COGENT COMMUNICATIONS GROUP INC
Form 4
March 04, 2014

FORM 4

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

OMB APPROVAL
OMB Number: 3235-0287
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
BEURY ROBERT N JR

(Last) (First) (Middle)

1015 31ST ST., NW

(Street)

WASHINGTON, DC 20007

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
COGENT COMMUNICATIONS GROUP INC [CCOI]

3. Date of Earliest Transaction (Month/Day/Year)
03/03/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP & Chief Legal Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
common stock	03/03/2014 (1)		S		1,000	D	$ 37.89	43,640 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BEURY ROBERT N JR 1015 31ST ST., NW WASHINGTON, DC 20007			VP & Chief Legal Officer	

Signatures

Robert N. Beury, Jr.	03/04/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The sale of shares of common stock reported here was implemented pursuant to Mr. Beury's structured sale plan (10b5-1 plan).

(2) A portion of these securities is not vested.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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%

36.7

7.9
%

3.4

(0.1

)%
Selling, general and administrative—same store(1)
401.7

77.7
%

377.2

80.8
%

24.5

(3.1
)%
Acquisitions
—

—

Selling, general and administrative—actual
$
401.7

77.7
%

$
377.2

80.8
%

$
24.5

(3.1
)%
Gross Profit—same store(1)
$
517.2

$
466.7

Gross Profit—actual
$
517.2

$
466.7

(1)Same store information consists of amounts from dealerships for the identical months of each period presented in the comparison, commencing with the first full month in which an applicable dealership was owned by us.

Same store SG&A expense as a percentage of gross profit was 77.7% for the nine months ended September 30, 2010, as compared to 80.8% for the nine months ended September 30, 2009. The 310 basis point decrease was a result of (i) a 200 basis point decrease in personnel costs as a result of leveraging our fixed expenses, restructuring costs incurred in the nine months ended September 30, 2009 and lower fixed compensation expense resulting from the elimination of our regional management structure and staffing reductions and (ii) outside service expenses in the 2009 period associated with transitioning our dealerships to a common dealership management system.

During the 2009 period, we incurred $0.9 million of expense associated with the acceleration of rent associated with our former corporate headquarters in New York, NY, which is included in Rent above. During the 2010 period we reached an agreement with our associated lessor for a cash settlement in exchange for a termination of our remaining lease obligation.

Floor Plan Interest Expense-

The $2.1 million (15%) decrease in floor plan interest expense was primarily attributable to the lower short-term interest rate environment. Additionally, during the first nine months of 2010, we used excess cash to repay floor plan notes payable using floor plan offset accounts (as defined below) with certain of our floor plan lenders, effectively lowering our average floor plan notes payable balance during the nine months ended September 30, 2010 when compared to the prior year period. We had approximately $41.7 million in these floor plan offset accounts, on a daily weighted average basis, during the nine months ended September 30, 2010. We did not have any amounts in floor plan offset accounts during the 2009 period.

Income Tax Expense-

The $11.9 million increase in income tax expense was primarily a result of the $27.4 million increase in income before income taxes in the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009. Our effective tax rate increased 430 basis points from 34.5% for the 2009 period to 38.8% for the 2010 period. The increase in the effective rate was primarily the result of reducing certain tax reserves during the nine months ended September 30, 2009.

Discontinued Operations-

During the first nine months of 2010, we sold one franchise (one dealership location). The $2.0 million, net of tax, net loss from discontinued operations during the first nine months of 2010 consists of $2.5 million, net of tax, of income from insurance proceeds related to tornado damage to the unused real estate of one of our former dealership locations in Yazoo City,

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Mississippi, offset by (i) $2.9 million, net of tax, of net operating losses of franchises sold prior to September 30, 2010, including primarily rent and other expenses of idle facilities, (ii) $1.3 million, net of tax, of impairment expenses related to certain property not currently used in our operations, (iii) $0.2 million, net of tax, of rent acceleration on certain real estate not currently used in our operations and (iv) a $0.1 million, net of tax, loss on the sale of one franchise (one dealership location).

The $6.0 million, net of tax, net loss from discontinued operations during the first nine months of 2009 includes (i) $5.9 million of net operating losses of franchises sold prior to September 30, 2010, including rent and other expenses of idle facilities and (ii) $2.5 million, net of tax, of rent accelerations on real estate not currently used in our operations, partially offset by a $2.4 million, net of tax, net gain on the sale of four franchises (three dealership locations).

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2010, we had total available liquidity of $250.5 million, including cash and cash equivalents of $9.1 million, borrowing availability of $170.9 million under our various credit facilities and $70.5 of availability under new vehicle floor plan offset accounts with certain of our floor plan lenders, which are generally accessible within one to two days. The total borrowing capacity under our credit facilities of $200.0 million is limited by a borrowing base calculation and, from time to time, may be further limited by our required compliance with certain financial covenants. These financial covenants currently do not further limit our availability under our credit facilities. For a detailed discussion of our financial covenants, see “Covenants” below. In addition, in October 2010 we received a $14.4 million federal income tax refund as a result of carrying back our 2009 net operating loss to a prior period.

We continuously evaluate our liquidity and capital resources based upon (i) our cash and cash equivalents on hand, (ii) the funds that we expect to generate through future operations, (iii) current and expected borrowing availability under our revolving credit facilities, floor plan facilities and mortgage financing, (iv) amounts in our new vehicle floor plan notes payable offset accounts and (v) the potential impact of any contemplated or pending future transactions, including, but not limited to, financings, acquisitions, dispositions or other capital expenditures. We believe we will have sufficient liquidity to meet our debt service and working capital requirements; commitments and contingencies; debt repayments, maturities and repurchases; acquisitions; capital expenditures; and any operating requirements for at least the next twelve months.

We have the following material credit facilities, mortgage notes, senior subordinated notes and inventory financing facilities as of September 30, 2010. For a more detailed description of the material terms of our various debt agreements, refer to the “Floor Plan Notes Payable” and “Long-Term Debt” footnotes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

- Revolving credit facility - $150.0 million revolving credit facility with Bank of America, N.A. as administrative agent, and a syndicate of commercial banks and commercial financing entities (the “BofA Revolving Credit Facility”) for working capital, general corporate purposes and acquisitions.
- Used vehicle facility - $50.0 million used vehicle floor plan facility with JPMorgan Chase Bank, N.A. and Bank of America (the “JPMorgan Used Vehicle Floor Plan Facility”) for working capital, capital expenditures and general corporate purposes.
- Mortgage notes - $163.4 million of mortgage notes payable to Wells Fargo Bank, National Association, successor by merger to Wachovia Bank National Association, and Wachovia Financial Services, Inc., a North Carolina corporