execute and deliver the Release to the Company on or before the Release Expiration Date and (b) any revocation period under the Release must fully expire without revocation of the Release by Employee.

2.5 **After-Acquired Evidence.** Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines that Employee is eligible to receive the Severance Payment pursuant to Section 2.1 but, after such determination, the Company subsequently acquires evidence or determines that: (i) Employee has failed to abide by the terms of Article III or Article IV; or (ii) a Cause condition existed prior to the Date of Termination that, had the Company been fully aware of such condition, would have given the Company the right to terminate Employee's employment for Cause, then the Company shall have the right to cease the payment of any future installments of the Severance Payment and Employee shall promptly return to the Company all installments of the Severance Payment received by Employee prior to the date that the Company determines that the conditions of this Section 2.5 have been satisfied.

### ARTICLE III PROTECTION OF INFORMATION

3.1 **Property of the Company; Non-Disclosure.** For purposes of this Section 3.1 the term "Company" shall include the Company and each of its Affiliates. Employee acknowledges and agrees that, following the Effective Date, he will be provided with, and have access to, Confidential Information (as defined below). In consideration of, and as a condition of, Employee's receipt and access to such Confidential Information and in exchange for other valuable consideration provided hereunder and as an express inducement for the Company to enter into this Agreement, Employee agrees to comply with this Article III and Article IV below.

(a) Employee covenants and agrees, both during the Employment Period and thereafter that, except as expressly permitted by this Agreement or by directive of the Board, he shall not disclose any Confidential Information to any Person and shall not use any Confidential Information except for the benefit of the Company or any of its Affiliates. Employee shall take all reasonable precautions to protect the physical security of all documents and other material containing Confidential Information (regardless of the medium on which the Confidential Information is stored). The covenants in this Section 3.1 shall apply to all Confidential Information, whether now known or later to become known to Employee during the Employment Period.

(b) Notwithstanding Section 3.1(a), Employee may make the following disclosures and uses of Confidential Information:

- (i) disclosures to other directors, officers or employees of the Company who have a need to know the information in connection with the business of the Company;
- (ii) disclosures and uses that are approved by the Board;
- (iii) disclosures for the purpose of complying with any applicable laws or regulatory requirements; or
- (iv) disclosures that Employee is legally compelled to make by deposition, interrogatory, request for documents, subpoena, civil investigative demand, order of a court of competent jurisdiction, or similar process, or otherwise by law; *provided, however*, that, prior to any such disclosure, Employee shall, to the extent legally permissible:

(A) provide the Board with prompt notice of such requirements so that the Board may seek a protective order or other appropriate remedy or waive compliance with the terms of this Section 3.1;

(B) consult with the Board on the advisability of taking steps to resist or narrow such disclosure; and

(C) cooperate with the Board (at the Company's reasonable cost and expense) in any attempt it may make to obtain a protective order or other appropriate remedy or assurance that confidential treatment will be afforded the Confidential Information; and in the event such protective order or other remedy is not obtained, Employee agrees (1) to furnish only that portion of the Confidential Information that is legally required to be furnished, as advised by written opinion of counsel to Employee (the reasonable cost of which shall be borne by the Company), and (2) to exercise (at the Company's reasonable cost and expense) all reasonable efforts to obtain assurance that confidential treatment will be accorded such Confidential Information.

(c) Upon the expiration of the Employment Period and at any other time upon request of the Company, Employee shall surrender and deliver to the Company all documents (including all electronically stored information) and other material of any nature containing or pertaining to all Confidential Information in Employee's possession and shall not retain any such document or other material. Within five days of any such request, Employee shall certify to the Company in writing that all such materials have been returned to the Company.

(d) All non-public information, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed or acquired by or disclosed to Employee, individually or in conjunction with others, during the Employment Period (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to the Company's business or properties, products or services (including all such information relating to corporate opportunities, business plans, strategies for developing business and market share, research, financial and sales data, pricing terms, marketing methods, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within customers' organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks) is defined as "Confidential Information." Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, electronically stored information, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type including or embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression are and shall be the sole and exclusive property of the Company and be subject to the same restrictions on disclosure applicable to all Confidential Information pursuant to this Agreement.

(e) Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Employee from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to Employee from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires Employee to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct.

### 3.2 Non-Competition.

(a) The Company shall provide Employee access to Confidential Information for use only during the Employment Period, and Employee acknowledges and agrees that the Company will be entrusting Employee, in Employee's unique and special capacity, with developing the goodwill of the Company, and in consideration of the access to Confidential Information and the award described in Section 2.3 (which award, Employee acknowledges and agrees, further aligns Employee's interests with the Company's long-term business interests) herein, and as a material inducement for the Company to enter into this Agreement and make available the consideration set forth herein, Employee has voluntarily agreed to the covenants set forth in this Section 3.2. Employee further agrees and acknowledges that the limitations and restrictions set forth herein, including the geographical and temporal restrictions on certain competitive activities, are reasonable in all respects, consonant with public policy, and are material and substantial parts of this Agreement intended and necessary to protect (and are no greater than necessary to protect) the Company's legitimate business interests, including the protection of trade secrets and other Confidential Information, and preservation of its goodwill.

(b) Employee agrees that, during the Prohibited Period, Employee shall not, directly or indirectly, for himself or on behalf of or in conjunction with any other person or entity of whatever nature:

(i) engage or carry on, within the Restricted Area, in competition with the Company in any aspect of the Business by directly or indirectly: (A) owning, managing, operating, or being an officer or director of, any Restricted Business, or (B) joining, becoming an employee or consultant of, or otherwise being affiliated with any Restricted Business;

(ii) on behalf of any Restricted Business, and within the Restricted Area, solicit or accept the business of, or call upon, any customer or client of the Company or its Affiliate with whom or which Employee had contact (or about whom or which Employee obtained Confidential Information) within the 24 months prior to the Date of Termination for the purpose of conducting Business that is a competitive business with the Company or its Affiliate;

(iii) on behalf of any Restricted Business appropriate any opportunity of the Company or its Affiliate relating to the Business within the Restricted Area, or engage in any activity that limits the Company's or its Affiliate's ability to exploit Business opportunities within the Restricted Area; or

(iv) encourage or induce any employee of the Company or its Affiliate to leave the employment of the Company or its Affiliate or offer employment, retain, hire or assist in the hiring of any such employee by any Person not affiliated with the Company or its Affiliate; *provided, however*, that nothing in this subsection (iv) shall prohibit Employee from making general solicitations not targeted at any employee (or group of employees) of the Company or its Affiliate.

Notwithstanding the foregoing, if the Company ceases to engage in a particular aspect of its Business, then this Section 3.2 shall not apply with respect to Employee's activities with respect to such former aspect of that Business.

(c) Notwithstanding any provision in this Agreement to the contrary, following the Date of Termination, the limitations set forth in Sections 3(b)(i), 3(b)(ii) or 3(b)(iii) shall not apply in those portions of the Restricted Area located within the State of Oklahoma. Instead, following the Date of Termination, the restrictions on the activities of Employee within those portions of the Restricted Area located within the State of Oklahoma (in addition to those restrictions set forth in Sections 2 and 3(b)(iv) shall be as follows: during the portion of the Prohibited Period that follows the Date of Termination, other than on behalf of the Company or any of its Affiliates, Employee shall not directly solicit the sale of goods, services, or a combination of goods and services from the established customers of the Company or its Affiliates. Further notwithstanding the foregoing: (i) as of the date that is one year after the Date of Termination, the provisions of Section 3(b)(i) and 3(b)(iii) above shall cease to apply within that portion of the Restricted Area located within the Commonwealth of Massachusetts; and (ii) the restrictions in Section 3(b)(iv) above will not apply with respect to employees of the Company or its Affiliate located in the State of California.

(d) Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to the Company for which they would have no other adequate remedy, Employee agrees that the foregoing covenants within this Article III may be enforced by the Company, in the event of breach by Employee, by injunctions and restraining orders and that such enforcement shall not be the Company's exclusive remedy for a breach but instead shall be in addition to all other rights and remedies available, at law and equity, to the Company.

(e) The covenants in this Article III are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction or arbitrator, as applicable, shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court or arbitrator deems reasonable, and this Agreement shall thereby be reformed.

(f) The existence of any claim or cause of action of Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants.

(g) Employee agrees and acknowledges that the limitations as to time, geographical area and scope of activity to be restrained as set forth in Article III of this Agreement are fair and reasonable in all respects and do not impose any greater restraint than is necessary to protect the legitimate business interests of the Company, including the protection of Confidential Information, trade secrets and goodwill. Employee further acknowledges that the Company conducts business throughout the Restricted Area and agrees that the restrictions herein are reasonable in geographic reach and proscribed activities in relation to the interests protected. Employee further agrees and that: (i) the restrictions set forth herein are supported by fair and reasonable consideration independent from the continuation of employment; and (ii) the non-competition provisions herein are supported by mutually agreed upon consideration specified herein, as Employee would not have been entitled to the consideration set forth in this Agreement but for his entry into this Agreement and his compliance with its terms. Employee also acknowledges and agrees that he has had at least ten business days' notice of this Agreement before it became effective.

#### ARTICLE IV STATEMENTS CONCERNING THE COMPANY

4.1 **Statements Concerning the Company.** Except as required by law, Employee shall refrain, both during and after the termination of the employment relationship, from publishing any oral or written statements about the Company, any of its Affiliates or any of the Company's or such Affiliates' directors, officers, employees, consultants, agents or representatives that (a) are slanderous, libelous or defamatory, (b) disclose confidential information of or regarding the Company's or any of its Affiliates' business affairs, directors, officers, managers, members, employees, consultants, agents or representatives, (c) constitute an intrusion into the seclusion or private lives of the Company or any of its Affiliates' directors, officers, employees, agents, or representatives or give rise to unreasonable publicity about the private lives of the Company or any of its Affiliates' officers, employees, agents, or representatives, (d) place the Company, any of its Affiliates, or any of the Company's or any such Affiliates' directors, officers, managers, members, employees, consultants, agents or representatives in a false light before the public, or (e) constitute a misappropriation of the name or likeness of the Company or any of its Affiliates or any of their officers, employees, agents, or representatives. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded the Company and its Affiliates under this provision are in addition to any and all rights and remedies otherwise afforded by law.

#### ARTICLE V DISPUTE RESOLUTION

##### 5.1 **Dispute Resolution.**

(a) Subject to Section 5.1(b), any dispute, controversy or claim between Employee and the Company arising out of or relating to this Agreement will be finally settled by arbitration in Houston, Texas before, and in accordance with the then-existing American Arbitration Association ("AAA") Employment Arbitration Rules. The arbitration award shall be final and binding on both Parties. Any arbitration conducted under this Article V shall be heard by a single arbitrator (the "Arbitrator") selected in accordance with the then-applicable rules of the AAA. The Arbitrator shall expeditiously hear and decide all matters concerning the dispute. Except as expressly provided to the contrary in this Agreement, the Arbitrator shall have the power to (i) gather such materials, information, testimony and evidence as the Arbitrator deems relevant to the dispute before him or her (and each party will provide such materials, information, testimony and evidence requested by the Arbitrator), and (ii) grant injunctive relief and enforce specific performance. The decision of the Arbitrator shall be reasoned, rendered in writing, be final and binding upon the disputing Parties and the Parties agree that judgment upon the award may be entered by any court of competent jurisdiction; *provided, however*, that the Parties agree that the Arbitrator and any court enforcing the award of the Arbitrator shall not have the right or authority to award punitive or exemplary damages to any disputing Party. The Party whom the Arbitrator determines is the prevailing Party in such arbitration may be awarded (at the discretion of the Arbitrator), in addition to any other award pursuant to such arbitration or associated judgment, reimbursement from the other Party of all reasonable legal fees and costs.

(b) Notwithstanding Section 5.1(a), either Party may make a timely application for, and obtain, judicial emergency or temporary injunctive relief; *provided, however*, that the remainder of any such dispute (beyond the application for emergency or temporary injunctive relief) shall be subject to arbitration under this Article V.

(c) By entering into this Agreement and entering into the arbitration provisions of this Article V, THE PARTIES EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY ARE KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVING THEIR RIGHTS TO A JURY TRIAL.

(d) Nothing in this Article V shall prohibit a Party to this Agreement from (i) instituting litigation to enforce any arbitration award, or (ii) joining another Party to this Agreement in a litigation initiated by a Person which is not a Party to this Agreement. The Parties agree that any award rendered pursuant to this Article V constitutes an award falling under the New York Convention.

**ARTICLE VI  
MISCELLANEOUS**

6.1 **Notices.** For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given (a) when received if delivered personally or by courier, (b) on the date receipt is acknowledged if delivered by certified mail, postage prepaid, return receipt requested or (c) one day after transmission if sent by facsimile transmission with confirmation of transmission, as follows:

**If to Employee, addressed to:**

Daniel McHenry  
9 The Galleries  
52 Palmeira Avenue  
Hove  
United Kingdom BN33FH

**If to the Company, addressed to:**

Group 1 Automotive, Inc.  
800 Gessner, Suite 500  
Houston, TX 77024  
Attn: Office of the General Counsel

or to such other address as either Party may furnish to the other in writing in accordance herewith, except that notices or changes of address shall be effective only upon receipt.

6.2 **Applicable Law; Submission to Jurisdiction.**

(a) This Agreement is entered into under, and shall be governed for all purposes by, the Legal Requirements of the State of Texas, without regard to conflicts of laws principles thereof.

(b) With respect to any action to obtain emergency, temporary or preliminary injunctive relief as permitted by Articles III, IV or V above, the Parties hereto hereby consent to the exclusive jurisdiction, forum and venue of the state and federal courts residing in, or with jurisdiction over, Houston, Texas. The Parties recognize that such forum and venue is convenient and directly and materially related to their employment relationship and this Agreement.

6.3 **No Waiver.** No failure by either Party hereto at any time to give notice of any breach by the other Party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

6.4 **Severability.** If an arbitrator or a court of competent jurisdiction determines that any provision (or part thereof) of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of that provision (or part thereof) shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

6.5 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

6.6 **Withholding of Taxes and Other Employee Deductions.** The Company may withhold from any payments made pursuant to this Agreement all federal, state, city and other taxes as may be required pursuant to any applicable laws.

6.7 **Title and Headings; Construction.** Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. Unless the context requires otherwise, all references herein to an agreement, plan, instrument or other document shall be deemed to refer to such agreement, plan, instrument or other document as amended, supplemented, modified and restated from time to time to the extent permitted by the provisions thereof. The word “or” as used herein is not exclusive and is deemed to have the meaning “and/or.” The words “herein”, “hereof”, “hereunder” and other compounds of the word “here” shall refer to the entire Agreement, including all Exhibits attached hereto, and not to any particular provision hereof. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely. The use herein of the word “including” following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as “without limitation”, “but not limited to”, or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any Party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

6.8 **Assignment.** This Agreement and the rights hereunder are personal in nature and may not be assigned by Employee without the prior written consent of the Company. In addition, any payment owed to Employee hereunder after the date of Employee’s death shall be paid to Employee’s estate. The Company may assign this Agreement without Employee’s consent, including to any Affiliate of the Company and to any successor (whether by merger, purchase or otherwise) to all or substantially all of the equity, assets or businesses of the Company. Subject to the preceding provisions of this Section 6.8, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

6.9 **At-Will Employment.** Nothing in this Agreement shall affect the at-will nature of Employee’s employment, as the Company or its applicable Affiliate or Employee may terminate the employment relationship at any time and for any reason or no reason at all; *provided, however*, that Employee must provide 120 days’ advance written notice to the Company prior to terminating Employee’s employment with the Company; *provided further, however*, that if Employee has provided notice to the Company of Employee’s termination of employment, the Company may determine, in its sole discretion, that such termination shall be effective on any date prior to the effective date of termination provided in such notice (and, if such earlier date is so required, then it shall not change the basis for Employee’s termination of employment nor be construed or interpreted as a Qualifying Termination).

6.10 **Entire Agreement.** Subject to the remainder of this Section 6.10, this Agreement (and the Long Term Incentive Plan and any award documentation referenced in Section 2.3) constitutes the entire agreement of the Parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the Parties with respect to the subject matter hereof.

6.11 **Modification; Waiver; Termination.** Any modification, waiver or termination of this Agreement will be effective only if it is in writing and signed by both of the Parties.

6.12 **Right to Consult Counsel.** Employee has the right to consult with counsel of Employee’s choosing prior to signing this Agreement.

6.13 **Third-Party Beneficiaries.** Each Affiliate of the Company shall be a third-party beneficiary of Employee’s obligations under Articles III, IV and V above and shall be entitled to enforce such obligations as if a party hereto.

6.14 **Internal Revenue Code Section 409A.** This Agreement is not intended to provide for any deferral of compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended and the Treasury regulations and other interpretive guidance issued thereunder (collectively, “Section 409A”). Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. Any payments to be made under this Agreement upon a termination of Employee’s employment shall only be made if such termination of employment constitutes a “separation from service” under Section 409A. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if Employee’s receipt of such payment or benefit is not delayed until the earlier of (a) the date of Employee’s death or (b) the date that is six months after the date of termination of Employee’s employment with the Company (such date, the “Section 409A Payment Date”), then such payment or benefit shall not be provided to Employee (or Employee’s estate, if applicable) until the Section 409A Payment Date. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement are exempt from, or compliant with, Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.



[Remainder of Page Intentionally Blank;  
Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement effective as of the Effective Date.

**GROUP 1 AUTOMOTIVE, INC.**

By: /s/ Frank Grese

Name: Frank Grese

Title: Senior Vice President, HR

**EMPLOYEE**

/s/ Daniel McHenry

**Daniel McHenry**

**EXHIBIT A**  
**Louisiana Parishes**

Ascension  
Assumption  
Bienville  
Bossier  
Caddo  
Claiborne  
De Soto  
East Baton Rouge  
Helena  
Lafourche  
Jefferson  
Livingston  
Plaquemines  
Red River  
St. Bernard  
St. Charles  
St. James  
St. John the Baptist  
St. Tammany  
Tangipahoa  
Terrebonne  
Washington  
West Baton Rouge  
Orleans

**WAIVER AND FIRST AMENDMENT TO  
ELEVENTH AMENDED AND RESTATED  
REVOLVING CREDIT AGREEMENT**

THIS WAIVER AND FIRST AMENDMENT TO ELEVENTH AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this "Amendment") is made and entered into as of the 3rd day of March, 2020, by and among **GROUP 1 AUTOMOTIVE, INC.**, a Delaware corporation (the "**Company**"), each of the Subsidiaries of the Company listed on the signature pages hereof (the Company and such Subsidiaries of the Company are sometimes referred to herein as, individually, a "**Borrower**," and collectively, the "**Borrowers**"), the lenders listed on the signature pages hereof (the "**Lenders**"), **U.S. BANK NATIONAL ASSOCIATION**, as Administrative Agent for the Lenders (in such capacity, the "**Agent**"), and **COMERICA BANK**, as Floor Plan Agent for the Lenders (in such capacity, the "**Floor Plan Agent**").

**WITNESSETH:**

WHEREAS, the Borrowers, the Lenders, the Agent and the Floor Plan Agent are parties to that certain Eleventh Amended and Restated Revolving Credit Agreement dated effective as of June 27, 2019 (the "**Credit Agreement**," all capitalized terms used and not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Credit Agreement as amended by this Amendment); and

WHEREAS, the Borrowers, the Lenders, the Agent and the Floor Plan Agent desire to amend the Credit Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the other Borrowers, the Lenders, the Agent and the Floor Plan Agent hereby agree as follows:

1. The definitions of "*GM Borrower Guaranty*" "*Total Acquisition Loan Commitment*" "*Total Commitment*" and "*Total Floor Plan Loan Commitment*" set forth in Section 1.1 of the Credit Agreement are hereby deleted in their entirety and the following substituted in lieu thereof:

"*GM Borrower Guaranty*" means that certain Amended and Restated Guaranty Agreement dated as of the Closing Date executed by the GM Borrowers in favor of the Agent for the benefit of the Secured Parties.

"*Total Acquisition Loan Commitment*" means, at any time, the aggregate amount of the Acquisition Loan Commitments of all Lenders, as in effect at such time in accordance with this Agreement, which Commitments, as of the First Amendment Closing Date, equal the Dollar equivalent of \$135,000,000, whether designated partly in Dollars and partly in one or more Alternative Currencies. Notwithstanding anything to the contrary contained herein, the Total Acquisition Loan Commitment shall not at any time exceed twenty percent (20%) of the Total Commitment.

"*Total Commitment*" means, at any time, the aggregate amount of the Commitments of all Lenders, as in effect at such time in accordance with this Agreement, which Commitments, as of the First Amendment Closing Date, equal the Dollar equivalent of \$1,745,000,000, whether designated all in Dollars or partly in Dollars and partly in one or more Alternative Currencies.

"*Total Floor Plan Loan Commitment*" means, at any time, the aggregate amount of the Floor Plan Loan Commitments of all Lenders, as in effect at such time in accordance with this Agreement, which Commitments, as of the First Amendment Closing Date, equal \$1,610,000,000.

2. A new definition of First Amendment Closing Date is hereby added to Section 1.1 of the Credit Agreement in proper alphabetical order as follows:

"*First Amendment Closing Date*" means March 3, 2020.

3. The first sentence of Section 5.5(c) of the Credit Agreement is hereby deleted in its entirety and the following substituted in lieu thereof:

Subject to the terms and provisions of this Section 5.5, at any time there exists any unused portion of the Floor Plan Loan Commitments, the Company may request in writing the Agent to convert up to \$214,000,000 of such unused portion of the Floor Plan Loan Commitments into Acquisition Loan Commitments; provided, following such conversion, the total of the Floor Plan Loan Commitments shall not be less than an amount equal to (i) the sum of all Floor Plan Loans then outstanding, plus (ii) the sum of all Swing Line Loans then outstanding; and in such event and following five (5) Business Days prior written notice from the Company to the Agent, the Acquisition Loan Commitments shall be increased by the amount so requested by the Company, such amount together with the Floor Plan Loan Commitments not to exceed the Total Commitment.

4. Section 5.18(f) of the Credit Agreement is hereby deleted in its entirety and the following substituted in lieu thereof:

Notwithstanding anything to the contrary in this Section 5.18, (i) no Lender shall have any obligation to increase its Commitment unless it agrees to do so in its sole discretion and (ii) after giving effect to any increase in the Commitments pursuant to this Section 5.18, the aggregate amount of the Commitments shall not exceed \$2,045,000,000.

5. Section 13.7(b)(ii) is hereby amended to change the word “change” as it appears before the phrase “the amount of the Total Commitment” to “increase”.

6. Bank of the West (an “**Exiting Lender**”) has notified Agent and the Borrowers of its desire for Borrowers to repay in full Exiting Lender’s Pro Rata Share of Floor Plan Loan Commitments and Pro Rata Share of Acquisition Loan Commitments on a non pro rata basis. Pursuant to the request of the Company, the Lenders hereby waive the requirements of (i) Section 5.5(a) of the Credit Agreement that requires that any permanent reduction of the Total Commitment among the Lenders be in accordance with their respective Pro Rata Share of Floorplan Loan Commitments and Pro Rata Share of Acquisition Loan Commitments, be made ratably between the Total Floor Plan Loan Commitment and the Total Acquisition Loan Commitment, respectively, and be made pro rata among the Lenders within each type of Commitment, and (ii) Section 5.11 of the Credit Agreement that requires any prepayment of the Notes be in accordance with each Lender’s respective Pro Rata Share of Floorplan Loan Commitments and respective Pro Rata Share of Acquisition Loan Commitments. This Section 6 is not, and shall not be construed as, a waiver regarding any future non-pro rata reductions under Sections 5.5(a) and 5.11 of the Credit Agreement or a waiver of any other terms, provisions, conditions or covenants contained in the Credit Agreement and/or in any other Loan Document.

7. On the First Amendment Closing Date, (a) Exiting Lender, shall (i) be paid in full for all amounts owing under the Credit Agreement as agreed and calculated by the Exiting Lender and the Agent in accordance with the Credit Agreement, (ii) cease to be a “Lender” under the Credit Agreement and the Loan Documents, and (iii) relinquish its rights (provided that it shall still be entitled to any rights of indemnification in respect of any circumstance or event or condition arising prior to the date of this Amendment) and be released from its obligations under the Credit Agreement and the other Loan Documents as defined therein and (b) the Commitments of each Lender shall be as set forth on **Schedule 1.1(a)** attached hereto. The Exiting Lender is executing this Amendment for the sole purpose of evidencing its agreement to this Section 7 only and for no other purpose.

8. Each of the Borrowers hereby agrees to reimburse the Agent upon demand for all reasonable out-of-pocket costs and expenses incurred by the Agent in the preparation, negotiation and execution of this Amendment and any and all other agreements, documents and/or instruments relating to this Amendment, including, without limitation, reasonable attorneys’ fees and expenses. All of the obligations of the Borrowers under this paragraph shall survive the payment of the Borrowers’ Obligations and the termination of the Credit Agreement.

9. All references in the Credit Agreement to “this Agreement” and any other references of similar import shall henceforth mean the Credit Agreement as amended by this Amendment and as the same may from time to time be further amended, modified, extended, renewed or restated. All references in the other Loan Documents to the Credit Agreement and any other references of similar import shall henceforth mean the Credit Agreement as amended by this Amendment and as the same may from time to time be further amended, modified, extended, renewed or restated.

10. Except to the extent specifically amended by this Amendment, all of the terms, provisions, conditions, covenants, representations and warranties contained in the Credit Agreement shall be and remain in full force and effect and the same are hereby ratified and confirmed.

11. This Amendment shall be binding upon and inure to the benefit of the Company, the other Borrowers, the Lenders, the Agent and the Floor Plan Agent and their respective successors and assigns, except that Borrowers may not assign, transfer or delegate any of their respective rights or obligations under the Credit Agreement as amended by this Amendment.

12. Each of the Borrowers hereby represents and warrants to the Agent, the Floor Plan Agent and each Lender that:

(a) the execution, delivery and performance by each Borrower of this Amendment and the other Loan Documents are within the corporate or limited liability company powers, as applicable, of such Borrower have been duly authorized by all necessary corporate or limited liability company action, as applicable, on the part of such Borrower and require no action by or in respect of, consent of or filing or recording with, any governmental or regulatory body, instrumentality, authority, agency or official or any other Person;

(b) the execution, delivery and performance by each Borrower of this Amendment and the other Loan Documents do not conflict in any material respect with, or result in a material breach of the terms, conditions or provisions of, or constitute a material default under or result in any material violation of, the terms of the Certificate or Articles of Incorporation, Articles of Organization, Certificate of Formation, Bylaws or Operating Agreement, as applicable, of such Borrower, any applicable law, rule, regulation, order, writ, judgment or decree of any court or governmental or regulatory body, instrumentality, authority, agency or official or any agreement, document or instrument to which such Borrower is a party or by which such Borrower or any of its Property is bound or to which such Borrower or any of its Property is subject;

(c) this Amendment and each other Loan Document have been duly executed and delivered by each Borrower and constitutes the legal, valid and binding obligation of each such Borrower and is enforceable against each such Borrower in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(d) all of the representations and warranties made by any Borrower and/or any other Loan Party in the Credit Agreement and/or in any other Loan Document are true and correct in all material respects on and as of the date of this Amendment as if made on and as of the date of this Amendment (except to the extent that such representation or warranty is made as of an earlier date, in which case such representation or warranty is true and correct in all material respects as of such earlier date); and

(e) as of the date of this Amendment and after giving effect to this Amendment, no Default or Event of Default under or within the meaning of the Credit Agreement has occurred and is continuing.

13. Each of the GM Borrowers hereby consents to the terms, provisions and conditions contained in this Amendment. Each of the GM Borrowers hereby acknowledges and agrees that (a) the execution and delivery of this Amendment by the Borrowers to the Agent, the Floor Plan Agent and the Lenders will not adversely affect or impair any of its obligations to the Agent, the Floor Plan Agent and/or the Lenders under the GM Borrower Guaranty executed by each of the undersigned, in favor of the Agent, the Floor Plan Agent and the Lenders with respect to the indebtedness of Borrowers to the Agent, the Floor Plan Agent and the Lenders, (b) all references in the GM Borrower Guaranty to the "Credit Agreement", shall henceforth be deemed to refer to the Credit Agreement, as amended by this Amendment, (c) payment of all of the "Guaranteed Obligations" (as defined in the GM Borrower Guaranty) is guaranteed to the Agent, the Floor Plan Agent and the Lenders by such undersigned pursuant to the terms of the GM Borrower Guaranty, and (d) the GM Borrower Guaranty is in full force and effect on the date hereof and the same is hereby ratified and confirmed.

14. In the event of any inconsistency or conflict between this Amendment and the Credit Agreement with respect to the matters set forth herein, the terms, provisions and conditions contained in this Amendment shall govern and control.

15. This Amendment shall be governed by and construed in accordance with the substantive laws of the State of Texas.

16. THIS WRITTEN AGREEMENT (INCLUDING THE EXHIBITS AND SCHEDULES HERETO), THE CREDIT AGREEMENT, THE NOTES, THE AGENT'S LETTER, THE FLOOR PLAN AGENT'S LETTER AND THE OTHER LOAN DOCUMENTS CONSTITUTE A "LOAN AGREEMENT" AS DEFINED IN SECTION 26.02(a) OF THE TEXAS BUSINESS AND COMMERCE CODE, AND REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Amendment. Nothing in this

Amendment, expressed or implied, is intended to confer upon any party other than the parties hereto any rights, remedies, obligations or liabilities under or by reason of this Amendment.

17. This Amendment may be signed in any number of counterparts (including telecopy counterparts), each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same document.

18. Notwithstanding any provision contained in this Amendment to the contrary, this Amendment shall not be effective unless and until the Agent shall have received:

- (a) this Amendment, duly executed by each Borrower, Agent and each Lender;
- (b) payment by Borrowers of all costs, expenses and fees of Agent and Floor Plan Agent which are presently due and payable under this Amendment, the Credit Agreement and the other Loan Documents; and
- (c) such other agreements, documents, instruments and certificates as Agent, Floor Plan Agent or any Lender may reasonably request.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK –  
SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Company, the other Borrowers, the Lenders, the Agent and the Floor Plan Agent have executed this Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement as of the day and year first written above..

**BORROWERS: GROUP 1 AUTOMOTIVE, INC.,**  
a Delaware corporation

By: /s/ John C. Rickel  
**John C. Rickel**  
**Senior Vice President**

- Advantagecars.com, Inc.,** a Delaware corporation
- Amarillo Motors-F, Inc.,** a Delaware corporation
- Bob Howard Automotive-East, Inc.,** an Oklahoma corporation
- Bob Howard Chevrolet, Inc.,** an Oklahoma corporation
- Bob Howard Dodge, Inc.,** an Oklahoma corporation
- Bob Howard Motors, Inc.,** an Oklahoma corporation
- Bob Howard Nissan, Inc.,** an Oklahoma corporation
- Chaperral Dodge, Inc.,** a Delaware corporation
- Danvers-S, Inc.,** a Delaware corporation
- Danvers-SB, Inc.,** a Delaware corporation
- Danvers-T, Inc.,** a Delaware corporation
- Danvers-TII, Inc.,** a Delaware corporation
- Danvers-TL, Inc.,** a Delaware corporation
- GPI AL-N, Inc.,** a Delaware corporation
- GPI CA-DMII, Inc.,** a Delaware corporation
- GPI CA-F, Inc.,** a Nevada corporation
- GPI CA-SV, Inc.,** a Delaware corporation
- GPI CA-TII, Inc.,** a Delaware corporation
- GPI CC, Inc.,** a Delaware corporation
- GPI GA Holdings, Inc.,** a Delaware corporation
- GPI KS Motors, Inc.,** a Delaware corporation
- GPI KS-SB, Inc.,** a Delaware corporation
- GPI KS-SH, Inc.,** a Delaware corporation
- GPI KS-SK, Inc.,** a Delaware corporation
- GPI MS-H, Inc.,** a Delaware corporation
- GPI MS-N, Inc.,** a Delaware corporation
- GPI MS-SK, Inc.,** a Delaware corporation
- GPI NH-T, Inc.,** a Delaware corporation
- GPI NH-TL, Inc.,** a Delaware corporation
- GPI NM-J, Inc.,** a New Mexico corporation

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**GPI NM-LRII, Inc.**, a New Mexico corporation  
**GPI NM-SB, Inc.**, a New Mexico corporation  
**GPI NM-SBII, Inc.**, a New Mexico corporation  
**GPI NM-TL, Inc.**, a New Mexico corporation  
**GPI NY Holdings, Inc.**, a Nevada corporation  
**GPI OK-HII, Inc.**, a Nevada corporation  
**GPI OK-SH, Inc.**, a Delaware corporation  
**GPI SAC-T, Inc.**, a Delaware corporation  
**GPI SC, Inc.**, a Delaware corporation  
**GPI SC Holdings, Inc.**, a Delaware corporation  
**GPI SD-DC, Inc.**, a Delaware corporation  
**GPI TX-A, Inc.**, a Nevada corporation  
**GPI TX-AII, Inc.**, a Texas corporation  
**GPI TX-AIII, Inc.**, a Texas corporation  
**GPI TX-ARGMIII, Inc.**, a Nevada corporation  
**GPI TX-DMII, Inc.**, a Nevada corporation  
**GPI TX-DMIII, Inc.**, a Nevada corporation  
**GPI TX-DMIV, Inc.**, a Nevada corporation  
**GPI TX-EPGM, Inc.**, a Delaware corporation  
**GPI TX-F, Inc.**, a Delaware corporation  
**GPI TX-FM, Inc.**, a Nevada corporation  
**GPI TX-HAII, Inc.**, a Nevada corporation  
**GPI TX-HGM, Inc.**, a Delaware corporation  
**GPI TX-HGMII, Inc.**, a Nevada corporation  
**GPI TX-HGMIV, Inc.**, a Nevada corporation  
**GPI TX-HIII, Inc.**, a Texas corporation  
**GPI TX-NVI, Inc.**, a Nevada corporation  
**GPI TX-P, Inc.**, a Texas corporation  
**GPI TX-SBII, Inc.**, a Delaware corporation  
**GPI TX-SBIII, Inc.**, a Nevada corporation  
**GPI TX-SHII, Inc.**, a Delaware corporation  
**GPI TX-SK, Inc.**, a Delaware corporation  
**GPI TX-SKII, Inc.**, a Nevada corporation  
**GPI TX-SU, Inc.**, a Texas corporation  
**GPI TX-SV, Inc.**, a Delaware corporation  
**GPI TX-SVII, Inc.**, a Delaware corporation  
**GPI TX-SVIII, Inc.**, a Delaware corporation  
**Group 1 Associates, Inc.**, a Delaware corporation  
**Group 1 FL Holdings, Inc.**, a Delaware corporation  
**Group 1 Funding, Inc.**, a Delaware corporation  
**Group 1 LP Interests-DC, Inc.**, a Delaware corporation  
**Group 1 Realty, Inc.**, a Delaware corporation  
**Howard-GM II, Inc.**, a Delaware corporation  
**Howard-GM, Inc.**, a Delaware corporation  
**Howard-H, Inc.**, a Delaware corporation

*[Continued on following page]*

**Howard-HA, Inc.**, a Delaware corporation  
**Howard-SB, Inc.**, a Delaware corporation  
**HRI Procurement, Inc.**, a Texas corporation  
**Kutz-N, Inc.**, a Delaware corporation  
**Lubbock Motors, Inc.**, a Delaware corporation  
**Lubbock Motors-F, Inc.**, a Delaware corporation  
**Lubbock Motors-GM, Inc.**, a Delaware corporation  
**Lubbock Motors-S, Inc.**, a Delaware corporation  
**Lubbock Motors-SH, Inc.**, a Delaware corporation  
**Lubbock Motors-T, Inc.**, a Delaware corporation  
**Maxwell Ford, Inc.**, a Delaware corporation  
**Maxwell-GMII, Inc.**, a Delaware corporation  
**Maxwell-N, Inc.**, a Delaware corporation  
**Maxwell-NII, Inc.**, a Delaware corporation  
**McCall-F, Inc.**, a Delaware corporation  
**McCall-H, Inc.**, a Delaware corporation  
**McCall-HA, Inc.**, a Delaware corporation  
**McCall-N, Inc.**, a Delaware corporation  
**McCall-SB Inc.**, a Delaware corporation  
**McCall-T, Inc.**, a Delaware corporation  
**McCall-TII, Inc.**, a Delaware corporation  
**McCall-TL, Inc.**, a Delaware corporation  
**Mike Smith Automotive-H, Inc.**, a Delaware corporation  
**Mike Smith Automotive-N, Inc.**, a Texas corporation  
**Mike Smith Autoplaza, Inc.**, a Texas corporation  
**Mike Smith Autoplex Dodge, Inc.**, a Texas corporation  
**Mike Smith Autoplex, Inc.**, a Texas corporation  
**Mike Smith Autoplex-German Imports, Inc.**,  
a Texas corporation  
**Mike Smith Imports, Inc.**, a Texas corporation  
**Miller Automotive Group, Inc.**, a California corporation  
**Miller-DM, Inc.**, a Delaware corporation  
**NJ-H, Inc.**, a Delaware corporation  
**NJ-HAII, Inc.**, a Delaware corporation  
**NJ-SV, Inc.**, a Delaware corporation  
**Rockwall Automotive-F, Inc.**, a Delaware corporation

By: /s/ Darryl M. Burman  
**Darryl M. Burman**  
**Vice President of each of the above-named corporations**

*[Continued on following page]*

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**Baron Leasehold, LLC**, a Kansas limited liability company  
**By: Baron Development Company, LLC**,  
 a Kansas limited liability company, its Sole Member  
**Baron Development Company, LLC**, a Kansas limited liability company  
**G1R Clear Lake, LLC**, a Texas limited liability company  
**G1R Florida, LLC**, a Delaware limited liability company  
**G1R Mass, LLC**, a Delaware limited liability company  
**GPI SC-SBII, LLC**, a Delaware limited liability company  
**Ivory Auto Properties of South Carolina, LLC**,  
 a South Carolina limited liability company  
**Tate CG, L.L.C.**, a Maryland limited liability company  
**By: Group 1 Realty, Inc.**,  
 a Delaware corporation, its Sole Member

**Harvey Ford, LLC**, a Delaware limited liability company  
**By: Bohn-FII, LLC**,  
 a Delaware limited liability company, its Sole Member

**Bohn-FII, LLC**, a Delaware limited liability company  
**GPI LA-FII, LLC**, a Delaware limited liability company  
**GPI LA-H, LLC**, a Louisiana limited liability company  
**Harvey GM, LLC**, a Delaware limited liability company  
**Harvey Operations-T, LLC**, a Delaware limited liability company  
**By: Bohn Holdings, LLC**,  
 a Delaware limited liability company, its Sole Member

**GPI AL-SB, LLC**,  
 a Delaware limited liability company  
**By: GPI AL-N, Inc.**,  
 a Delaware corporation, its Sole Member

**GPI GA Liquidation, LLC**,  
 a Delaware limited liability company  
**GPI GA-CC, LLC**, a Georgia limited liability company  
**GPI GA-CGM, LLC**, a Nevada limited liability company  
**GPI GA-DM, LLC**, a Delaware limited liability company  
**GPI GA-FII, LLC**, a Delaware limited liability company  
**GPI GA-FIII, LLC**, a Delaware limited liability company  
**GPI GA-FM, LLC**, a Nevada limited liability company  
**GPI GA-SU, LLC**, a Nevada limited liability company  
**GPI GA-T, LLC**, a Delaware limited liability company  
**GPI GA-TII, LLC**, a Nevada limited liability company  
**By: GPI GA Holdings, Inc.**,  
 a Delaware corporation, its Sole Member

*[Continued on following page]*

**GPI NJ-HA, LLC**, a Nevada limited liability company  
**GPI NJ-HII, LLC**, a Nevada limited liability company  
**By: NJ-H, Inc.**  
a Delaware corporation, its Sole Member

**GPI NJ-SB, LLC**, a Nevada limited liability company  
**By: NJ-DM, Inc.**, a Delaware corporation, its Sole Member

**GPI NM-SC, LLC**,  
a New Mexico limited liability company  
**By: GPI NM-SB, Inc.**,  
a New Mexico corporation, its Sole Member

**GPI NM-SCII, LLC**, a New Mexico limited liability company  
**By: GPI NM-SBII, Inc.**,  
a New Mexico corporation, its Sole Member

**GPI SC-SB, LLC**, a Delaware limited liability company  
**GPI SC-T, LLC**, a Delaware limited liability company  
**By: GPI SC Holdings, Inc.**,  
a Delaware corporation, its Sole Member

**GPI FL-A, LLC**, a Nevada limited liability company  
**GPI FL-H, LLC**, a Delaware limited liability company  
**GPI FL-VW, LLC**, a Delaware limited liability company  
**By: Group 1 FL Holdings, Inc.**,  
a Delaware corporation, its Sole Member

**Ira Automotive Group, LLC**,  
a Delaware limited liability company  
**By: Danvers-T, Inc.**,  
a Delaware corporation, its Sole Member

**GPI, Ltd.**, a Texas limited partnership  
**Rockwall Automotive-DCD, Ltd.**, a Texas limited partnership  
**By: Group 1 Associates, Inc.**,  
a Delaware corporation, its General Partner

**By: /s/ Darryl M. Burman**  
**Darryl M. Burman**  
**Vice President of each of the above-named corporations**

*[Continued on following page]*

**Bohn Holdings, LLC**, a Delaware limited liability company

**Danvers-SU, LLC**, a Delaware limited liability company

**By: Group 1 Holdings-S, L.L.C.**,

a Delaware corporation, its Sole Member

**GPI MD-SB, LLC**, a Delaware limited liability company

**Group 1 Holdings-DC, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-F, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-GM, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-H, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-N, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-S, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-T, L.L.C.**,

a Delaware limited liability company

**Howard-DCIII, LLC**, a Delaware limited liability company

**Key Ford, LLC**, a Delaware limited liability company

**By: Group 1 Automotive, Inc.**,

a Delaware corporation, its Sole Member

**By:** /s/ Darryl M. Burman  
**Darryl M. Burman**  
**Senior Vice President**

**AGENT, ISSUING BANK AND LENDER: U.S. BANK NATIONAL ASSOCIATION**

By: /s/ Katherine A. Taylor  
Name: Katherine A. Taylor  
Title: Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: JPMORGAN CHASE BANK, N.A.**

By: /s/ John Kushnerick  
Name: John Kushnerick  
Title Executive Director

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: BANK OF AMERICA, N.A.**

By: /s/ David Smith  
Name: David Smith  
Title: Senior Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*



**LENDER: WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: /s/ Chad McNeill  
Name: Chad McNeill  
Title: Senior Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: MERCEDES-BENZ FINANCIAL SERVICES USA LLC**

By: /s/ Michele Nowak \_\_\_\_\_  
Name: Michele Nowak  
Title: Credit Director, National Accounts

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: TOYOTA MOTOR CREDIT CORPORATION**

By: /s/ Wade Osborne \_\_\_\_\_  
Name: Wade Osborne  
Title: National Account Manager

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**FLOOR PLAN AGENT, SWING LINE BANK AND LENDER: COMERICA BANK**

By: /s/ W. Cody Brackeen  
Name: W. Cody Brackeen  
Title: Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: BMW FINANCIAL SERVICES NA, LLC**

By: /s/ Alex Calcasola  
Name: Alex Calcasola  
Title: Credit Manager

By: /s/ Thomas Rumfola  
Name: Thomas Rumfola  
Title: General Manager, Credit

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: AMERICAN HONDA FINANCE CORPORATION**

By: /s/ John Johnson  
Name: John Johnson  
Title: Senior Manager, Dealer Financial Services

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER:**            **BBVA USA, an Alabama banking corporation**

By: /s/ Collis Sanders  
Name: Collis Sanders  
Title: Executive Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: TRUIST BANK (FKA BRANCH BANKING & TRUST COMPANY)**

By: /s/ Michael R. Burkitt  
Name: Michael R. Burkitt  
Title: National Accounts Director and  
Senior Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*



**LENDER: TD BANK, N.A.**

By: /s/ Judy Johnson  
Name: Judy Johnson  
Title: Vice President, Major Accounts, Market  
Credit Manager

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: MASSMUTUAL ASSET FINANCE LLC**

By: /s/ Donald Buttler  
Name: Donald Buttler  
Title: Senior Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: NYCB SPECIALTY FINANCE COMPANY, LLC**

By: /s/ Mark C. Mazmanian

Name: Mark C. Mazmanian

Title: First Senior Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: KEYBANK NATIONAL ASSOCIATION**

By: /s/ Andrew Scott  
Name: Andrew Scott  
Title: Senior Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: CAPITAL ONE, N.A.**

By: /s/ Lewis H. Gissel II  
Name: Lewis H. Gissel II  
Title: Senior Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: PNC BANK, NATIONAL ASSOCIATION**

By: /s/ Andrea Kinnik  
Name: Andrea Kinnik  
Title: Senior Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: BARCLAYS BANK PLC**

By: /s/ Patricia Oreta  
Name: Patricia Oreta  
Title: Director  
Executed in New York

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: ZIONS BANCORPORATION, N.A. DBA AMEGY BANK**

By: /s/ Lauren Page

Name: Lauren Page

Title: Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*



**LENDER: ALLY BANK**

By: /s/ Jeff Nethercot  
Name: Jeff Nethercot  
Title: Authorized Representative

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: AMARILLO NATIONAL BANK**

By: /s/ John T. McElyea  
Name: John T. McElyea  
Title: Senior Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER:**            **BOKE, NA d/b/a BANK OF OKLAHOMA**

By: /s/ Bryan T. Parises  
Name: Bryan T. Parises  
Title: Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

Acknowledged and agreed to only with respect to Section 7 of the Amendment by:

**EXITING LENDER: BANK OF THE WEST**

By: /s/ Silvia K. Boulger  
Name: Silvia K. Boulger  
Title: Vice President

*Signature page to Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

## SCHEDULE 1.1(a)

## LENDERS AND COMMITMENTS

Lender	Floor Plan Loan Commitment	Acquisition Loan Commitment	Alternative Currency Sublimit <sup>1</sup>	Total Commitment
U.S. Bank National Association	\$124,555,874	\$10,444,126	11.894273127753%	\$135,000,000
JPMorgan Chase Bank, N.A.	124,555,874	10,444,126	11.894273127753%	135,000,000
Bank of America, N.A.	124,555,874	10,444,126	11.894273127753%	135,000,000
Wells Fargo Bank, National Association	124,555,874	10,444,126	11.894273127753%	135,000,000
Mercedes-Benz Financial Services USA LLC	119,942,693	10,057,307		130,000,000
Toyota Motor Credit Corporation	119,942,693	10,057,307		130,000,000
Comerica Bank	101,489,971	8,510,029	9.691629955947%	110,000,000
BMW Financial Services NA, LLC	96,876,791	8,123,209		105,000,000
American Honda Finance Corporation	96,876,791	8,123,209		105,000,000
BBVA USA, an Alabama banking corporation	78,424,069	6,575,931	7.488986784141%	85,000,000
Truist Bank (fka Branch Banking & Trust Company)	64,584,527	5,415,473	6.167400881057%	70,000,000
TD Bank, N.A.	59,971,347	5,028,653	5.726872246696%	65,000,000
MassMutual Asset Finance LLC	59,971,347	5,028,653		65,000,000
NYCB Specialty Finance Company, LLC	50,744,986	4,255,014		55,000,000
KeyBank National Association	50,744,986	4,255,014	4.845814977974%	55,000,000
Capital One, N.A.	46,131,805	3,868,195	4.405286343612%	50,000,000
PNC Bank, National Association	46,131,805	3,868,195	4.405286343612%	50,000,000
Barclays Bank PLC	32,292,264	2,707,736	3.083700440529%	35,000,000
Zions Bancorporation, N.A. dba Amegy Bank	27,679,083	2,320,917	2.643171806167%	30,000,000
Ally Bank	23,065,902	1,934,098	2.202643171806%	25,000,000
Amarillo National Bank	18,452,722	1,547,278		20,000,000
BOFK, NA d/b/a Bank of Oklahoma	18,452,722	1,547,278	1.762114537445%	20,000,000
<b>TOTAL</b>	<b>\$1,610,000,000</b>	<b>\$135,000,000</b>	<b>100.00%</b>	<b>\$1,745,000,000</b>

<sup>1</sup> Expressed as a percentage of the Alternative Currency Sublimit.

**GROUP 1 AUTOMOTIVE, INC.  
DEFERRED COMPENSATION PLAN**

**Amended and Restated  
Effective as of January 1, 2021**

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**GROUP 1 AUTOMOTIVE, INC.  
DEFERRED COMPENSATION PLAN**

**W I T N E S S E T H:**

**WHEREAS**, Group 1 Automotive, Inc. (the “Company”) previously adopted the Group 1 Automotive, Inc. Deferred Compensation Plan (the “Plan”), to provide certain employees, consultants and non-employee directors with the opportunity to defer the receipt of compensation; and

**WHEREAS**, The Plan was amended and restated in its entirety effective as of January 1, 2008 and such amendment and restatement has been amended from time to time; and

**WHEREAS**, the Company now desires to amend and restate the Plan effective as of January 1, 2021.

**NOW THEREFORE**, the Plan is hereby restated in its entirety as follows with no interruption in time, effective as of January 1, 2021 except as otherwise provided herein:



**ARTICLE I****Purpose**

This Plan is an unfunded, unsecured plan of deferred compensation established and maintained for the primary purpose of providing a certain select group of key management and highly compensated employees who contribute, or who are expected to contribute, substantially to the success of the Company, select consultants and non-employee directors with the opportunity to defer the receipt of compensation. The Plan is intended to comply with Section 409A of the Internal Revenue Code of 1986.

**ARTICLE II****Definitions and Construction**

2.1 **Definitions.** Where the following words and phrases appear in the Plan, they shall have the respective meanings set forth below, unless their context clearly indicates to the contrary.

(a) **Account(s)**: A Member's Employer Account and/or Deferral Account, including the amounts credited thereto.

(b) **Affiliate**: Each trade or business (whether or not incorporated) which together with the Company would be deemed to be a "single employer" within the meaning of subsections (b) or (c) of Section 414 of the Code, in each case determined by an 80% control test.

(c) **As soon as administratively practicable**: For purposes of benefit distributions, a date of distribution that is as soon as administratively practicable as determined by the Committee following a permissible payment event, but in no event later than the later of the 15<sup>th</sup> day of the third calendar month following the date of the permissible payment event or December 31<sup>st</sup> of the calendar year in which the permissible payment event occurs. In no event shall a Member or his Beneficiary be permitted to designate the taxable year of the payment.

(d) **Base Salary**: The base rate of pay paid in cash by the Employer to or for the benefit of a Member for services rendered or labor performed while a Member, including base pay a Member could have received in cash in lieu of (i) Compensation deferrals pursuant to Section 4.1 and (ii) elective contributions made on his behalf by the Employer pursuant to a qualified cash or deferred arrangement (as defined in Section 401(k) of the Code) or pursuant to a plan maintained under Section 125 of the Code. For purposes of a Member that terminates employment but does not incur a Termination of Service because the Member signs a Consulting Agreement (as that term is defined in Section 11.2), Base Salary shall include Consulting Pay (as that term is defined in Section 11.2) for the remainder of the Plan Year.

(e) **Beneficiary**: The person or entity who will receive payment of a Member's benefit in the event of his death pursuant to Section 7.4.

(f) **Board**: The Board of Directors of the Company.

(g) **Bonus**: Each incentive bonus, if any, paid in cash by the Employer to or for the benefit of a Member for services rendered or labor performed, including the portion thereof that a Member could have received in cash in lieu of (i) Compensation deferrals pursuant to Section 4.1 and (ii) elective contributions made on his behalf by the Employer pursuant to a qualified cash or deferred arrangement (as defined in Section 401(k) of the Code) or pursuant to a plan maintained under Section 125 of the Code.

(h) **Change in Control:** With respect to the Company, a “Change in Control” shall be conclusively deemed to have occurred if (and only if) any of the following events shall have occurred: (i) any merger, consolidation, or reorganization in which the Company is not the surviving entity (or survives only as a subsidiary of an entity), (ii) any sale, lease, exchange, or other transfer of all or substantially all of the assets of the Company to any other person or entity other than a wholly-owned subsidiary of the Company (in one transaction or a series of related transactions), (iii) dissolution or liquidation of the Company, (iv) when any person or entity, including a “group” as contemplated by Section 13(d)(3) of the Securities Exchange Act of 1934 acquires or gains ownership or control (including, without limitation, power to vote) of more than 50% of the outstanding shares of the Company’s voting stock (based upon voting power), or (v) during any two-year period, the persons who were directors of the Company (together with any new directors whose election by the Board or whose nomination for election by the Company’s shareholders was approved by a vote of at least three quarters of the directors still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) shall cease for any reason to constitute a majority of the Board; provided, however, that the term “Change in Control” shall not include any reorganization, merger, consolidation, or similar transaction or series of transactions pursuant to which the record holders of the voting stock of the Company immediately prior to such transaction or series of transactions continue to hold immediately following such transaction or series of transactions 50% or more of the voting securities (based upon voting power) of (a) any entity which owns (directly or indirectly) the stock of the Company, (b) any entity with which the Company has merged, or (c) any entity that owns an entity with which the Company has merged.

With respect to an Employer other than the Company, the Employer shall be deemed to have undergone a Change in Control in the event that (a) the Employer ceases to be an Affiliate of the Company, provided that the transaction or series of transactions that resulted in such cessation constitutes a change in the ownership or effective control of the Employer or a majority shareholder of the Employer (or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, with the chain ending at the Employer), or (b) a change in the ownership of a substantial portion of the Employer’s assets, in each case within the meaning of Section 409A(a)(2)(A)(v) of the Code.

(i) **Class Year Subaccount:** The portion of a Member’s Deferral Account and Employer Account attributable to Member Deferrals of Compensation earned during a particular Plan Year from and after the Plan Year beginning January 1, 2011, which is adjusted to reflect changes in value as provided in Section 4.4. Effective for the Plan Year beginning on January 1, 2011, a Class Year Subaccount shall be established with respect to each Plan Year on behalf of each Member who elects to make Member Deferrals for such Plan Year or on whose behalf Employer Deferrals are made for such Plan Year and each Plan Year thereafter for which such Member makes Member Deferrals and/or is allocated Employer Deferrals.

(j) **Code:** The Internal Revenue Code of 1986, as amended. References herein to provisions of the Code shall include any successor statute and the applicable regulations or other authoritative guidance promulgated thereunder.

(k) **Commissions:** The commissions, if any, paid in cash by the Employer to or for the benefit of a Member for services rendered or labor performed, including the portion thereof that a Member could have received in cash in lieu of (i) Compensation deferrals pursuant to Section 4.1 and (ii) elective contributions made on his behalf by the Employer pursuant to a qualified cash or deferred arrangement (as defined in Section 401(k) of the Code) or pursuant to a plan maintained under Section 125 of the Code.

(l) **Committee:** The administrative committee appointed by the Compensation Committee to administer the Plan. If no Committee is appointed the Compensation Committee will be the Committee.

(m) **Company:** Group 1 Automotive, Inc.

(n) **Compensation:** Base Salary, Bonus and/or Commissions.

(o) **Compensation Committee:** The Compensation Committee of the Board.

(p) **Consultant:** An individual who has entered into a Consulting Arrangement with the Employer as described in Section 11.2(a).

(q) **Deferral Account:** An individual account for each Member to which is credited his Member Deferrals pursuant to Section 4.1 and which is adjusted to reflect changes in value as provided in Section 4.4.

(r) **Deferral Component**: The portion of a Member's Class Year Subaccount established with respect to a Plan Year that is attributable to a particular category of Compensation (Base Salary, Bonus or Commissions, as applicable) deferred by the Member for such Plan Year or Employer Deferral made on behalf of such Member for such Plan Year, as applicable, and which is adjusted to reflect changes in value as provided in Section 4.4.

(s) **Director**: The term "Director" shall have the meaning set forth in Section 12.2.

(t) **Effective Date**: January 1, 2021, as to this restatement of the Plan except as otherwise provided herein. The original effective date of the Plan was November 10, 1999. Notwithstanding anything to the contrary herein, this restatement shall not apply to (i) Member Deferrals made on or prior to December 31, 2004, (ii) Employer Deferrals in which a Member had a Vested Interest as of December 31, 2004 (and only to the extent of the respective Vested Interests the Members had on such date), and (iii) earnings under the Plan on amounts in Members' Deferral Accounts and Employer Accounts to the extent attributable to amounts described in the preceding provisions of this sentence, all of which amounts shall be segregated under the Plan in separate subaccounts (the "Grandfathered Subaccounts") and which shall be governed by the provisions of the Plan as in effect on October 3, 2004. For sake of clarity, none of the provisions of this restatement or the restatement of this Plan effective as of January 1, 2008 shall apply to the Grandfathered Subaccounts.

(u) **Eligible Employee**: Each individual who has been selected by the Committee for participation in the Plan.

(v) **Eligibility Period**: The 30-day period following an Eligible Employee's notification by the Committee of eligibility to participate in the Plan.

(w) **Employer**: The Company and any other adopting entity that adopts the Plan pursuant to the provisions of Section 3.3.

(x) **Employer Account**: An individual account for each Member to which is credited the Employer Deferrals made on his behalf pursuant to Section 4.3 and which is adjusted to reflect changes in value as provided in Section 4.4.

(y) **Employer Deferrals**: Deferrals made by the Employer on a Member's behalf pursuant to Section 4.3.

(z) **ERISA**: The Employee Retirement Income Security Act of 1974, as amended.

(aa) **Funds**: The investment funds, if any, designated from time to time by the Committee for the deemed investment of Accounts pursuant to Section 5.2.

(bb) **Member**: Each Eligible Employee who has become a Member pursuant to Article III.

(cc) **Member Deferrals**: Deferrals made by a Member pursuant to Section 4.1.

(dd) **Plan**: The Group 1 Automotive, Inc. Deferred Compensation Plan, as amended from time to time.

(ee) **Plan Year**: The twelve consecutive month period commencing January 1 of each year.

(ff) **Pre-2011 Accounts**: The portion of a Member's Accounts attributable to Member Deferrals and Employer Deferrals with respect to Plan Years beginning prior to January 1, 2011, and which is adjusted to reflect changes in value as provided in Section 4.4; provided, however that the "Pre-2011 Accounts" shall not include any amounts that are segregated in Grandfathered Subaccounts maintained under the Plan pursuant to Section 2.1(t).

(gg) **Retirement Date**: For those individuals that became eligible to participate in the Plan prior to January 1, 2021, the date upon which a Member attains age 55. For those who become eligible to participate in the Plan on or after January 1, 2021, the date the Member attains age 63.

(hh) **Scheduled In-Service Withdrawal**: A distribution elected by the Member pursuant to Section 4.2 for an in-service withdrawal of one or more Deferral Components within a Class Year Subaccount (for Member Deferrals and Employer Deferrals made with respect to any Plan Year beginning on or after January 1, 2011) or Scheduled Withdrawal Subaccount (for Member Deferrals made with respect to Plan Years beginning prior to January 1, 2011).

(ii) **Scheduled Withdrawal Date:** The distribution date elected by the Member for a Scheduled In-Service Withdrawal.

(jj) **Scheduled Withdrawal Subaccounts:** Separate subaccounts within a Member's Deferral Account created prior to the Plan Year beginning January 1, 2011 to which are credited Member Deferrals as elected by the Member and which are adjusted to reflect changes in value as provided in Section 4.4. A Scheduled Withdrawal Date shall be designated for each Scheduled Withdrawal Subaccount, as elected by the Member pursuant to the Plan (as in effect immediately prior to November 1, 2010) and is subject to change in accordance with Section 7.3(b). From and after January 1, 2011, no new Scheduled Withdrawal Subaccounts shall be established under the Plan and in-service withdrawals of Member Deferrals and Employer Deferrals with respect to the Plan Year beginning January 1, 2011 and thereafter shall be accounted for through and subject to the Plan's election procedures regarding Class Year Subaccounts pursuant to Sections 4.2 and 6.3.

(kk) **Specified Employee:** An individual who on the date of his Termination of Service meets the definition of "key employee" in Section 416(i) of the Code (applied in accordance with the Treasury Regulations promulgated thereunder and without regard to subparagraph (5) thereof) and, as of the date of his Termination of Service, the Company or any Affiliate is publicly traded on an established securities market or otherwise. The identification of Specified Employees for purpose of distributions upon Termination of Service pursuant to Article VII shall be made in accordance with the general requirements of Section 409A(a)(2)(B)(i) of the Code pursuant to any method elected by the Compensation Committee or, if no such election is made, under the default rules under such Code Section.

(ll) **Termination of Service:** The termination of a Member's employment with the Employer and all Affiliates for any reason whatsoever. Notwithstanding anything to the contrary herein, a Member shall not be considered to have incurred a Termination of Service for purposes of the Plan if his termination does not constitute a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code. Whether a Termination of Service has occurred with respect to a Consultant or Director shall be determined in accordance with Section 11.3(b) or 12.4(h), as applicable.

(mm) **Unforeseeable Financial Emergency:** An unexpected need of a Member for cash that (i) arises from a severe financial hardship of the Member resulting from an illness or accident of the Member or the Member's spouse, Beneficiary, or dependent (within the meaning of Section 152(a) of the Code, without regard to Sections 152(b)(1), (b)(2), and (d)(1)(B)), loss of the Member's property due to casualty, or other similar extraordinary and unforeseeable circumstances, as determined under Section 409A of the Code, arising as a result of events beyond the control of such Member and (ii) would result in severe financial hardship to such Member if his Compensation deferral election were not canceled pursuant to Section 4.1(g) and/or if a benefit payment pursuant to Section 6.2 or 7.5(b) were not permitted. Cash needs arising from foreseeable events, such as the purchase of a house or payment of college tuition, shall not be considered to be the result of an Unforeseeable Financial Emergency. Further, cash needs that may be relieved (a) through reimbursement or compensation from insurance or otherwise, (b) by liquidation of the Member's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (c) by cessation of deferrals under the Plan shall not be considered to be Unforeseeable Financial Emergencies.

(nn) **Valuation Date:** Each day that the New York Stock Exchange is open for business.

(oo) **Vested Interest:** The portion of a Member's Accounts which, pursuant to the Plan, is nonforfeitable.

2.2 **Number and Gender.** Wherever appropriate herein, words used in the singular shall be considered to include the plural and words used in the plural shall be considered to include the singular. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender.

2.3 **Headings.** The headings of Articles and Sections herein are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

## ARTICLE III

### Participation

#### 3.1 Participation.

(a) The Committee, in its sole discretion, shall select and notify those management or highly compensated employees of the Employer who shall become Eligible Employees.

(b) An Eligible Employee may become a Member, effective as of the first day of the next Plan Year following such Eligible Employee's notification of eligibility, by executing and filing with the Committee the Compensation deferral election prescribed by the Committee in accordance with Section 4.1.

(c) The Committee may, in its sole discretion, allow an Eligible Employee to participate in the Plan for the remainder of the Plan Year in which the Eligible Employee is notified of his eligibility. Such Eligible Employee will commence participation in the Plan as of the first day of the calendar quarter following the quarter in which the Eligible Employee is first notified of his Plan eligibility, provided that the Eligible Employee has executed and filed with the Committee the Compensation deferral election prescribed by the Committee in accordance with Section 4.1 within the Eligibility Period. If the Eligible Employee files his election during his Eligibility Period but after the first day of the calendar quarter following the calendar in quarter in which the Eligible Employee is first notified of his eligibility, the Eligible Employee will commence participation as soon as administratively feasible after such election is filed. If an Eligible Employee does not complete a Compensation deferral election within the Eligibility Period, the Eligible Employee will not be eligible to participate until the beginning of the next Plan Year.

(d) Notwithstanding the foregoing, an Eligible Employee will also become a Member without executing and filing a Member Deferral election form upon the crediting by the Company of an Employer Deferral amount to such Member's Account pursuant to Section 4.3.

(e) Consultants and Non-Employee Directors will participate in the Plan as described in Articles XI and XII.

(f) Subject to the provisions of Section 3.2, a Member shall remain eligible to defer Compensation hereunder and receive an allocation of Employer Deferrals, if any, for each Plan Year following his commencement of participation in the Plan until his Termination of Service.

### 3.2 Cessation of Active Participation.

(a) Notwithstanding any provision herein to the contrary, an individual who has become a Member of the Plan shall cease to be entitled to defer Compensation hereunder and/or receive an allocation of Employer Deferrals effective as of the last day of any Plan Year date designated by the Committee. Any such Committee action shall be communicated to the affected individual prior to the effective date of such action. Such an individual may again become entitled to defer Compensation hereunder and receive an allocation of Employer Deferrals beginning as of the first day of any subsequent Plan Year selected by the Committee in its sole discretion.

(b) Non-Employee Directors will not be eligible to defer compensation or receive an allocation of any Employer Deferrals for any period beginning on or after January 1, 2021. However, any Non-Employee Director with an Account balance will continue to participate in the Plan as a Member with respect to that Account, until it is distributed to the Member in accordance with the terms of the Plan.

(c) Effective for Plan Years beginning January 1, 2021, a Member that has met the cap on Member Deferrals as described in Section 4.1(j), will not be entitled to make additional Member Deferrals under the Plan. However, such Member will continue to participate in the Plan as a Member with respect to any existing Account, until such time as the Member receives a distribution of his benefit under the Plan.

3.3 **Adopting Entities.** It is contemplated that other entities may adopt this Plan and thereby become an Employer. Any such entity, whether or not presently existing, may become a party hereto by appropriate action of its officers without the need for approval of its board of directors or of the Committee or the Compensation Committee; provided, however, that such entity must be an Affiliate. Except as otherwise provided herein, the provisions of the Plan shall apply separately and equally to each Employer and its employees in the same manner as is expressly provided for the Company and its employees, except that the power to appoint or otherwise affect the Committee and the power to amend or terminate the Plan shall be exercised by the Compensation Committee alone. Transfer of employment among Employers and Affiliates shall not be considered a termination of employment hereunder and service with one Employer shall be considered service with all others. Any Employer may, by appropriate action of its officers without the need for approval of its board of directors (or noncorporate counterpart) or the Committee or the Compensation Committee, terminate its participation in the Plan. Moreover, the Compensation Committee may, in its discretion, terminate an Employer's Plan participation at any time, but distributions pursuant to any such termination of an Employer's participation in the Plan shall be subject to the provisions of Section 10.6. Notwithstanding the foregoing, the termination of an Employer's Plan participation may be effective only as of the end of a Plan Year if the Employer remains an Affiliate of the Company following such termination, or if the Employer does not remain as an Affiliate of the Company at such time, the termination shall be effective only at a time that complies with Section 409A of the Code.

#### ARTICLE IV

##### Account Credits and Allocations of Income or Loss

#### 4.1 **Member Deferrals.**

(a) A Member meeting the eligibility requirements of Section 3.1 may:

(1) Elect to defer a portion of such Member's Base Salary for each Plan Year in an amount up to 50% of such Member's Base Salary, in any manner permitted under the administrative procedures established by the Committee in its sole discretion;

(2) Elect to defer a portion of such Member's Bonus for each Plan Year in an amount up to 100% of such Member's Bonus, in any manner permitted under the administrative procedures established by the Committee in its sole discretion; and/or

(3) Elect to defer a portion of such Member's Commissions for each Plan Year in an amount up to 100% of such Member's Commissions, in any manner permitted under the administrative procedures established by the Committee in its sole discretion.

(b) A Member's Deferral election will be effective as set forth below:

(1) Except as provided in (2) below, any election to defer Compensation must be executed and filed with the Committee prior to January 1 of the Plan Year in which the Compensation is earned.

(2) A Member Deferral election made by an Eligible Employee who first becomes an Eligible Employee during a Plan Year shall become effective with respect to deferrals of the Member's Base Salary and/or Commissions as of the first day of the calendar quarter next following the date such Eligible Employee is first notified of his Plan eligibility, provided that such election is executed and filed with the Committee within the Eligibility Period. Notwithstanding the foregoing, if the Eligible Employee executes and files his election with the Committee during his Eligibility Period but after the first day of the calendar quarter following the calendar quarter in which he was notified of his eligibility, the elections will be effective as soon as administratively feasible after such election is filed. Such election shall be effective only with respect to Base Salary and Commissions earned on or after the first day of such first calendar quarter and after the filing of such election. A Member may not make an election to defer any portion of a Bonus after the beginning of the Plan Year.

(c) The reduction in a Member's Compensation pursuant to his Member Deferral election shall be effected by Compensation reductions each payroll period as determined by the Committee following the effective date of such election. Such Compensation reductions shall apply with respect to all Compensation earned within the Plan Year to which the Member Deferral election relates (subject to Section 4.1(b) concerning newly Eligible Employees and any maximum Member Deferral election established by the Committee pursuant to Section 4.1(i) and 4.1(j) regardless of when the Compensation is actually paid. For the sake of clarity, Compensation reductions attributable to elections to defer a Member's Bonus shall be made within the next following Plan Year if the Bonus to which the Member Deferral election relates is paid in such next following Plan Year.

(d) Member Deferrals made by a Member shall be credited to such Member's Deferral Account as of a date determined in accordance with procedures established from time to time by the Committee; provided, however, that such Member Deferrals shall be credited to the Member's Deferral Account no later than 30 days after the date upon which the Compensation deferred would have been received by such Member in cash if the Member had not elected to defer such amount pursuant to this Section 4.1.

(e) Any Plan provisions to the contrary notwithstanding, a Member Deferral election shall be suspended during any period of unpaid leave of absence from the Employer and shall terminate immediately on the date such Member incurs a Termination of Service except with respect to Compensation earned prior to such date.

(f) A Member Deferral election shall not remain in force and effect for subsequent Plan Years after the Plan Year to which such election applies. If a Member has made a Member Deferral election for any Plan Year, such election shall no longer be effective as of the first day of the subsequent Plan Year, except with respect to Compensation earned but not paid during the prior Plan Year. A Member who has made a Member Deferral election may make a new Member Deferral election for a subsequent Plan Year, if the Member satisfies the eligibility requirements set forth in Section 3.1, by effecting a new Member Deferral election prior to the first day of such Plan Year and within the time period prescribed by the Committee.

(g) In the event that (i) the Committee, upon written petition of a Member, determines in its sole discretion that such Member has suffered an Unforeseeable Financial Emergency, or (ii) a Member receives a distribution of an emergency benefit pursuant to Section 6.2, then such Member's Member Deferral election then in effect, if any, shall terminate effective as soon as administratively feasible after such determination or distribution. A Member whose Compensation deferral election has been so terminated may again elect to defer a portion of his Compensation effective as of the first day of any subsequent Plan Year during which the Member is an Eligible Employee by executing and delivering to the Employer, in accordance with the procedures established by the Committee, a new Compensation deferral election prior to the start of such Plan Year.

(h) Sections 4.1(a) and 4.1(b) notwithstanding, with respect to any Plan Year and prior to the start of such Plan Year, the Committee may reduce a Member's Member Deferral election to the extent that it determines a reduction is necessary to satisfy the Employer's obligations to withhold or deduct amounts from the Member's Compensation under any applicable local, state or federal law or to implement the Member's elections to make elective contributions under a qualified cash or deferred arrangement (as defined in Section 401(k) of the Code) or under a plan maintained under Section 125 of the Code.

(i) Notwithstanding anything herein to the contrary, a Member may not elect to defer more than \$300,000 for any Plan Year beginning on or after January 1, 2021, provided however that prior to the start of such Plan Year, the Committee may, in its sole discretion, establish a different maximum aggregate Member Deferrals for a Member for any Plan Year. The maximum aggregate Member Deferrals established by the Committee pursuant to this Section 4.1(i) may vary among individual Members and may vary with respect to a single Member from Plan Year to Plan Year.

(j) Effective for Plan years beginning on or after January 1, 2021, a Member will be limited to contributing Member Deferrals of no more than \$3.5 million under the Plan. This cap will take into account all Member Deferrals made over the life of the Plan and all periods of a Member's participation in the Plan. A Member's deferral election for any Plan Year will be limited such that this cap will not be exceeded. A Member who met or exceeded this cap prior to January 1, 2021, will not be eligible to make an election under this Section 4.1 to defer future Compensation received on or after January 1, 2021.

#### 4.2 Scheduled Withdrawal Dates

(a) For each Plan Year beginning on or after January 1, 2011, a Member's Deferrals of Base Salary, Bonus and/or Commissions for such Plan Year and any Employer Deferrals made on the Member's behalf for such Plan Year shall each be credited to the applicable Deferral Component of the Member's Class Year Subaccount for such Plan Year, and the Member's election for such Plan Year shall specify separately with respect to each such Deferral Component whether the amounts credited thereto shall be deferred until (A) the Member's Termination of Service or (B) until the Scheduled Withdrawal Date designated for such Deferral Component (i.e., as a Scheduled In-Service Withdrawal subject to the provisions of Section 6.3). If a Member elects a Scheduled In-Service Withdrawal of any Deferral Component, the Member shall specify the Scheduled Withdrawal Date as to such Deferral Component upon which the Scheduled In-Service Withdrawal of amounts credited to such Deferral Component shall commence if the Member is still employed by the Employer on that date; provided, however, that the Scheduled Withdrawal Date must be at least two calendar years after the end of the Plan Year for which Member Deferrals, as applicable, and/or any Employer Deferrals are first credited to such Deferral Component. Except if changed in accordance with the requirements of Section 6.3, elections made with respect to Scheduled Withdrawal Subaccounts shall be subject to the applicable provisions of the Plan (as in effect immediately prior to November 1, 2010). Any Member who fails to elect the time of distribution of any Scheduled Withdrawal Subaccount or Deferral Component of any Class Year Subaccount for any Plan Year that is deferred under the Plan in accordance with this Section 4.2) shall be deemed to have elected to have deferred such Scheduled Withdrawal Subaccount or Deferral Component for such Plan Year, as applicable, until his Termination of Service.

(b) Notwithstanding 4.2(a) above, a Member will not be entitled to elect a Scheduled Withdrawal Date for Member or Employer Deferrals attributable to any Plan Year beginning on or after January 1, 2021.

4.3 **Employer Deferrals.** As of any date selected by the Employer, the Employer may credit a Member's Employer Account with Employer Deferrals in such amount, if any, as the Employer shall determine in its sole discretion. Such credits may be made on behalf of some Members but not others, and such credits may vary among individual Members in amount and/or with respect to the Account to which they are credited. Any amount credited by the Employer to a Member's Employer Account pursuant to this Section 4.3 shall be credited to a separate subaccount within his Employer Account.

4.4 **Valuation of Accounts.** All amounts credited to an Account shall be deemed invested in accordance with Article V on the date such amount is credited to the Account, and, except as otherwise provided in Article V, the balance of each Account (including each Scheduled Withdrawal Subaccount, Class Year Subaccount, Deferral Component, Pre-2011 Account and Grandfathered Subaccount established thereunder) shall reflect the result of the daily pricing of the assets in which such Account, subaccount or Deferral Component thereunder is deemed invested from the time of such crediting until the time of distribution.

4.5 **Vesting of Accounts.** A Member shall have a 100% Vested Interest in his Deferral Account at all times. A Member shall have a 100% Vested Interest in Employer Account; provided, however, that a Member shall not have a Vested Interest in any portion of such subaccount that has been forfeited prior to January 1, 2008, pursuant to the terms of the Plan then in effect.

### ARTICLE V

#### **Deemed Investment of Accounts**

5.1 **Guaranteed Rate Fund.** The Committee will establish a "guaranteed rate fund" that will be made available to Members as a deemed investment. This guaranteed rate fund will provide for a guaranteed rate of return set by the Committee that may be fixed for the entire Plan Year (or portion thereof) or it may vary from time to time based on one or more benchmark rates selected by the Committee.

#### 5.2 **Additional Funds and Member Direction.**

(a) The Committee may, but is not required to, make additional Funds available to Members. If that occurs, each Member shall designate, in accordance with the procedures established from time to time by the Committee, the manner in which the amounts allocated to his Accounts shall be deemed to be invested from among the Funds made available from time to time for such purpose by the Committee. Such Member may designate one of such Funds for the deemed investment of all the amounts allocated to his Accounts or the Member may split the deemed investment of the amounts allocated to his Accounts between such Funds in such increments as the Committee may prescribe.

(b) If a Member fails to make a proper designation, then his Accounts shall be deemed to be invested in the guaranteed rate fund designated by the Committee.



(c) If Funds, other than the guaranteed rate fund are made available, a Member may change his deemed investment designation for future deferrals to be allocated to his Accounts. Any such change shall be made in accordance with the procedures established by the Committee and the frequency of such changes may be limited by the Committee. A Member may elect to convert his deemed investment designation with respect to the amounts already allocated to his Accounts. Any such conversion shall be made in accordance with the procedures established by the Committee and the frequency of such conversions may be limited by the Committee.

## ARTICLE VI

### In-Service Withdrawals

6.1 **Restrictions on In-Service Withdrawals and Loans.** Except as provided in Sections 4.2 and 6.3 with respect to Scheduled In-Service Withdrawals and Section 6.2 with respect to withdrawals based on Unforeseeable Financial Emergency, Members shall not be permitted to make withdrawals from the Plan prior to incurring a Termination of Service. Members shall not, at any time, be permitted to borrow from the Plan. Following a Member's Termination of Service, this Article VI shall not be applicable to the Member and the amounts credited to such Member's Accounts shall be payable to such Member only in accordance with the provisions of Article VII.

6.2 **Emergency Benefit.** In the event that the Committee, upon written petition of a Member, determines in its sole discretion that such Member has suffered an Unforeseeable Financial Emergency, such Member shall be entitled to a benefit in an amount not to exceed the lesser of (a) the amount determined by the Committee as necessary to meet such Member's needs created by the Unforeseeable Financial Emergency or (b) the then value of such Member's Deferral Account. Benefits distributed pursuant to this Section may include amounts necessary to pay any federal, state or local income taxes or penalty reasonably anticipated to result from the distribution. Such benefit shall be paid in a single lump sum payment as soon as administratively practicable after the Committee has made its determinations with respect to the availability and amount of such benefit. If a Member's Deferral Account is deemed to be invested in more than one Fund, such benefit shall be distributed pro rata from each Fund in which such Account is deemed to be invested.

### 6.3 **Scheduled In-Service Withdrawals.**

(a) With respect to each Deferral Component within a Class Year Subaccount of a Member as to which the Member has elected a Scheduled In-Service Withdrawal in accordance with Section 4.2 (or, with respect to each Scheduled Withdrawal Subaccount, as applicable), the Member shall receive a Scheduled In-Service Withdrawal of such Deferral Component (or Scheduled Withdrawal Subaccount, as applicable) commencing on the Scheduled Withdrawal Date elected by the Member for such Deferral Component (or Scheduled Withdrawal Subaccount, as applicable) if the Member is still employed with the Employer on that date. The Member shall receive the Scheduled In-Service Withdrawal of each Deferral Component (or Scheduled Withdrawal Subaccount, as applicable) to which such an election applies in one of the following forms elected by the Member in writing on the form prescribed by the Committee at the time specified in Section 6.3(b):

(1) A single lump sum payment; and

(2) Annual installments for a period of an integral number of years from two through five inclusive, as designated by the Member; provided, however, that with respect to any installments payable to a Member from any Deferral Component or Scheduled Withdrawal Subaccount, as applicable, (a) in the event of the Member's Termination of Service prior to the end of such elected installment period, the remaining balance in such Deferral Component or Scheduled Withdrawal Subaccount, as applicable, shall be paid in accordance with Article VII, and (b) the amount of each annual installment with respect to each Deferral Component or Scheduled Withdrawal Subaccount, as applicable, shall be computed by dividing the remaining balance attributable to such Deferral Component or Scheduled Withdrawal Subaccount, as applicable, as of the Valuation Date next preceding the date of payment of such annual installment by the number of annual installments remaining under the Member's election with respect to such Deferral Component or Scheduled Withdrawal Subaccount, as applicable.

In the event the Member fails to timely elect in accordance with Section 6.3(b) the form in which a Scheduled In-Service Withdrawal is to be paid as to any Deferral Component or Scheduled Withdrawal Subaccount, such withdrawal shall be in the form of a single lump sum payment. Notwithstanding the foregoing, a Member will not be permitted to elect a Scheduled In-Service Withdrawal with respect to any amounts deferred for Plan Years beginning on or after January 1, 2021.

(b) A Member's elections pursuant to Section 6.3(a) with respect to a Scheduled In-Service Withdrawal must be made at the time of his annual deferral election pursuant to Section 4.2. Notwithstanding the foregoing, a Member may subsequently elect to delay the distribution of amounts credited to one or more of his Deferral Components or Scheduled Withdrawal Subaccounts for a period of at least five additional calendar years; provided, that such election (a) is made at least 12 months prior to the date that such distribution would otherwise be made, and (b) is not given effect until 12 months following the date it is made. Such elections may be made separately as to each Deferral Component and Scheduled Withdrawal Subaccount and each series of installment payments elected thereunder shall each be treated as a single payment for purposes of Section 409A of the Code. In the event that a Member elects a Scheduled In-Service Withdrawal and incurs a Termination of Service prior to the Scheduled Withdrawal Date, the Member's Scheduled In-Service Withdrawal election and Member Deferral election under Section 4.2 will be cancelled and the entire balance of such Member's Accounts will be paid according to the Member's termination distribution election as provided in Section 7.3.

6.4 **Restriction on In-Service Distributions.** Except as otherwise provided in Section 7.5(b) with respect to withdrawals based on Unforeseeable Financial Emergency, this Article VI shall not be applicable to a Member following his Termination of Service, and the amounts credited to such Member's Account(s) shall be payable to such Member (or in the event of the Member's death, his designated Beneficiary) only in accordance with the provisions of Article VII.

## ARTICLE VII

### **Termination Benefits**

7.1 **Amount of Benefit.** Upon a Member's Termination of Service, the Member, or, in the event of the death of the Member while employed by the Employer or an Affiliate, the Member's designated Beneficiary, shall be entitled to a benefit equal in value to the Member's Vested Interest in the balance in his Accounts as of the Valuation Date next preceding the date the payment of such benefits is to commence pursuant to Section 7.2.

#### 7.2 **Time of Payment.**

(a) Subject to the delayed payment requirement for Specified Employees described in Section 7.2(b) below, payment of a Member's benefit under Section 7.1 shall be made or, in the case of installment payments elected pursuant to Section 7.3(b)(2), commence upon the Valuation Date coincident with or next succeeding the date of such Member's Termination of Service.

(b) Notwithstanding anything to the contrary herein, in the case of a Member who is a Specified Employee, a distribution upon such Member's Termination of Service (other than a separation in the event of his death) shall be made, or commence to be made, as applicable, on the date that is six months after the Valuation Date coincident with or next succeeding the date of such Member's Termination of Service (or, if earlier, the death of the Member). If such Member elected installment payments pursuant to Section 7.3(b)(2), the second and subsequent installment payments shall occur on the Valuation Date coincident with or next succeeding the anniversary of the date of his Termination of Service and each subsequent anniversary of his Termination of Service for the duration of the applicable installment period.

(c) Notwithstanding the foregoing provisions of this Section 7.2 or any election of installment payments pursuant to Section 7.3(b)(2), in the event of the death of a Member (including but not limited to a Specified Employee) prior to the commencement or complete distribution of his Account(s), the remaining balances in his Account(s) shall be paid to his designated Beneficiaries as soon as administratively practicable following his death.

#### 7.3 **Alternative Forms of Benefit Payments.**

(a) Except as otherwise provided in Section 7.3(b), a Member's benefit under Section 7.1 shall be paid in the form of a single lump sum payment if such Member's Termination of Service occurs prior to his Retirement Date.

(b) Effective for amounts deferred on or after January 1, 2021, a Member shall be entitled to elect to receive a distribution of his benefits attributable to each Deferral Component within each Class Year Subaccount in one of the following forms elected by such Member in writing on the form prescribed by the Committee at the time specified in Section 7.3(c), solely with respect to benefits that become payable as a result of a Member's Termination of Service that occurs on or after his Retirement Date:

- (1) A single lump sum payment; and

(2) Annual installments for a period of an integral number of years from two through 15 inclusive, as designated by a Member; provided, however, that with respect to any installments payable to a Member under the Plan, (a) in the event of such Member's death prior to the end of the elected installment period, the remaining balance in such Deferral Component shall be paid as soon as administratively practicable in one lump sum payment to such Member's designated Beneficiary, and (b) the amount of each annual installment shall be computed by dividing the Member's Vested Interest in the unpaid balance in his Deferral Component, as applicable, as of the Valuation Date next preceding the date of payment of such annual installment by the number of annual installments remaining.

A single election shall be made pursuant to this Section 7.3(b) by each Member with respect to each Deferral Component within each Class Year Subaccount as to the form of distribution of such Deferral Component, as applicable, to be made in connection with a Termination of Service that occurs on or after such Member's Retirement Date. In the event such Member fails to timely elect in accordance with this Section 7.3(b) the form in which his benefit payments are to be made, such benefit payments shall be in the form of a single lump sum payment. Notwithstanding anything herein to the contrary, elections made as to the form of benefit for amounts deferred prior to January 1, 2021, shall be subject to the terms of the plan and the applicable election procedures in effect at the time the election was made.

(c) A Member's elections pursuant to Section 7.3(b) shall be made on the form prescribed by the Committee. Notwithstanding the foregoing, a Member may, on the form prescribed by the Committee, make changes in his elections as to the time and form of payment of his Plan benefits; provided, however, that (i) any such change shall not be effective if such Member incurs a Termination of Service on or before the date that is 12 months after such Member delivers the form implementing such change to the Committee, (ii) except in the case of the death of the Member, the payment (or installment payments) with respect to which the new election is made must be deferred for a period of not less than five years from the date such payment would otherwise have been paid (or five years from the date the first installment was scheduled to be paid in the case of an election of installment payments), and (iii) any new election that relates to payment at a specified time (or pursuant to a fixed schedule) may not be made less than 12 months before the date the payment is scheduled to be paid (or 12 months before the date the first amount was scheduled to be paid in the case of an election of installment payments). Election changes pursuant to this Section 7.2(c) may be made separately as to each election previously made by a Member (i.e., relating to his Pre-2011 Accounts and each Deferral Component under each Class Year Subaccount). The requirements for changes in a Member's elections as to time and form of payment of his Plan benefit shall not apply in the case of a distribution pursuant to Section 6.2 or 7.5(b) (Unforeseeable Financial Emergency) or any other earlier payment of a Plan benefit otherwise permitted and not considered an election change or acceleration under Section 409A of the Code.

(d) The entitlement to installment payments from a Member's Pre-2011 Accounts or each Deferral Component of any Class Year Subaccount shall each be treated as the entitlement to a single payment with respect to such Account or Deferral Component, as applicable, for purposes of Section 409A of the Code and applicable administrative guidance thereunder. Based on this treatment, when applying the election change restrictions of Section 6.3 and Section 7.3(c), a change to the time or form of payment of a Deferral Component of a particular Class Year Subaccount must result in an additional deferral for a minimum of five years from the date that the first installment from such subaccount would have otherwise been paid. For example, a 10 year installment payout of a Member's Base Salary Deferral Component of his 2011 Class Year Subaccount scheduled to commence in 2015 could be changed to a lump sum payment payable in 2020 or a series of installment payments commencing in 2020, assuming the other requirements of Section 6.3 or 7.3(c), as applicable, have been met. In this example, a separate election to change the payment timing, made in accordance with the requirements of Section 7.3(c), would be required to be made if a Member desired to change the time and form of distribution of any other portion of the Member's Accounts which is separately accounted for by the Plan.

#### 7.4 **Beneficiaries.**

(a) Each Member shall have the right to designate the Beneficiary or Beneficiaries to receive payment of his benefit in the event of his death. Each such designation shall be made by executing the Beneficiary designation form prescribed by the Committee and filing the same with the Committee. Any such designation may be changed at any time by execution of a new designation in accordance with this Section.

(b) If no such designation is on file with the Committee at the time of the death of the Member or such designation is not effective for any reason as determined by the Committee, then the designated Beneficiary or Beneficiaries to receive such benefit shall be as follows:

- (1) If a Member leaves a surviving spouse, his benefit shall be paid to such surviving spouse;

(2) If a Member leaves no surviving spouse, his benefit shall be paid to such Member's executor or administrator, or to his heirs at law if there is no administration of such Member's estate.

**7.5 Accelerated Pay-Out of Certain Benefits.**

(a) Notwithstanding any provision in Section 7.3(b) to the contrary, if a Member's benefit payments are to be paid in a form other than entirely in a single lump sum payment and the aggregate amount to be paid with respect to such Member is less than \$50,000, then the Committee shall cause the entire remaining Vested Interest in the balance in such Member's Accounts to be paid in a single lump sum payment as soon as administratively practicable following such Member's Termination of Service, but subject to the delayed payment requirement for Specified Employees described in Section 7.2(b).

(b) If a Member incurs a Termination of Service and such Member's benefit payments are being, or are to be, paid in a form other than entirely in a single lump sum payment, and the Committee, upon written petition of such Member, determines in its sole discretion that such Member has suffered an Unforeseeable Financial Emergency, such Member shall be entitled to an emergency benefit in an amount and under conditions described in Section 6.2.

**7.6 Payment of Benefits.** To the extent a trust has been established pursuant to Section 9.2 and the trust has sufficient assets, the benefits to Members or their Beneficiaries, shall be paid from such trust in accordance with the terms of any trust agreements, except to the extent the Employer pays the benefits directly and provides adequate evidence of such payment to the trustee. To the extent there are insufficient assets in the trust or no trust has been established, the benefits shall be paid by the Employer. Any benefit payments made to a Member or for his benefit pursuant to any provision of the Plan shall be debited to such Member's Accounts. All benefit payments shall be made in cash to the fullest extent practicable.

**7.7 Unclaimed Benefits.** In the case of a benefit payable on behalf of a Member, if the Committee is unable to locate the Member or Beneficiary to whom such benefit is payable, upon the Committee's determination thereof, such benefit shall be forfeited to the Employer. Notwithstanding the foregoing, if subsequent to any such forfeiture the Member or Beneficiary to whom such benefit is payable makes a valid claim for such benefit, such forfeited benefit (without any adjustment for earnings or loss after the time of such forfeiture) shall be restored to the Plan by the Employer and paid in accordance with the Plan.

**7.8 Other Permitted Accelerated Payments.** Notwithstanding anything to the contrary in the Plan, the Committee may direct the accelerated payment of Plan benefits under the following circumstances:

(a) A Member shall be entitled to receive distribution of all or such portion of the Vested Interest in his Account, in a single lump sum payment, to the extent necessary for any Federal officer or employee in the executive branch to comply with an ethics agreement with the Federal government;

(b) A Member shall be entitled to receive distribution of all or such portion of the Vested Interest in his Account, in a single lump sum payment, to the extent reasonably necessary to avoid the violation of an applicable Federal, state, local or foreign ethics law or conflicts of interest law;

(c) A Member shall be entitled to receive a distribution of such portion of the Vested Interest in his Account, in a single lump sum payment, as is necessary to pay (i) the Federal Insurance Contributions Act (FICA) tax imposed under Sections 3101, 3121(a) and 3121(v)(2) of the Code, where applicable, on Compensation deferred under the Plan (the "FICA Amount"), (ii) the income tax at source on wages imposed under Section 3401 of the Code, or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA Amount, and (iii) to pay the additional income tax at source on wages attributable to the pyramiding Section 3401 wages and taxes; provided, however, that the total payment under this Section 7.8(c) shall not exceed the aggregate of the FICA Amount and the income tax withholding related to such FICA Amount;

(d) A Member shall be entitled to receive distribution of such portion of the Vested Interest in his Account, in a single lump sum payment, as is required to be included in the Member's income as a result of the failure of the Plan to comply with Section 409A of the Code; provided, however, that such distribution shall not exceed the amount required to be included in the Member's income as a result of such failure;

(e) A Member shall be entitled to receive distribution of all or such portion of the Vested Interest in his Account, in a single lump sum payment, to reflect payment of state, local or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan before the amount is paid or made available to the Member. Any such payment may not exceed (i) the amount of such taxes as are due as a result of participation in the Plan (the "Other Taxes") and may be made in the form of withholding pursuant to the provisions of the applicable law or by distribution directly to the Member and (ii) the income tax at source on wages imposed under Section 3401 of the Code as a result of the distribution of the Other Taxes and to pay the additional income tax at source on wages imposed under Section 3401 of the Code attributable to the payment of such additional Section 3401 wages and Other Taxes;

(f) A Member shall be entitled to receive distribution of all or such portion of the Vested Interest in his Account, in a single lump sum payment, in connection with the settlement of an arms' length bona fide dispute between the Employer and the Member as to the Member's right to benefits under the Plan to the extent contemplated under Section 409A of the Code without causing such distribution to be treated as an impermissible acceleration;

(g) A Member shall be entitled to receive distribution of all or such portion of the Vested Interest in his Account, in a single lump sum payment, under any other circumstance permitted under Treasury Regulation § 1.409A-3(j)(4) (except in connection with a qualified domestic relations order) or any successor regulation thereto or prescribed by the Commissioner of Internal Revenue in generally applicable guidance published in the Internal Revenue Bulletin; and

(h) The Compensation Committee may direct, in its discretion, that the Vested Interest of each Member in his Account under the Plan be distributed in connection with a termination of the Plan in accordance with Section 10.6.

Any distribution to be made pursuant to Sections 7.8 (a) through (g) shall be made as soon as administratively practicable following the determination that such distribution should be made.

## ARTICLE VIII

### Administration of the Plan

8.1 **Appointment of Committee.** The general administration of the Plan shall be vested in the Committee which shall be appointed by the Compensation Committee and shall consist of one or more persons. Any individual, whether or not an employee of the Employer, is eligible to become a member of the Committee. Notwithstanding anything to the contrary herein, if a Change in Control of the Company shall have occurred and effective upon the occurrence of such Change in Control, (a) the composition of the Committee shall be made up of those members of the Committee that were in place immediately prior to the occurrence of such Change in Control and all references to the "Committee" herein shall be deemed to refer to the Committee as so comprised subject to the right of any such Committee member to resign pursuant to Section 8.2, and (b) for purposes of administration and operation of the Plan and with respect to the rights to amend and terminate the Plan, all references herein to the Compensation Committee shall be deemed to be references to a committee composed of the members of the Committee who were in place immediately prior to the occurrence of such Change in Control, unless such Compensation Committee specifically amends this provision on or after the occurrence of the Change in Control. In the event of a resignation of a member of the Committee or the Compensation Committee following or in connection with the occurrence of a Change in Control, notwithstanding anything to the contrary in Section 8.2, the remaining members of the Committee or Compensation Committee, as applicable, shall have the power to appoint such member's successor for purposes of the administration and operation of the Plan and with respect to rights to amend and terminate the Plan.

8.2 **Term, Vacancies, Resignation, and Removal.** Each member of the Committee shall serve until the member resigns, dies, or is removed by the Compensation Committee. At any time during his term of office, a member of the Committee may resign by giving written notice to the Compensation Committee and the Committee, such resignation to become effective upon the appointment of a substitute member or, if earlier, the lapse of 30 days after such notice is given as herein provided. At any time during his term of office, and for any reason, a member of the Committee may be removed by the Compensation Committee with or without cause, and the Compensation Committee may in its discretion fill any vacancy that may result therefrom. Any member of the Committee who is an employee of the Employer or any Affiliate shall automatically cease to be a member of the Committee as of the date the member ceases to be employed by the Employer and all Affiliates.

8.3 **Self-Interest of Members.** No member of the Committee shall have any right to vote or decide upon any matter relating solely to himself under the Plan or to vote in any case in which his individual right to claim any benefit under the Plan is particularly involved. In any case in which a Committee member is so disqualified to act and the remaining members cannot agree, the Compensation Committee shall appoint a temporary substitute member to exercise all the powers of the disqualified member concerning the matter in which the member is disqualified.

8.4 **Committee Powers and Duties.** The Committee shall supervise the administration and enforcement of the Plan according to the terms and provisions hereof and shall have all powers necessary to accomplish these purposes, including, but not by way of limitation, the right, power, and authority:

- (a) To make rules, regulations, and bylaws for the administration of the Plan that are not inconsistent with the terms and provisions hereof, and to enforce the terms of the Plan and the rules and regulations promulgated thereunder by the Committee;
- (b) To construe in its discretion all terms, provisions, conditions, and limitations of the Plan;
- (c) To correct any defect or to supply any omission or to reconcile any inconsistency that may appear in the Plan in such manner and to such extent as it shall deem in its discretion expedient to effectuate the purposes of the Plan;
- (d) To employ and compensate such accountants, attorneys, investment advisors, and other agents, employees, and independent contractors as the Committee may deem necessary or advisable for the proper and efficient administration of the Plan;
- (e) To determine in its discretion all questions relating to eligibility;
- (f) To determine whether and when a Member has incurred a Termination of Service, and the reason for such termination;
- (g) To establish maximum aggregate Member Deferrals pursuant to Section 4.1;
- (h) To make determinations pursuant to Article XI;
- (i) To make a determination in its discretion as to the right of any person to a benefit under the Plan and to prescribe procedures to be followed by Members and Beneficiaries in obtaining benefits hereunder;
- (j) To receive and review reports from the trust, if any, as to the financial condition of the trust, including its receipts and disbursements; and
- (k) To establish or designate Funds as investment options as provided in Section 5.2.

8.5 **Claims Review.** Claims for Plan benefits and reviews of Plan benefit claims which have been denied or modified will be processed in accordance with the written Plan claims procedures established by the Committee, which procedures are hereby incorporated by reference as a part of the Plan as such procedures are amended from time to time by the Committee (the "Administrative Claims Procedures") Such Administrative Claims Procedures are set forth as Annex I and attached hereto.

8.6 **Employer to Supply Information.** The Employer shall supply full and timely information to the Committee, including, but not limited to, information relating to each Member's Compensation, age, retirement, death, or other cause of Termination of Service and such other pertinent facts as the Committee may require. The Employer shall advise any trustee of a trust established under Section 9.2, if any, of such of the foregoing facts as are deemed necessary for the trustee to carry out the trustee's duties under the Plan and any applicable trust agreement. When making a determination in connection with the Plan, the Committee shall be entitled to rely upon the aforesaid information furnished by the Employer.

8.7 **Indemnity.** To the extent permitted by applicable law, the Company shall indemnify and save harmless each member of the Committee and the Compensation Committee against any and all expenses, liabilities and claims (including legal fees incurred to defend against such liabilities and claims) arising out of their discharge in good faith of responsibilities under or incident to the Plan. Expenses and liabilities arising out of willful misconduct shall not be covered under this indemnity. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any articles of incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise, as such indemnities are permitted under applicable law.

8.8 **Change in Control.** Notwithstanding any provision in the Plan to the contrary, upon the occurrence of a Change in Control, the Committee's powers and duties under the Plan shall cease to the extent, if any, such powers and duties are vested in a trustee under the terms of any trust agreement.

## ARTICLE IX

### Administration of Funds

9.1 **Payment of Expenses.** All expenses incident to the administration of the Plan and any trust, including but not limited to, legal, accounting, trustee fees, and expenses of the Committee, may be paid by the Employer and, if not paid by the Employer, shall be paid from the trust, if any.

9.2 **Establishment of Trust.** The Compensation Committee may establish one or more trusts substantially in conformance with the terms of the model trust described in Revenue Procedure 92-64 to assist in meeting its obligations to Members under this Plan. Except as provided in paragraph (b) above and the terms of the applicable trust agreement, any such trust or trusts shall be established in such manner as to permit the use of assets transferred to the trust and the earnings thereon to be used by the trustee solely to satisfy the liability of the Employer in accordance with the Plan. The Compensation Committee, in its sole discretion, may establish the trust and direct the Employer to enter into a trust agreement. In such event, the Employer shall remain the owner of all assets in any such trust and the assets shall be subject to the claims of the Employer's creditors if the Employer ever becomes insolvent, pursuant to the terms of the trust. The Employer, in its sole discretion, and from time to time, may make contributions to the trust, if any. The powers, duties and responsibilities of the trustee shall be as set forth in the trust agreement and nothing contained in the Plan, either expressly or by implication, shall impose any additional powers, duties or responsibilities upon the trustee. No Member or Beneficiary shall have any preferred claim to, or any beneficial ownership interest in, any assets of the trust fund.

## ARTICLE X

### Miscellaneous

10.1 **No Contract of Employment.** The adoption and maintenance of the Plan shall not be deemed to be a contract of employment or for other services between the Employer and any person or to be consideration for the employment of any person. Nothing herein contained shall be deemed to (a) give any person the right to be retained in the employ or other service of the Employer, (b) restrict the right of the Employer to discharge any person or terminate any service relationship at any time, (c) give the Employer the right to require that any person to remain in the employ or service of the Employer, (d) restrict any person's right to terminate his employment or service relationship with the Employer at any time, or (e) be a commitment on the part of the Employer to continue the rate of compensation of a Member for any period.

10.2 **Alienation of Interest Forbidden.** The interest of a Member or his Beneficiary or Beneficiaries hereunder may not be sold, transferred, assigned, or encumbered in any manner, either voluntarily or involuntarily, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be null and void; neither shall the benefits hereunder be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person to whom such benefits or funds are payable, nor shall they be an asset in bankruptcy or subject to garnishment, attachment or other legal or equitable proceedings.

10.3 **No Interest in Assets.** Nothing contained in the Plan shall be deemed to give any Member any equity or other interest in the assets, business or affairs of the Company. No Member in the Plan shall have a security interest in assets of the Company used to make contributions or pay benefits.

10.4 **Payments to Minors and Incompetents.** If the Compensation Committee receives satisfactory evidence that a person who is entitled to receive any benefit under the Plan, at the time such benefit becomes available, is a minor or is physically unable or mentally incompetent to receive such benefit and to give a valid release therefore, and that another person or an institution is then maintaining or has custody of such person, and that no guardian committee, or other representative of the estate of such person shall have been duly appointed, the Committee may authorize payment of such benefit otherwise payable to such person to such other person or institution; and the release of such other person or institution shall be a valid and complete discharge for the payment of such benefit.

10.5 **Withholding.** All Member Deferrals and Employer Deferrals and payments provided for hereunder shall be subject to applicable withholding and other deductions as shall be required of the Employer under any applicable local, state or federal law.

10.6 **Amendment and Termination.**

(a) The Compensation Committee may from time to time, in its discretion, amend, in whole or in part, any or all of the provisions of the Plan; provided, however, that no amendment may be made that would impair the rights of a Member with respect to amounts already allocated to his Accounts; provided further, however, that, notwithstanding the foregoing (and without constituting an impermissible impairment of Member rights in violation of this sentence), the Compensation Committee may make such amendments to the Plan as are necessary or advisable, as determined by the Compensation Committee in its discretion, to enable the Plan and the Account(s) of the Members established hereunder to comply with the requirements of Section 409A of the Code.

(b) Notwithstanding anything to the contrary, the Compensation Committee may, in its sole discretion (and without constituting an impermissible impairment of Member rights in violation of Paragraph (a)), terminate the Plan and accelerate the time and form of payment of all Vested Interests in Accounts under the Plan, under the following circumstances, provided that in all cases the termination and subsequent liquidation is completed in compliance with any restrictions as set forth in Section 409A of the Code and any regulations and guidance thereunder:

(1) The Compensation Committee may terminate and liquidate the Plan within 12 months of a corporate dissolution taxed under Section 331 of the Code, or with the approval of a bankruptcy court pursuant to 11 U.S.C. § 503(b)(1)(A).

(A) The Compensation Committee may, in its discretion, terminate and liquidate the Plan in connection with a Change in Control of the Company (or, with respect to a Member who is employed by an Employer other than the Company, a Change in Control of such Employer).

(B) The Compensation Committee may, in its discretion, terminate and liquidate the Plan, provided that certain requirements are met, including that the termination and liquidation does not occur proximate to a down turn in the financial health of the Employer and all entities that would be considered a single "service recipient" along with the Company under Section 409A;

(C) The Compensation Committee may, in its discretion, terminate and liquidate the Plan upon such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

In the event that the Plan is terminated, the Vested Interest in the balance in a Member's Accounts shall be paid to such Member or his Beneficiary in the manner specified by the Compensation Committee (but subject to the distribution timing requirements described above), which may include the payment of a single lump sum payment in full satisfaction of all of such Member's or Beneficiary's benefits hereunder.

10.7 **Severability.** If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof; instead, each provision shall be fully severable and the Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

10.8 **Guaranty.** Notwithstanding any provisions of the Plan to the contrary, in the event any Employer fails to make payment of the benefits due under the Plan on behalf of its Members, whether directly or through a trust, the Company shall be liable for and shall make payment of such benefits due as a guarantor of such entity's obligations hereunder. The guaranty obligations provided herein shall be satisfied directly and not through a trust.



10.9 **Provisions Binding.** All of the provisions of this Plan shall be binding upon all persons who will be entitled to any benefit hereunder, including but not limited to all Members and their heirs and personal representatives.

10.10 **Timing of Payments.** Payment of Plan benefits may be subject to administrative or other delays that result in payment to the Member or his Beneficiaries on a date later than the date specified in the Plan or the Member's election form. Any such payment delays will comply with Section 409A of the Code, including, without limitation Treasury Regulation § 1.409A-2(b)(7). No Member or Beneficiary shall be entitled to any additional earnings or interest in respect of any such payment delays, nor shall any Member or Beneficiary be provided any election with respect to the timing of any delayed payment.

10.11 **Governing Laws.** All provisions of the Plan shall be construed in accordance with the laws of Texas except to the extent preempted by federal law.

10.12 **Section 409A Compliance.** The Company intends for this Plan to conform in all respects to the requirements under Section 409A of the Code, the failure of which would result in the imposition or accrual of penalties, interest or additional taxes under Section 409A of the Code (the "Section 409A Requirements"). Accordingly, the Company intends for this Plan to be interpreted, construed, administered and applied in a manner as shall meet and comply with the Section 409A Requirements, and in the event of any inconsistency between this Plan and the Section 409A Requirements, this Plan shall be reformed so as to meet the Section 409A Requirements. Any reference in this Plan to Section 409A of the Code, or any subsection thereof, shall be deemed to mean and include, to the extent then applicable and then in force and effect (but not to the extent overruled, limited or superseded), published rulings, notices and similar announcements issued by the Internal Revenue Service under or interpreting Section 409A of the Code and regulations (proposed, temporary or final) issued by the Secretary of the Treasury under or interpreting Section 409A of the Code.

## ARTICLE XI

### **Participation by Consultants**

11.1 **Article Controls.** In the event of any conflict between the foregoing provisions of the Plan and this Article XI, the provisions of this Article XI shall control.

11.2 **Definitions.** Where the following words and phrases appear in this Article XI, they shall have the respective meanings set forth below, unless their context clearly indicates to the contrary:

(a) **Consulting Arrangement.** A written arrangement pursuant to which Member agrees to perform consulting or advisory services for the Employer in a capacity other than as a current employee, as may be determined by the Compensation Committee from time-to-time.

(b) **Consulting Arrangement Plan Year.** The Plan Year during which a Member enters into a Consulting Arrangement with the Employer and thereby becomes a Consultant.

(c) **Consulting Pay.** The pay of any kind whatsoever paid in cash by the Employer to or for the benefit of a Member for services performed pursuant to a Consulting Arrangement while a Member, including pay a Member could have received in cash in lieu of deferrals made pursuant to Section 11.3(c).

11.3 **Participation.** If a Member enters into a Consulting Arrangement with the Employer that is effective immediately upon the termination of his employment with the Employer and such Consulting Arrangement is reasonably anticipated by the Employer (as determined by the Committee) and the Member to result in the provision of a level of bona fide services to the Employer in excess of 20% of the average level of services performed over the immediately preceding 36-month period (or the full period of service with the Employer, if less) such that the Member does not have a "termination of employment," within the meaning of Treasury Regulation § 1.409A-1(h)(1)(ii), then such Member shall continue his participation in the Plan as a Member through the end of the Consulting Arrangement Plan Year. However, effective as of the first day of the Plan Year following such Member's Consulting Arrangement Plan Year, such Member shall no longer be entitled to make Member Deferrals or receive Employer Deferrals under the Plan unless the Committee, in its sole discretion, makes an affirmative designation allowing such Member's continued active participation in the Plan. For such Member's Consulting Arrangement Plan Year, and for subsequent Plan Years if the Committee makes an affirmative designation allowing such Member's continued active participation in the Plan following the Member's Consulting Arrangement Plan Year, the terms of the Plan shall, to the extent possible, continue to apply

to such Member in accordance with the following provisions, and further, such Member shall be treated as not having incurred a Termination of Service, except as set forth below:

(a) With respect to such Member, all references to the employment relationship in the Plan shall be deemed to be references to any Consulting Arrangements into which such Member has entered;

(b) Notwithstanding the foregoing or anything in the Plan to the contrary, as of the effective date of such Consulting Arrangement, such Member shall be deemed not to have incurred a Termination of Service under the terms of the Plan until such time as any and all Consulting Arrangements between the Member and the Employer expire, and in accordance with Treasury Regulation § 1.409A-1(h)(2)(ii), (i) no amount payable under the Plan in connection with such Termination of Service shall be paid to such Member before a date at least 12 months after the day on which any and all such Consulting Arrangements expire, and (ii) no amount payable under the Plan on that date shall be paid to such Member if, after the expiration of the Consulting Arrangement (or Consulting Arrangements) and before that date, such Member performs services for the Employer as a Consultant or an employee;

(c) Such Member's Member Deferral elections made pursuant to Section 4.1 of the Plan shall continue to be effective for the remainder of his Consulting Arrangement Plan Year;

(d) If the Committee has made an affirmative designation allowing such Member's continued active participation in the Plan for Plan Years after the Member's Consulting Arrangement Plan Year, such Member shall be permitted to make new Member Deferral elections for subsequent Plan Years in which the Member remains eligible to participate in the Plan in accordance with Article III; provided, however, that, such Member's Consulting Pay for Plan Years from and after the Plan Year beginning January 1, 2011 shall be subject to separate elections for each Plan Year by Class Year Subaccount, and the Member shall not be permitted to make separate deferral or time and form of payment elections by type of Compensation earned with respect to a Plan Year;

(e) Such Member's deferrals of Consulting Pay pursuant to this Article shall be deemed to be Member Deferrals for purposes of the Plan, and such Member Deferrals (or projected Member Deferrals) for a Plan Year, when added to the Member Deferrals made by such Member pursuant to Section 4.1 (if any) during such Plan Year, shall be subject to the limits enumerated in, or established by the Committee with respect to such Member under, Section 4.1(i) and 4.1(j);

(f) Such Member's Deferral election may be made and/or suspended in accordance with procedures and under circumstances similar to those described in Section 4.1;

(g) Such Member shall no longer be entitled to receive Employer Deferrals pursuant to Section 4.3 for periods following the effective date of such Member's Consulting Arrangement; and

(h) Such Member shall have a 100% Vested Interest in his Employer Account as of the effective date of his Consulting Arrangement.

## ARTICLE XII

### **Participation by Non-Employee Directors**

12.1 **Article Controls.** In the event of any conflict between the foregoing provisions of the Plan and this Article XII, the provisions of this Article XII shall control.

12.2 **Director.** Each individual who is a member of the Board, other than any such individual who is an employee of the Company or an Affiliate. Where the context requires, the term "Member" shall be deemed to include a Director for purposes of Section 12.4(b) if such Director has not yet become a Member pursuant to Section 12.3.

### 12.3 **Commencement of Participation.**

(a) Prior to January 1, 2021, a Director may become a Member, effective as of the first day of a Plan Year, by executing and filing with the Committee the Director Compensation deferral election prescribed by the Committee prior to the start of such Plan Year. Notwithstanding the foregoing, no Directors will become eligible to become a Member on or after January 1, 2021.

12.4 **Application of Plan Terms.** The terms of the Plan shall, to the extent possible, apply to a Member participating in the Plan pursuant to Section 12.3 as if such Member were participating in the Plan pursuant to Section 3.1 except as otherwise provided below:

(a) Notwithstanding anything herein to the contrary, effective for Plan Years beginning on or after January 1, 2021, Directors will not be permitted to elect to defer any Director Compensation under the Plan. To clarify, no additional contributions will be made under this Plan on behalf of a Director for any Plan Year beginning on or after January 1, 2021;

(b) Directors that have previously had amounts credited to an Account, shall continue to be treated as a Member in the Plan with respect to any existing Accounts;

(c) A Director Member's participation in the Plan shall not be subject to cessation pursuant to Section 3.2;

(d) Prior to January 1, 2021 Member Director may elect to defer a portion of his Director Compensation for a Plan Year in an amount up to 100% of his Director Compensation, in any manner permitted under the administrative procedures established by the Committee in its sole discretion;

(e) A Director Member's deferrals of Director Compensation shall be deemed to be Member Deferrals for purposes of the Plan, and such Member Deferrals shall be credited to a Deferral Account established on behalf of such Member;

(f) Such Member shall have a 100% Vested Interest in his Account at all times;

(g) With respect to such Director Members all references to the employment relationship in the Plan shall be deemed to be references to such Member's service as a Director, provided, however, that such Member shall be deemed to have incurred a Termination of Service under the terms of the Plan as of the date such Member ceases to serve as a Director for any reason whatsoever (provided that, under the Director's circumstances, the cessation of his service as a Director constitutes a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code), and any such Termination of Service shall be deemed to have occurred on or after such Member's Retirement Date regardless of the age of such Member on the date of such Termination of Service; and

(h) For Plan Years beginning on or after January 1, 2011, with respect to such Member, a Deferral Component shall mean the portion of such Member's Class Year Subaccount established with respect to a Plan Year that is attributable to (i) such Member's deferrals for such Plan Year of Director Compensation paid with respect to such Member's general service as a Director ("General Service Director Compensation"), (ii) such Member's deferrals for such Plan Year of any other category of Director Compensation, including committee membership and/or chairmanship and meeting fees ("Other Director Compensation"), or (iii) Employer Deferrals made on behalf of such Member for such Plan Year, as applicable. Such Member's deferrals for a Plan Year and Employer Deferrals made on such Member's behalf for a Plan Year shall be credited to the applicable Deferral Component (General Service Director Compensation, Other Director Compensation or Employer Deferral, as applicable) under such Member's Class Year Subaccount for such Plan Year, and such Member shall be entitled to make elections with respect to each such Deferral Component in accordance with the applicable provisions of the Plan; provided, however, that such Member shall not be entitled to elect a Scheduled In-Service Withdrawal pursuant to Sections 4.2 and 6.3.

*[Remainder of this page intentionally left blank]*

EXECUTED this 12<sup>th</sup> day of October, 2020, effective as provided above.

**GROUP 1 AUTOMOTIVE, INC.**

By: /s/ Darryl M. Burman  
Name: Darryl M. Burman  
Title: Senior Vice President

**GROUP 1 AUTOMOTIVE, INC.  
DEFERRED COMPENSATION PLAN  
ADMINISTRATIVE CLAIMS PROCEDURES**

Under the terms of the Group 1 Automotive, Inc. Deferred Compensation Plan (the "Plan"), the Committee hereby adopts the following administrative claims procedures. Member claims with respect to the Plan shall be made and processed in accordance with these procedures. References in these administrative claims procedures to the "Committee" shall mean the administrative committee established by the Compensation Committee to administer the Plan or, if no such committee has been established, the Compensation Committee of the Board.

**(a) General Claims Procedures.**

(i) Claims for benefits other than disability benefits under the Plan may be made by a Member or a Beneficiary of a Member (the "Claimant") on forms supplied by the Committee. Written or electronic notice of the disposition of a claim shall be furnished to the Claimant by the Committee within ninety (90) days after the application is filed with the Committee, unless special circumstances require an extension of time for processing, in which event action shall be taken as soon as possible, but not later than one-hundred eighty (180) days after the application is filed with the Committee; and, in the event that no action has been taken within such ninety (90) or one hundred eighty (180) day period, the claim shall be deemed to be denied for the purposes of subsection (a)(2). In the event that the claim is denied, the denial shall be written in a manner calculated to be understood by the Claimant and shall include the specific reasons for the denial, specific references to pertinent Plan provisions on which the denial is based, a description of the material information, if any, necessary for the Claimant to perfect the claim, an explanation of why such material information is necessary and an explanation of the claim review procedure.

(ii) If a claim subject to this section (a) is denied (either in the form of a written denial or by the failure of the Committee, within the required time period, to notify the Claimant of the action taken), a Claimant or his duly authorized representative shall have sixty (60) days after the receipt of such denial to petition the Committee in writing for a full and fair review of the denial, during which time the Claimant or his duly authorized representative shall have the right to review pertinent documents and to submit issues and comments in writing. The Committee shall promptly review the claim and shall make a decision not later than sixty (60) days after receipt of the request for review, unless special circumstances require an extension of time for processing, in which event a decision shall be rendered as soon as possible, but not later than one hundred twenty (120) days after the receipt of the request for review. If such an extension is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension. The decision of the review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the Claimant, with specific references to the Plan provisions on which the decision is based.

**(b) Disability Claims Procedures.**

(i) Claims for disability benefits may be made by a Claimant on forms supplied by the Committee. Written or electronic notice of the disposition of the disability benefit claim shall be furnished to the Claimant by the Committee within forty-five (45) days after the claim is filed with the Committee, which may be extended by the Committee for up to thirty (30) days, if (A) the Committee determines that such an extension is necessary due to matters beyond the control of the Plan, and (B) the Claimant is notified prior to the expiration of the initial 45-day period of the circumstances requiring the extension of time and the date by which the Plan expects to render a decision. If, prior to the end of the first 30-day extension period the Committee determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional thirty (30) days, provided that the Claimant is notified prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. In the case of any such extension, the notice of extension shall explain the standards on which entitlement to a disability benefit is based, the unresolved issues that prevent a decision on the claim, the additional information needed to resolve those issues, and that the Member shall be afforded at least forty-five (45) days within which to provide the specified information.

(ii) In the event the disability benefit claim is denied, the denial shall be written in a manner calculated to be understood by the Claimant and shall include: the specific reasons for the denial; specific reference to pertinent Plan provisions on which the denial is based; a description of the additional material or information, if any, necessary for the Claimant to perfect the disability benefit claim; an explanation of why such material or information is necessary; and an explanation of the disability benefit claim review procedure. In addition, in the case of a disability benefit claim, the denial shall also include:

(A) A discussion of the adverse benefit determination decision, including an explanation of the basis for disagreeing with or not following (a) the views presented by the Claimant to the Plan of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant; (b) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (c) a disability determination regarding the Claimant presented by the Claimant to the Plan made by the Social Security Administration.

(B) The specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

(C) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant (as determined by reference to 29 CFR §2560.503- 1(m)(8)) to the claim for benefits.

(D) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the specific or clinical judgment for the determination, applying the terms of the Plan to the disability benefit Claimant's medical circumstances, or a statement that such explanation shall be provided to the disability benefit Claimant free of charge upon request.

To the extent required by 29 CFR §2560.503-1, the Committee shall provide the denial notice in a culturally and linguistically appropriate manner.

(iii) If a claim for disability benefits is denied, a disability benefit Claimant or his duly authorized representative shall have one hundred eighty (180) days after receipt of such denial to petition the Committee in writing for a full and fair review of the denial, during which time the disability benefit Claimant or his duly authorized representative shall have the right to:

(A) Submit written comments, documents, records, and other information relating to the claim for benefits;

(B) Review all pertinent documents relating to the denial of the claim and submit any issues and comments, in writing, to the Committee;

(C) Be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for disability benefits; and

(D) Have the claim for review given a full and fair review, which review shall take into account all comments, documents, records, and other information submitted by the Member or his duly authorized representative relating to the disability benefit claim, without regard to whether such information was submitted or considered in the initial benefit determination.

The disability benefit claim shall be reviewed without deference to the initial adverse benefit determination and the review shall be conducted by an appropriate named fiduciary of the Plan who is neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. In deciding an appeal of any adverse disability benefit determination that is based in whole or part on medical judgment, the appropriate named fiduciary shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Any medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the adverse disability benefit determination shall be identified, without regard to whether the advice was relied upon in making the benefit determination. The health care professional engaged for purposes of consultation shall be an individual who is neither an individual who was consulted in connection with the adverse benefit determination that is the subject of the appeal, nor the subordinate of any such individual.

(iv) The Committee shall provide the Member with written or electronic notification of the Plan's disability benefit determination on review. The Committee shall promptly review the claim and shall make a decision not later than forty-five (45) days after receipt of the written request for review, unless special circumstances require an extension of time for processing the claim. In which event, a decision shall be rendered as soon as possible, but not later than ninety (90) days after the receipt of the request for review. If such an extension is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension.

(A) If applicable, before the Committee may issue an adverse disability benefit determination on review, the Committee will provide the Claimant, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan, insurer, or other person making the benefit determination (or at the direction of the Committee, insurer, or such other person) in connection with the claim and any new or additional rationale upon which the benefit determination is based. Such evidence will be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided to Claimant, to give the Claimant a reasonable opportunity to respond prior to that date.

(B) The decision of the review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the disability benefit Claimant, with specific references to the Plan provisions on which the decision is based. In addition, in the case of an adverse disability benefit determination, the notification will set forth:

1) A discussion of the adverse benefit determination decision, including an explanation of the basis for disagreeing with or not following (a) the views presented by the Claimant to the Plan of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant; (b) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (c) a disability determination regarding the Claimant presented by the Claimant to the Plan made by the Social Security Administration.

2) The specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist.

3) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant (as determined by reference to 29 CFR §2560.503-1(m)(8)) to the claim for benefits.

4) An explanation of the specific or clinical judgment for the disability benefit determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided to the Claimant, without charge, upon request, if the denial is based on a medical necessity or experimental treatment or similar exclusion or limit.

To the extent required by 29 CFR §2560.503-1, the Committee shall provide the decision of review in a culturally and linguistically appropriate manner.

If a claim for benefits is denied or ignored, in whole or in part, the Member may file suit in a state or federal court, only after he has exhausted all administrative remedies under these procedures, including the use of the claims review procedure as described in Section 8.6. However, in order to file a suit in state or federal court, the Member must file the suit no later than one hundred eighty (180) days after the Committee makes a final determination to deny the claim.

These administrative claims procedures shall be effective April 1, 2018 and shall remain in effect until revoked or amended by the Committee.

For the avoidance of doubt, the amendments to the Plan set forth in this instrument shall be inapplicable to the Grandfathered Subaccounts.

Capitalized terms used but not defined in this instrument shall have the meanings attributed to such terms in the Plan.



**First Amendment to the Group 1 Automotive, Inc. 2014 Long Term Incentive Plan**

**WHEREAS**, GROUP 1 AUTOMOTIVE, INC. (the “Company”) has heretofore adopted the **GROUP 1 AUTOMOTIVE, INC. 2014 LONG TERM INCENTIVE PLAN** (the “Plan”); and

**WHEREAS**, the Company desires to amend the Plan in certain respects;

**NOW, THEREFORE**, the Plan shall be amended as follows, effective as of the date the stockholders of the Company approve this amendment (the “Amendment Effective Date”):

1. Section V(i) of the Plan shall be deleted and replaced with the following:

“(i) Subject to adjustment in the manner as provided in Subparagraph XII(b), the aggregate maximum number of shares of Common Stock that may be issued or transferred under the Plan shall equal the sum of:

(A) 2,200,000 shares, plus

(B) the number of shares that remained available for issuance for future award grants under the Prior Plan as of the Effective Date, plus

(C) the number of shares subject to outstanding awards as of the Effective Date that were granted under the Prior Plan to the extent that any such award lapses or the rights of its holder terminate without all shares of Common Stock underlying such award being issued or transferred to the holder thereof or without any such holder receiving a cash settlement under any such award.”

2. Clause (A) of Section V(a)(iii) of the Plan shall be deleted and replaced with the following:

“(A) the aggregate maximum number of shares of Common Stock that may be issued under the Plan through Incentive Stock Options may not exceed 2,200,000 shares of Common Stock (subject to adjustment in the manner as provided in Subparagraph XII(b),”

3. This First Amendment to the Plan shall be effective as of the Amendment Effective Date.

4. As amended hereby, the Plan is specifically ratified and reaffirmed.

5. Capitalized terms used in this First Amendment that are not otherwise defined herein shall have the meaning given such terms under the Plan.

**IN WITNESS WHEREOF**, the undersigned has caused this First Amendment to be executed, effective for all purposes as provided above.

**GROUP 1 AUTOMOTIVE, INC.**

By: /s/ Darryl M. Burman

Name: Darryl M. Burman

Title: Senior Vice President

**SECOND AMENDMENT TO  
ELEVENTH AMENDED AND RESTATED  
REVOLVING CREDIT AGREEMENT**

THIS SECOND AMENDMENT TO ELEVENTH AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this “Amendment”) is made and entered into as of the 30th day of October, 2020, by and among **GROUP 1 AUTOMOTIVE, INC.**, a Delaware corporation (the “**Company**”), each of the Subsidiaries of the Company listed on the signature pages hereof (the Company and such Subsidiaries of the Company are sometimes referred to herein as, individually, a “**Borrower**,” and collectively, the “**Borrowers**”), the lenders listed on the signature pages hereof (the “**Lenders**”), **U.S. BANK NATIONAL ASSOCIATION**, as Administrative Agent for the Lenders (in such capacity, the “**Agent**”), and **COMERICA BANK**, as Floor Plan Agent for the Lenders (in such capacity, the “**Floor Plan Agent**”).

WITNESSETH:

WHEREAS, the Borrowers, the Lenders, the Agent and the Floor Plan Agent are parties to that certain Eleventh Amended and Restated Revolving Credit Agreement dated effective as of June 27, 2019, as amended by that certain Waiver and First Amendment to Eleventh Amended and Restated Revolving Credit Agreement dated as of March 3, 2020 (as amended and as the same may be further amended, modified, extended, renewed or restated from time to time, the “**Credit Agreement**,” all capitalized terms used and not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Credit Agreement as amended by this Amendment); and

WHEREAS, the Borrowers, the Lenders, the Agent and the Floor Plan Agent desire to further amend the Credit Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the other Borrowers, the Lenders, the Agent and the Floor Plan Agent hereby agree as follows:

1. The definitions of “*Bail-In Action*” “*Bail-In Legislation*” “*Builder Basket Amount*” “*Redeemable Stock*” “*Specified Investments*” “*Specified Subordinated Debt Prepayments*” and “*Write-Down and Conversion Powers*” set forth in Section 1.1 of the Credit Agreement are hereby deleted in their entirety and the following substituted in lieu thereof:

“*Bail-In Action*” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“*Bail-In Legislation*” means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“*Builder Basket Amount*” means the sum of:

(a) 50% of cumulative Consolidated Net Income (as defined in the 2020-4.000% Indenture) (or in the case Consolidated Net Income (as defined in the 2020-4.000% Indenture) shall be negative, less 100% of such deficit) of the Company since July 1, 2020 through the last day of the last full fiscal quarter ending immediately preceding the date of the subject Restricted Payment for which quarterly or annual financial statements are publicly available (taken as a single accounting period); plus

(b) (i) 100% of the aggregate net cash proceeds, and the Fair Market Value of property other than cash, in each case received by the Company or a Restricted Subsidiary (as defined in the 2020-4.000% Indenture) after August 17, 2020 from contributions of capital or the issuance and sale (other than to a Subsidiary of the Company) of Capital Stock (other than Redeemable Stock) of the Company or any options, warrants or other rights to acquire Capital Stock (other than Redeemable Stock) of the Company, or any net payment received by the Company in connection with the termination or settlement of options relating to its Capital Stock, (ii) 100% of the aggregate net cash proceeds received by the Company after August 17, 2020 from the issuance and sale of convertible or exchangeable Debt (as defined in the 2020-4.000% Indenture) of the Company that has been converted into or exchanged for Capital Stock (other than Redeemable Stock and other than by or from a Subsidiary of the Company) of the Company, provided that any such net proceeds received by the Company from an employee stock ownership plan financed by loans from the Company or a Subsidiary of the Company shall be included only to the extent such loans have been repaid with cash on or prior to the date of determination, and (iii) without duplication, any reduction of Debt (as defined in the 2020-4.000% Indenture) on the balance sheet of the Company to the extent such Debt is converted into or exchanged for Capital Stock of the Company (other than Redeemable Stock) after August 17, 2020; plus

(c) in the case of a disposition, liquidation or repayment (including by way of dividends) of Specified Investments by the Company and its Restricted Subsidiaries (as defined in the 2020-4.000% Indenture), subsequent to August 17, 2020, an amount (to the extent not included in Consolidated Net Income (as defined in the 2020-4.000% Indenture)) equal to the lesser of the return on capital with respect to such Specified Investment and the initial amount of such Specified Investment, in either case, less the cost of the disposition of such Specified Investment and net of taxes; plus

(d) in the case of a designation of an Unrestricted Subsidiary as a Restricted Subsidiary (in each case as such terms are defined in the 2020-4.000% Indenture) pursuant to the 2020-4.000% Indenture, the Fair Market Value of the Company's interest in such Subsidiary; plus

(e) \$146,700,000.

"*Redeemable Stock*" of any Person means any Capital Stock of such Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise (including upon the occurrence of an event) matures or is required to be redeemed (other than in exchange for Capital Stock of the Company that is not Redeemable Stock) or is convertible into or exchangeable for Indebtedness or is redeemable at the option of the holder thereof (other than in exchange for Capital Stock of the Company that is not Redeemable Stock), in whole or in part, at any time prior to the final stated maturity of the 2020-4.000% Notes. Notwithstanding the preceding sentence, any Capital Stock that would constitute Redeemable Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale shall not constitute Redeemable Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.7 of the 2020-4.000% Indenture.

"*Specified Investments*" means any Investment (as such term is defined in the 2020-4.000% Indenture) in any Person, other than a Permitted Investment (as such term is defined in the 2020-4.000% Indenture).

"*Specified Subordinated Debt Prepayments*" means the redemption, repurchase, defeasance, prepayment or other acquisition or retirement for value, prior to any scheduled maturity, repayment or sinking fund payment, of any Indebtedness of the Company or a Restricted Subsidiary that is expressly subordinated or junior in right of payment to the 2020-4.000% Notes or a subsidiary guarantee thereof, as appropriate, pursuant to a written agreement to that effect (other than Indebtedness owed by the Company or any Restricted Subsidiary to another Restricted Subsidiary or the Company, or any such payment on Indebtedness due within one year of the date of redemption, repurchase, defeasance, prepayment, decrease or other acquisition or retirement).

“*Write-Down and Conversion Powers*” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

2. The following new definitions are hereby added to Section 1.1 of the Credit Agreement in proper alphabetical order as follows:

“*2020-4.000% Indenture*” means the Indenture dated as of August 17, 2020 among the Company, the guarantors party thereto and Wells Fargo Bank, National Association, as trustee, as in effect on the Second Amendment Closing Date. To the extent any defined term used herein is defined by reference to the 2020-4.000% Indenture, such defined term shall be as defined under the 2020-4.000% Indenture as in effect on the Second Amendment Closing Date.

“*2020-4.000% Notes*” means, collectively, the 4.000% Senior Notes due 2028 issued pursuant to the *2020-4.000%* Indenture and any additional notes issued pursuant thereto.

“*Affected Financial Institution*” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“*Benchmark Replacement*” means the sum of: (a) an alternate benchmark rate that has been selected by the Agent in consultation with the Company giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body and (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to LIBOR for U.S. syndicated credit facilities denominated in Dollars or the applicable Alternative Currency that are substantially similar to the credit facilities under this Agreement and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

“*Benchmark Replacement Adjustment*” means, with respect to any replacement under this Agreement of LIBO Rate with an alternative benchmark rate, for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Agent in consultation with the Company giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBO Rate with an alternative benchmark rate by the Relevant Governmental Body and (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBO Rate with an alternative benchmark rate at such time for U.S. syndicated credit facilities denominated in Dollars or in the applicable Alternative Currency that are substantially similar to the credit facilities under this Agreement, which adjustment or method for calculating or determining such spread adjustment pursuant to clause (b) is published on an information service as selected by the Agent from time to time and as may be updated periodically.

“*Benchmark Replacement Conforming Changes*” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Alternate Base Rate,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest and other administrative matters) that the Agent decides in its reasonable discretion may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Agent in a manner substantially consistent with then-prevailing market practice (or, if the Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Agent decides is reasonably necessary in connection with the administration of this Agreement).

“*Benchmark Replacement Date*” means the earliest to occur of the following events with respect to the LIBO Rate:

- (a) in the case of clauses (ii), (iii) or (iv) of Section 5.6(b), the later of:

- (i) the date of the public statement or publication of information referenced therein and
- (ii) the date on which the administrator of the LIBO Rate permanently or indefinitely ceases to provide the LIBO Rate;
- (b) in the case of clause (i) of Section 5.6(b), the earlier of
  - (i) the date of the public statement or publication of information referenced therein; and
  - (ii) the date specified by the Agent or the Required Lenders, as applicable, by notice to the Company, the Agent (in the case of such determination and notice by the Required Lenders) and the Lenders; or
- (c) in the case of clause (v) of Section 5.6(b), the date specified by the Agent or the Required Lenders, as applicable, by notice to the Company, the Agent (in the case of such determination and notice by the Required Lenders) and the Lenders.

“*Benchmark Transition Event*” is defined in Section 5.6(b).

“*Benchmark Unavailability Period*” means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the LIBO Rate and solely to the extent that the LIBO Rate has not been replaced hereunder with a Benchmark Replacement, the period (y) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the LIBO Rate for all purposes under this Agreement and the other Loan Documents in accordance with Section 5.6(b) and (z) ending at the time that a Benchmark Replacement has replaced the LIBO Rate for all purposes under this Agreement and the other Loan Documents pursuant to Section 5.6(b).

“*Electronic Signature*” means an electronic sound, symbol, or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record.

“*E-SIGN*” means the Federal Electronic Signatures in Global and National Commerce Act, as amended from time to time, and any successor statute, and any regulations promulgated thereunder from time to time.

“*Federal Reserve Bank of New York’s Website*” means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source.

“*Relevant Governmental Body*” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“*Resolution Authority*” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“*Second Amendment Closing Date*” means October 30, 2020.

“*UETA*” means the Uniform Electronic Transactions Act as in effect in the State of Texas, as amended from time to time, and any successor statute, and any regulations promulgated thereunder from time to time.

“*UK Financial Institution*” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“*UK Resolution Authority*” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

3. The definitions of “2015-5.250% Indenture” and “2015-5.250% Notes” set forth in Section 1.1 of the Credit Agreement are deleted in their entirety.

4. Section 1.5 is hereby added to the Credit Agreement immediately after Section 1.4 therein as follows:

Section 1.5 LIBO Rate Notification. The interest rate on Eurodollar Borrowings is determined by reference to the LIBO Rate. Section 5.6(b) provides a mechanism for (a) determining an alternative rate of interest if the LIBO Rate is no longer available or in the other circumstances set forth in Section 5.6(b) and (b) modifying this Agreement to give effect to such alternative rate of interest. The Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the LIBO Rate, or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation, whether any such alternative, successor or replacement reference rate, as it may or may not be adjusted pursuant to Section 5.6(b), will have the same value as, or be economically equivalent to the LIBO Rate.

5. Section 5.6 of the Credit Agreement is hereby deleted in its entirety and the following substituted in lieu thereof:

Section 5.6 Availability of Types of Borrowings; Adequacy of Interest Rate.

(a) Notwithstanding anything to the contrary in this Agreement or any other Loan Document, if the Agent determines (which determination shall be conclusive absent manifest error), or the Required Lenders notify the Agent that the Required Lenders have determined, that:

(i) deposits of a type and maturity appropriate to match fund Eurodollar, Eurocurrency or Pounds Sterling Borrowings are not available to such Lenders in the relevant market, or

(ii) the interest rate applicable to Eurodollar, Eurocurrency or Pounds Sterling Borrowings for any requested Interest Period is not ascertainable or available (including, without limitation, because the applicable Reuters Screen (or on any successor or substitute page on such screen) is unavailable) or does not adequately and fairly reflect the cost of making or maintaining Eurodollar, Eurocurrency or Pounds Sterling Borrowings,

then the Agent shall give notice thereof to the Borrowers and the Lenders in accordance with Section 13.1 as promptly as practicable thereafter and, until the Agent notifies the Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, suspend the availability of Eurodollar, Eurocurrency or Pounds Sterling Borrowings and require any affected Eurodollar, Eurocurrency or Pounds Sterling Borrowings to be repaid or converted to ABR Borrowings, subject to the payment of any funding indemnification amounts required by Section 5.10.

(b) Notwithstanding the foregoing or anything to the contrary in this Agreement or any other Loan Document, if the Agent determines (which determination shall be conclusive absent manifest error), or the Required Lenders notify the Agent (with a copy to the Company) that the Required Lenders have determined, that any one or more of the following (each, a “Benchmark Transition Event”) has occurred:

(i) the circumstances set forth in Section 5.6(a)(ii) have arisen (including, without limitation, a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Rate described in clause (ii) of this Section 5.6(b) announcing that the LIBO Rate is no longer representative) and such circumstances are unlikely to be temporary,

(ii) ICE Benchmark Administration (or any Person that has taken over the administration of the LIBO Rate for deposits in Dollars or in the applicable Alternative Currency that is acceptable to the Agent) discontinues its administration and publication of the LIBO Rate for deposits in Dollars or the applicable Alternative Currency,

(iii) a public statement or publication of information by or on behalf of the administrator of the LIBO Rate described in clause (ii) of this Section 5.6(b) announcing that such administrator has ceased or will cease as of a specific date to provide the LIBO Rate (permanently or indefinitely); provided that, at the time of such statement, there is no successor administrator that is acceptable to the Agent that will continue to provide the LIBO Rate after such specified date,

(iv) a public statement by the supervisor for the administrator of the LIBO Rate described in clause (ii) of this Section 5.6(b), the U.S. Federal Reserve System, an insolvency official with jurisdiction over such administrator for the LIBO Rate, a resolution authority with jurisdiction over such administrator for the LIBO Rate or a court or an entity with similar insolvency or resolution authority over such administrator for the LIBO Rate, which states that such administrator of the LIBO Rate has ceased or will cease as of a specific date to provide the LIBO Rate (permanently or indefinitely); provided that, at the time of such statement or publication, there is no successor administrator that is acceptable to the Agent that will continue to provide the LIBO Rate after such specified date; or

(v) syndicated credit facilities substantially similar to the credit facilities under this Agreement being executed at such time, or that include language substantially similar to that contained in this Section 5.6(b), are being executed or amended, as the case may be, to incorporate or adopt a new benchmark interest rate to replace the LIBO Rate for deposits in Dollars or in the applicable Alternative Currency,

then the Agent and the Borrowers may amend this Agreement to replace the LIBO Rate, Eurocurrency Rate or Pounds Sterling Rate, as applicable with a Benchmark Replacement. Notwithstanding anything to the contrary in Section 13.7, any such amendment with respect to a Benchmark Transition Event (A) pursuant to any of clauses (i) through (iv) of this Section 5.6(b) will become effective without any further action or consent of any other party to this Agreement at 5:00 p.m. (New York City time) on the fifth Business Day after the Agent has posted such proposed amendment to all Lenders and the Borrowers so long as the Agent has not received, by such time, written notice of objection to such amendment from Lenders comprising the Required Lenders or (B) pursuant to clause (v) of this Section 5.6(b), will become effective without any further action or consent of any other party to this Agreement on the date that Lenders comprising the Required Lenders have delivered to the Agent written notice that such Required Lenders accept such amendment; provided that, if the notice of a Benchmark Trigger Event pursuant to clause (v) has been provided by the Required Lenders and not the Agent and such notice specifies the Benchmark Replacement, then the Lenders comprising the Required Lenders shall be deemed to have accepted such amendment on the date such amendment has been posted by the Agent to all Lenders. No replacement of the LIBO Rate with a Benchmark Replacement pursuant to this Section 5.6(b) will occur prior to the date set forth in the applicable amendment.

In connection with the implementation of a Benchmark Replacement, the Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

The Agent will promptly notify the Borrowers and the Lenders of (1) any occurrence of a Benchmark Transition Event (other than pursuant to clause (v) of this Section 5.6(b)), (2) the implementation of any Benchmark Replacement, (3) the effectiveness of any Benchmark Replacement Conforming Changes and (4) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Agent or Lenders pursuant to this Section 5.6(b), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 5.6(b).

Upon notice to the Borrowers by the Agent in accordance with Section 13.1 of the commencement of a Benchmark Unavailability Period and until (1) the Agent notifies the Borrowers and the Lenders that the circumstances giving rise to such Benchmark Unavailability Period have ceased to exist or (2) a Benchmark Replacement is determined in accordance with this Section 5.6(b), (A) any request pursuant to Section 5.16 that requests the conversion of any Borrowing to, or continuation of any Borrowing as an ABR Borrowing, a Eurodollar Borrowing, a Eurocurrency Borrowing or a Pounds Sterling Borrowing may be revoked by the Borrowers and if not revoked shall be ineffective and any such Borrowing shall be continued as or converted to, as the case may be, an ABR Borrowing, and (B) if any request pursuant to Section 2.8 requests a Eurocurrency Borrowing, such request may be revoked by the Borrower and if not revoked such Borrowing shall be made as a ABR Borrowing. During any Benchmark Unavailability Period, the component of the Alternative Base Rate based upon the LIBO Rate will not be used in any determination of the Alternative Base Rate.

6. Section 7.23 of the Credit Agreement is hereby deleted in its entirety and the following substituted in lieu thereof:

Section 7.23 Affected Financial Institutions

Neither the Company nor any Restricted Subsidiary is an Affected Financial Institution.

7. Effective as of August 17, 2020, Section 10.11 of the Credit Agreement is hereby deleted in its entirety and the following substituted in lieu thereof:

Section 10.11 Restricted Payments.

(a) The Company and its Restricted Subsidiaries will not declare or make any Restricted Payment, except that

(i) any Restricted Subsidiary may declare and make Restricted Payments to the Company or any other Restricted Subsidiary at any time;

(ii) any Restricted Subsidiary may pay dividends ratably to its shareholders (or on a basis more favorable to the Company);

(iii) the Company may declare or make any Restricted Payments payable solely in shares of its Capital Stock (other than Redeemable Stock) or in options, warrants or other rights to acquire its Capital Stock (other than Redeemable Stock);

(iv) the Company may declare and make additional Restricted Payments; provided that (x) no Event of Default or Default has occurred and is continuing or would result from such Restricted Payment, (y) after giving pro forma effect to such Restricted Payment as if such Restricted Payment had been made at the beginning of the applicable four fiscal quarter period, the Company could Incur (as defined in the 2020-4.000% Indenture) at least \$1.00 of additional Debt (as defined in the 2020-4.000% Indenture) pursuant to Section 4.9(a) of the 2020-4.000% Indenture, and (z) upon giving effect to such Restricted Payment, the aggregate of all Restricted Payments declared or made by the Company pursuant to this clause (iv) on or after August 17, 2020 (other than pursuant to clauses (ii) and (iv) through (xi) of Section 10.11(b)), when combined with the sum of Specified Investments and Specified Subordinated Debt Prepayments, in each case, made on or after the Closing Date, does not exceed the Builder Basket Amount.

(b) Notwithstanding the foregoing, Section 10.11(a) will not prohibit:

(i) payment of any dividend on Capital Stock of any class within 60 days after the declaration thereof, or redemption of any Subordinated Debt (as defined in the 2020-4.000% Indenture) within 30 days after giving notice of redemption thereof, if, on the date when the dividend was declared or such notice of redemption given, the Company or such Restricted Subsidiary could have paid such dividend or redeemed such Subordinated Indebtedness in accordance with this Section 10.11;

(ii) repayment or refinancing of any Subordinated Debt with Permitted Refinancing Debt (as defined in the 2020-4.000% Indenture), or any Restricted Payment made in exchange for, by conversion into or out of the net proceeds of the substantially concurrent sale (other than from or to a Subsidiary of the Company or from or to an employee stock ownership plan financed by loans from the Company or a Subsidiary of the Company) of shares of Capital Stock (other than Redeemable Stock) of the Company;

(iii) the payment of dividends on the Company's shares of Common Stock (as defined in the 2020-4.000% Indenture) in the aggregate amount per fiscal year equal to \$1.20 per share for each share of Common Stock (or any securities convertible into Common Stock to the extent they are entitled to such a dividend) of the Company outstanding as of the applicable record date for such dividends (as such \$1.20 shall be adjusted for specified changes in the capitalization of the Company upon recapitalizations, reclassifications, stock splits, stock dividends, reverse stock splits, stock consolidations and similar transactions);

(iv) the acquisition of shares of Capital Stock in connection with (x) the exercise of employee or director stock options or stock appreciation rights by way of cashless exercise and (y) the withholding of a portion of such Capital Stock to pay taxes associated therewith, and the purchase of fractional shares of Capital Stock of the Company or any Restricted Subsidiary arising out of stock dividends, splits or combinations or business combinations;



(v) the acquisition of shares of the Company's Capital Stock pursuant to equity repurchases from future, present or former directors, officers or employees in an amount of up to \$10,000,000 per calendar year (and any portion of such \$10,000,000 not used in any calendar year may be carried forward to the next succeeding calendar year);

(vi) dividends on Redeemable Stock of the Company or a Restricted Subsidiary, or dividends on preferred stock of a Restricted Subsidiary, in each case incurred in compliance with Section 4.9 of the 2020-4.000% Indenture;

(vii) the payment of cash in lieu of the issuance of Capital Stock in connection with the conversion, retirement, repurchase or redemption of any series of convertible debt securities of the Company or its Restricted Subsidiaries;

(viii) upon the occurrence of a Change of Control (as defined in the 2020-4.000% Indenture) or an Asset Disposition (as defined in the 2020-4.000% Indenture) and after the completion of the Offer to Purchase under Section 4.10 or 4.13 of the 2020-4.000% Indenture (including the purchase of all Notes (as defined in the 2020-4.000% Indenture) tendered and required to be purchased), any purchase, repurchase, redemption, defeasance, acquisition or other retirement for value of Subordinated Debt (as defined in the 2020-4.000% Indenture) required under the terms thereof as a result of such Change of Control or Asset Disposition at a purchase or redemption price not to exceed 101% (in the case of a Change of Control) or 100% (in the case of an Asset Disposition) of the outstanding principal amount thereof, plus accrued and unpaid interest thereon, if any; provided that, in the case of an Asset Disposition, such purchase, repurchase, redemption, defeasance, acquisition or other retirement for value of Subordinated Debt does not exceed the Net Available Proceeds from such Asset Disposition;

(ix) the payment of the deferred purchase price or earn-outs, including holdbacks (and the receipt of any corresponding consideration therefor), or payments with respect to fractional shares, in each case in connection with an acquisition to the extent such payment would have been permitted by the 2020-4.000% Indenture at the time of such acquisition;

(x) Restricted Payments in an aggregate amount not to exceed \$30,000,000 per calendar year so long as, after giving pro forma effect thereto, the Total Leverage Ratio (as defined in the 2020-4.000% Indenture) of the Company would not exceed 3.25 to 1.00; and

(xi) other Restricted Payments in an aggregate amount not to exceed \$50,000,000;

provided, however, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (i), (iii), (v), (vi), (viii), (x) and (xi) no Default or Event of Default shall have occurred and be continuing or would otherwise occur as a consequence thereof.

The amount of net proceeds from any exchange for, conversion into or sale of Capital Stock of the Company pursuant to clause (ii) of this Section 10.11(b) shall be excluded from the calculation of the amount available for Restricted Payments pursuant to Section 10.11(a)(iv).

(c) For purposes of determining compliance with the covenant set forth in this Section 10.11, if a Restricted Payment meets the criteria of more than one of the types of Restricted Payments described in clauses (b)(i) through (b)(xi) of Section 10.11(b) or pursuant to Section 10.11(a), the Company, in its sole discretion, may order and classify, and subsequently reorder and reclassify, such Restricted Payment in any manner in compliance with this Section 10.11.

(d) For purposes of this Section 10.11, if a particular Restricted Payment involves a non-cash payment, including a distribution of assets, then such Restricted Payment shall be deemed to be an amount equal to the cash portion of such Restricted Payment, if any, plus an amount equal to the Fair Market Value of the non-cash portion of such Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued for purposes of this Section 10.11 will be determined by, in the case of amounts under \$50,000,000, an Officer (as hereinafter defined) of the Company and, in the case of amounts greater than or equal to \$50,000,000, the Board of Directors of the Company whose resolution with respect thereto will be delivered to the Agent. For purposes of this paragraph (d), "Officer" means any of the following of the Company: the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary.

8. Section 10.14 of the Credit Agreement is hereby deleted in its entirety.
9. Section 13.21 of the Credit Agreement is hereby deleted in its entirety and the following substituted in lieu thereof:

Section 13.21 Acknowledgement and Consent to Bail-In of Affected Financial Institutions

Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder that may be payable to it by any party hereto that is an Affected Financial Institution; and

the effects of any Bail-In Action on any such liability, including, if applicable:

- (1) a reduction in full or in part or cancellation of any such liability;
- (2) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
- (3) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority.

10. Sections 13.24 and 13.25 are hereby added to the Credit Agreement immediately after Section 13.23 therein as follows:

Section 13.24 Electronic Execution of Assignment and Acceptance. The words “execution,” “signed,” “signature,” and words of like import in any Assignment and Acceptance shall be deemed to include Electronic Signatures or the keeping of records in electronic form (including deliveries by telecopy, emailed PDF or any other electronic means that reproduces an image of an actual executed signature page), each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, including E-SIGN, the New York State Electronic Signatures and Records Act, or any other similar state laws based on UETA.

Section 13.25 Document Imaging; Telecopy and PDF Signatures; Electronic Signatures. Without notice to or consent of any Loan Party, the Agent and each Lender may create electronic images of any Loan Documents and destroy paper originals of any such imaged documents. Such images have the same legal force and effect as the paper originals and are enforceable against the Borrowers and any other parties thereto. The Agent and each Lender may convert any Loan Document into a “transferrable record” as such term is defined under, and to the extent permitted by, UETA, with the image of such instrument in the Agent’s or such Lender’s possession constituting an “authoritative copy” under UETA. If the Agent agrees, in its sole discretion, to accept delivery by telecopy, PDF or any other electronic means that reproduces an image of an actual executed signature page or an executed counterpart of a signature page of any Loan Document or other document required to be delivered under the Loan Documents, such delivery will be valid and effective as delivery of an original manually executed counterpart of such document for all purposes. If the Agent agrees, in its sole discretion, to accept any Electronic Signatures of any Loan Document or other document required to be delivered under the Loan Documents, the words “execution,” “signed,” and “signature,” and words of like import, in or referring to any document so signed will be deemed to include Electronic Signatures and/or the keeping of records in electronic form, which will be of the same legal effect, validity and enforceability as a manually executed signature and/or the use of a paper-based recordkeeping system, to the extent and as provided for in any applicable law, including UETA, E-SIGN, or any other state laws based on, or similar in effect to, such acts. The Agent and each Lender may rely on any such electronic signatures without further inquiry.

11. Each of the Borrowers hereby agrees to reimburse the Agent upon demand for all reasonable out-of-pocket costs and expenses incurred by the Agent in the preparation, negotiation and execution of this Amendment and any and all other agreements, documents and/or instruments relating to this Amendment, including, without limitation, reasonable attorneys' fees and expenses. All of the obligations of the Borrowers under this paragraph shall survive the payment of the Borrowers' Obligations and the termination of the Credit Agreement.

12. All references in the Credit Agreement to "this Agreement" and any other references of similar import shall henceforth mean the Credit Agreement as amended by this Amendment and as the same may from time to time be further amended, modified, extended, renewed or restated. All references in the other Loan Documents to the Credit Agreement and any other references of similar import shall henceforth mean the Credit Agreement as amended by this Amendment and as the same may from time to time be further amended, modified, extended, renewed or restated.

13. Except to the extent specifically amended by this Amendment, all of the terms, provisions, conditions, covenants, representations and warranties contained in the Credit Agreement and the other Loan Documents shall be and remain in full force and effect and the same are hereby ratified and confirmed.

14. This Amendment shall be binding upon and inure to the benefit of the Company, the other Borrowers, the Lenders, the Agent and the Floor Plan Agent and their respective successors and assigns, except that Borrowers may not assign, transfer or delegate any of their respective rights or obligations under the Credit Agreement as amended by this Amendment.

15. Each of the Borrowers hereby represents and warrants to the Agent, the Floor Plan Agent and each Lender that:

(a) the execution, delivery and performance by each Borrower of this Amendment and the other Loan Documents are within the corporate or limited liability company powers, as applicable, of such Borrower have been duly authorized by all necessary corporate or limited liability company action, as applicable, on the part of such Borrower and require no action by or in respect of, consent of or filing or recording with, any governmental or regulatory body, instrumentality, authority, agency or official or any other Person;

(b) the execution, delivery and performance by each Borrower of this Amendment and the other Loan Documents do not conflict in any material respect with, or result in a material breach of the terms, conditions or provisions of, or constitute a material default under or result in any material violation of, the terms of the Certificate or Articles of Incorporation, Articles of Organization, Certificate of Formation, Bylaws or Operating Agreement, as applicable, of such Borrower, any applicable law, rule, regulation, order, writ, judgment or decree of any court or governmental or regulatory body, instrumentality, authority, agency or official or any agreement, document or instrument to which such Borrower is a party or by which such Borrower or any of its Property is bound or to which such Borrower or any of its Property is subject;

(c) this Amendment and each other Loan Document have been duly executed and delivered by each Borrower and constitutes the legal, valid and binding obligation of each such Borrower and is enforceable against each such Borrower in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(d) all of the representations and warranties made by any Borrower and/or any other Loan Party in the Credit Agreement and/or in any other Loan Document are true and correct in all material respects on and as of the date of this Amendment as if made on and as of the date of this Amendment (except to the extent that such representation or warranty is made as of an earlier date, in which case such representation or warranty is true and correct in all material respects as of such earlier date); and

(e) as of the date of this Amendment and after giving effect to this Amendment, no Default or Event of Default under or within the meaning of the Credit Agreement has occurred and is continuing.

16. Each of the GM Borrowers hereby consents to the terms, provisions and conditions contained in this Amendment. Each of the GM Borrowers hereby acknowledges and agrees that (a) the execution and delivery of this Amendment by the Borrowers to the Agent, the Floor Plan Agent and the Lenders will not adversely affect or impair any of its obligations to the Agent, the Floor Plan Agent and/or the Lenders under the GM Borrower Guaranty executed by each of the undersigned, in favor of the Agent, the Floor Plan Agent and the Lenders with respect to the indebtedness of Borrowers to the Agent, the Floor Plan Agent and the Lenders, (b) all references in the GM Borrower Guaranty to the "Credit Agreement", shall henceforth be deemed to refer to the Credit Agreement, as amended by this Amendment, (c) payment of all of the "Guaranteed Obligations" (as defined in the GM Borrower Guaranty) is guaranteed to the Agent, the Floor Plan Agent and the Lenders by such undersigned pursuant to the terms of the GM Borrower Guaranty, and (d) the GM Borrower Guaranty is in full force and effect on the date hereof and the same is hereby ratified and confirmed.

17. In the event of any inconsistency or conflict between this Amendment and the Credit Agreement with respect to the matters set forth herein, the terms, provisions and conditions contained in this Amendment shall govern and control; provided, however, to the extent the terms and provisions of this Amendment do not contradict or conflict with the terms and provisions of the Credit Agreement, then the Credit Agreement, as amended by this Amendment, shall remain in and have its intended full force and effect, and the Borrowers and Lenders hereby affirm, confirm and ratify the same.

18. This Amendment shall be governed by and construed in accordance with the substantive laws of the State of Texas.

19. THIS WRITTEN AGREEMENT (INCLUDING THE EXHIBITS AND SCHEDULES HERETO), THE CREDIT AGREEMENT, THE NOTES, THE AGENT'S LETTER, THE FLOOR PLAN AGENT'S LETTER AND THE OTHER LOAN DOCUMENTS CONSTITUTE A "LOAN AGREEMENT" AS DEFINED IN SECTION 26.02(a) OF THE TEXAS BUSINESS AND COMMERCE CODE, AND REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Amendment. Nothing in this Amendment, expressed or implied, is intended to confer upon any party other than the parties hereto any rights, remedies, obligations or liabilities under or by reason of this Amendment.

20. This Amendment may be signed in any number of counterparts (including telecopy counterparts), each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same document.

21. Notwithstanding any provision contained in this Amendment to the contrary, this Amendment shall not be effective unless and until the Agent shall have received:

- (a) this Amendment, duly executed by each Borrower, Agent and each Lender;
- (b) payment by Borrowers of all costs, expenses and fees of Agent and Floor Plan Agent which are presently due and payable under this Amendment, the Credit Agreement and the other Loan Documents; and
- (c) such other agreements, documents, instruments and certificates as Agent, Floor Plan Agent or any Lender may reasonably request.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK –  
SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Company, the other Borrowers, the Lenders, the Agent and the Floor Plan Agent have executed this Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement as of the day and year first written above..

**BORROWERS: GROUP 1 AUTOMOTIVE, INC.,**  
a Delaware corporation

By: /s/ Darryl M. Burman

**Darryl M. Burman**  
**Senior Vice President**

**Advantagecars.com, Inc.**, a Delaware corporation  
**Amarillo Motors-F, Inc.**, a Delaware corporation  
**Bob Howard Automotive-East, Inc.**, an Oklahoma corporation  
**Bob Howard Chevrolet, Inc.**, an Oklahoma corporation  
**Bob Howard Dodge, Inc.**, an Oklahoma corporation  
**Bob Howard Motors, Inc.**, an Oklahoma corporation  
**Bob Howard Nissan, Inc.**, an Oklahoma corporation  
**Chaperral Dodge, Inc.**, a Delaware corporation  
**Danvers-S, Inc.**, a Delaware corporation  
**Danvers-SB, Inc.**, a Delaware corporation  
**Danvers-T, Inc.**, a Delaware corporation  
**Danvers-TII, Inc.**, a Delaware corporation  
**Danvers-TL, Inc.**, a Delaware corporation  
**GPI AL-N, Inc.**, a Delaware corporation  
**GPI CA-DMII, Inc.**, a Delaware corporation  
**GPI CA-F, Inc.**, a Nevada corporation  
**GPI CA-SV, Inc.**, a Delaware corporation  
**GPI CA-TII, Inc.**, a Delaware corporation  
**GPI CC, Inc.**, a Delaware corporation  
**GPI GA Holdings, Inc.**, a Delaware corporation  
**GPI KS Motors, Inc.**, a Delaware corporation  
**GPI KS-SB, Inc.**, a Delaware corporation  
**GPI KS-SH, Inc.**, a Delaware corporation  
**GPI KS-SK, Inc.**, a Delaware corporation  
**GPI MS-H, Inc.**, a Delaware corporation  
**GPI MS-N, Inc.**, a Delaware corporation  
**GPI MS-SK, Inc.**, a Delaware corporation  
**GPI NH-T, Inc.**, a Delaware corporation  
**GPI NH-TL, Inc.**, a Delaware corporation  
**GPI NM-J, Inc.**, a New Mexico corporation

*[Continued on following page]*

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**GPI NM-LRII, Inc.**, a New Mexico corporation  
**GPI NM-SB, Inc.**, a New Mexico corporation  
**GPI NM-SBII, Inc.**, a New Mexico corporation  
**GPI NM-TL, Inc.**, a New Mexico corporation  
**GPI NY Holdings, Inc.**, a Nevada corporation  
**GPI OK-HII, Inc.**, a Nevada corporation  
**GPI OK-SH, Inc.**, a Delaware corporation  
**GPI SAC-T, Inc.**, a Delaware corporation  
**GPI SC, Inc.**, a Delaware corporation  
**GPI SC Holdings, Inc.**, a Delaware corporation  
**GPI SD-DC, Inc.**, a Delaware corporation  
**GPI TX-A, Inc.**, a Nevada corporation  
**GPI TX-AII, Inc.**, a Texas corporation  
**GPI TX-AIII, Inc.**, a Texas corporation  
**GPI TX-ARGMIII, Inc.**, a Nevada corporation  
**GPI TX-DMII, Inc.**, a Nevada corporation  
**GPI TX-DMIII, Inc.**, a Nevada corporation  
**GPI TX-DMIV, Inc.**, a Nevada corporation  
**GPI TX-EPGM, Inc.**, a Delaware corporation  
**GPI TX-F, Inc.**, a Delaware corporation  
**GPI TX-FM, Inc.**, a Nevada corporation  
**GPI TX-HAII, Inc.**, a Nevada corporation  
**GPI TX-HGM, Inc.**, a Delaware corporation  
**GPI TX-HGMII, Inc.**, a Nevada corporation  
**GPI TX-HGMIV, Inc.**, a Nevada corporation  
**GPI TX-HIII, Inc.**, a Texas corporation  
**GPI TX-NVI, Inc.**, a Nevada corporation  
**GPI TX-P, Inc.**, a Texas corporation  
**GPI TX-SBII, Inc.**, a Delaware corporation  
**GPI TX-SBIII, Inc.**, a Nevada corporation  
**GPI TX-SHII, Inc.**, a Delaware corporation  
**GPI TX-SK, Inc.**, a Delaware corporation  
**GPI TX-SKII, Inc.**, a Nevada corporation  
**GPI TX-SU, Inc.**, a Texas corporation  
**GPI TX-SV, Inc.**, a Delaware corporation  
**GPI TX-SVII, Inc.**, a Delaware corporation  
**GPI TX-SVIII, Inc.**, a Delaware corporation  
**Group 1 Associates, Inc.**, a Delaware corporation  
**Group 1 FL Holdings, Inc.**, a Delaware corporation  
**Group 1 Funding, Inc.**, a Delaware corporation  
**Group 1 LP Interests-DC, Inc.**, a Delaware corporation  
**Group 1 Realty, Inc.**, a Delaware corporation  
**Howard-GM II, Inc.**, a Delaware corporation  
**Howard-GM, Inc.**, a Delaware corporation  
**Howard-H, Inc.**, a Delaware corporation

*[Continued on following page]*

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**Howard-HA, Inc.**, a Delaware corporation  
**Howard-SB, Inc.**, a Delaware corporation  
**HRI Procurement, Inc.**, a Texas corporation  
**Kutz-N, Inc.**, a Delaware corporation  
**Lubbock Motors, Inc.**, a Delaware corporation  
**Lubbock Motors-F, Inc.**, a Delaware corporation  
**Lubbock Motors-GM, Inc.**, a Delaware corporation  
**Lubbock Motors-S, Inc.**, a Delaware corporation  
**Lubbock Motors-SH, Inc.**, a Delaware corporation  
**Lubbock Motors-T, Inc.**, a Delaware corporation  
**Maxwell Ford, Inc.**, a Delaware corporation  
**Maxwell-GMII, Inc.**, a Delaware corporation  
**Maxwell-N, Inc.**, a Delaware corporation  
**Maxwell-NII, Inc.**, a Delaware corporation  
**McCall-F, Inc.**, a Delaware corporation  
**McCall-H, Inc.**, a Delaware corporation  
**McCall-HA, Inc.**, a Delaware corporation  
**McCall-N, Inc.**, a Delaware corporation  
**McCall-SB Inc.**, a Delaware corporation  
**McCall-T, Inc.**, a Delaware corporation  
**McCall-TII, Inc.**, a Delaware corporation  
**McCall-TL, Inc.**, a Delaware corporation  
**Mike Smith Automotive-H, Inc.**, a Delaware corporation  
**Mike Smith Automotive-N, Inc.**, a Texas corporation  
**Mike Smith Autoplaza, Inc.**, a Texas corporation  
**Mike Smith Autoplex Dodge, Inc.**, a Texas corporation  
**Mike Smith Autoplex, Inc.**, a Texas corporation  
**Mike Smith Autoplex-German Imports, Inc.**,  
a Texas corporation  
**Mike Smith Imports, Inc.**, a Texas corporation  
**Miller Automotive Group, Inc.**, a California corporation  
**Miller-DM, Inc.**, a Delaware corporation  
**NJ-H, Inc.**, a Delaware corporation  
**NJ-HAII, Inc.**, a Delaware corporation  
**NJ-SV, Inc.**, a Delaware corporation  
**Rockwall Automotive-F, Inc.**, a Delaware corporation

By: /s/ Darryl M. Burman  
**Darryl M. Burman**  
**Vice President of each of the above-named corporations**

*[Continued on following page]*

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**Baron Leasehold, LLC**, a Kansas limited liability company  
**By: Baron Development Company, LLC**,  
 a Kansas limited liability company, its Sole Member  
**Baron Development Company, LLC**, a Kansas limited liability company  
**G1R Clear Lake, LLC**, a Texas limited liability company  
**G1R Florida, LLC**, a Delaware limited liability company  
**G1R Mass, LLC**, a Delaware limited liability company  
**GPI SC-SBII, LLC**, a Delaware limited liability company  
**Ivory Auto Properties of South Carolina, LLC**,  
 a South Carolina limited liability company  
**Tate CG, L.L.C.**, a Maryland limited liability company  
**By: Group 1 Realty, Inc.**,  
 a Delaware corporation, its Sole Member

**Harvey Ford, LLC**, a Delaware limited liability company  
**By: Bohn-FII, LLC**,  
 a Delaware limited liability company, its Sole Member

**Bohn-FII, LLC**, a Delaware limited liability company  
**GPI LA-FII, LLC**, a Delaware limited liability company  
**GPI LA-H, LLC**, a Louisiana limited liability company  
**Harvey GM, LLC**, a Delaware limited liability company  
**Harvey Operations-T, LLC**, a Delaware limited liability company  
**By: Bohn Holdings, LLC**,  
 a Delaware limited liability company, its Sole Member

**GPI AL-SB, LLC**,  
 a Delaware limited liability company  
**By: GPI AL-N, Inc.**,  
 a Delaware corporation, its Sole Member

**GPI GA Liquidation, LLC**,  
 a Delaware limited liability company  
**GPI GA-CC, LLC**, a Georgia limited liability company  
**GPI GA-CGM, LLC**, a Nevada limited liability company  
**GPI GA-DM, LLC**, a Delaware limited liability company  
**GPI GA-FII, LLC**, a Delaware limited liability company  
**GPI GA-FIII, LLC**, a Delaware limited liability company  
**GPI GA-FM, LLC**, a Nevada limited liability company  
**GPI GA-SU, LLC**, a Nevada limited liability company  
**GPI GA-T, LLC**, a Delaware limited liability company  
**GPI GA-TII, LLC**, a Nevada limited liability company  
**By: GPI GA Holdings, Inc.**,  
 a Delaware corporation, its Sole Member

*[Continued on following page]*



**GPI NJ-HA, LLC**, a Nevada limited liability company

**GPI NJ-HII, LLC**, a Nevada limited liability company

**By: NJ-H, Inc.**

a Delaware corporation, its Sole Member

**GPI NJ-SB, LLC**, a Nevada limited liability company

**By: NJ-DM, Inc.**, a Delaware corporation, its Sole Member

**GPI NM-SC, LLC**,

a New Mexico limited liability company

**By: GPI NM-SB, Inc.**,

a New Mexico corporation, its Sole Member

**GPI NM-SCII, LLC**, a New Mexico limited liability company

**By: GPI NM-SBII, Inc.**,

a New Mexico corporation, its Sole Member

**GPI SC-SB, LLC**, a Delaware limited liability company

**GPI SC-T, LLC**, a Delaware limited liability company

**By: GPI SC Holdings, Inc.**,

a Delaware corporation, its Sole Member

**GPI FL-A, LLC**, a Nevada limited liability company

**GPI FL-H, LLC**, a Delaware limited liability company

**GPI FL-VW, LLC**, a Delaware limited liability company

**By: Group 1 FL Holdings, Inc.**,

a Delaware corporation, its Sole Member

**Ira Automotive Group, LLC**,

a Delaware limited liability company

**By: Danvers-T, Inc.**,

a Delaware corporation, its Sole Member

**GPI, Ltd.**, a Texas limited partnership

**Rockwall Automotive-DCD, Ltd.**, a Texas limited partnership

**By: Group 1 Associates, Inc.**,

a Delaware corporation, its General Partner

**By: /s/ Darryl M. Burman \_\_\_\_\_**

**Darryl M. Burman**

**Vice President of each of the above-named corporations**

*[Continued on following page]*

**Bohn Holdings, LLC**, a Delaware limited liability company

**Danvers-SU, LLC**, a Delaware limited liability company

**By: Group 1 Holdings-S, L.L.C.**,

a Delaware corporation, its Sole Member

**GPI MD-SB, LLC**, a Delaware limited liability company

**Group 1 Holdings-DC, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-F, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-GM, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-H, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-N, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-S, L.L.C.**,

a Delaware limited liability company

**Group 1 Holdings-T, L.L.C.**,

a Delaware limited liability company

**Howard-DCIII, LLC**, a Delaware limited liability company

**Key Ford, LLC**, a Delaware limited liability company

**By: Group 1 Automotive, Inc.**,

a Delaware corporation, its Sole Member

**By:** /s/ Darryl M. Burman  
**Darryl M. Burman**  
**Senior Vice President**

**AGENT, ISSUING BANK AND  
LENDER:**

**U.S. BANK NATIONAL ASSOCIATION**

By: /s/ Katherine A. Taylor  
Name: Katherine A. Taylor  
Title: Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: JPMORGAN CHASE BANK, N.A.**

By: /s/ Kody Nerios  
Name: Kody Nerios  
Title Authorized Officer

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: BANK OF AMERICA, N.A.**

By: /s/ David Smith  
Name: David Smith  
Title: Senior Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: /s/ Chad McNeill  
Name: Chad McNeill  
Title: Senior Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: MERCEDES-BENZ FINANCIAL SERVICES USA LLC**

By: /s/ Michele Nowak \_\_\_\_\_  
Name: Michele Nowak  
Title: Credit Director, National Accounts

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: TOYOTA MOTOR CREDIT CORPORATION**

By: /s/ Wade Osborne \_\_\_\_\_  
Name: Wade Osborne  
Title: National Account Manager

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*



**FLOOR PLAN AGENT, SWING COMERICA BANK  
LINE BANK AND LENDER:**

By: /s/ W. Cody Brackeen  
Name: W. Cody Brackeen  
Title: Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: BMW FINANCIAL SERVICES NA, LLC**

By: /s/ Alex Calcasola  
Name: Alex Calcasola  
Title: Credit Manager

By: /s/ Thomas Rumfola  
Name: Thomas Rumfola  
Title: General Manager, Credit

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: AMERICAN HONDA FINANCE CORPORATION**

By: /s/ Matthew Weitzer  
Name: Matthew Weitzer  
Title: Manager, Dealer Financial Services

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: BBVA USA, an Alabama banking corporation**

By: /s/ Collis Sanders

Name: Collis Sanders

Title: Executive Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: TRUIST BANK (FKA BRANCH BANKING & TRUST COMPANY)**

By: /s/ James Ford  
Name: James Ford  
Title: Managing Director

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: TD BANK, N.A.**

By: /s/ Judy Johnson  
Name: Judy Johnson  
Title: Vice President, Major Accounts, Market  
Credit Manager

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: MASSMUTUAL ASSET FINANCE LLC**

By: /s/ Donald Buttler  
Name: Donald Buttler  
Title: Senior Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: NYCB SPECIALTY FINANCE COMPANY, LLC**

By: /s/ Mark C. Mazmanian  
Name: Mark C. Mazmanian  
Title: First Senior Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*



**LENDER: KEYBANK NATIONAL ASSOCIATION**

By: /s/ Andrew Scott \_\_\_\_\_  
Name: Andrew Scott  
Title: Senior Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: CAPITAL ONE, N.A.**

By: /s/ Jeff Edge  
Name: Jeff Edge  
Title: Senior Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: PNC BANK, NATIONAL ASSOCIATION**

By: /s/ Andrea Kinnik  
Name: Andrea Kinnik  
Title: Senior Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: BARCLAYS BANK PLC**

By: /s/ Patricia Oreta  
Name: Patricia Oreta  
Title: Director  
Executed in New York

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: ZIONS BANCORPORATION, N.A. DBA AMEGY BANK**

By: /s/ Lauren Page  
Name: Lauren Page  
Title: Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: ALLY BANK**

By: /s/ Hope Bill \_\_\_\_\_  
Name: Hope Bill  
Title: Authorized Representative

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER: AMARILLO NATIONAL BANK**

By: /s/ Cory P. Ramsey  
Name: Cory P. Ramsey  
Title: Senior Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*

**LENDER:** BOKE, NA d/b/a BANK OF OKLAHOMA

By: /s/ Bryan T. Parises  
Name: Bryan T. Parises  
Title: Vice President

*Signature page to Second Amendment to Eleventh Amended and Restated Revolving Credit Agreement*



## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Earl J. Hesterberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2020 of Group 1 Automotive, Inc. (“registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Earl J. Hesterberg

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Earl J. Hesterberg

Chief Executive Officer

Date: November 4, 2020

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel J. McHenry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2020 of Group 1 Automotive, Inc. (“registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Daniel J. McHenry

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Daniel J. McHenry

Chief Financial Officer

Date: November 4, 2020

**CERTIFICATION OF  
CHIEF EXECUTIVE OFFICER  
OF GROUP 1 AUTOMOTIVE, INC.  
PURSUANT TO 18 U.S.C. § 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2020 filed with the Securities and Exchange Commission on the date hereof ("Report"), I, Earl J. Hesterberg, Chief Executive Officer of Group 1 Automotive, Inc. ("Company"), hereby certify that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Earl J. Hesterberg

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Earl J. Hesterberg  
Chief Executive Officer

Date: November 4, 2020

**CERTIFICATION OF  
CHIEF FINANCIAL OFFICER  
OF GROUP 1 AUTOMOTIVE, INC.  
PURSUANT TO 18 U.S.C. § 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2020 filed with the Securities and Exchange Commission on the date hereof ("Report"), I, Daniel J. McHenry, Chief Financial Officer of Group 1 Automotive, Inc. ("Company"), hereby certify that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel J. McHenry

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Daniel J. McHenry

Chief Financial Officer

Date: November 4, 2020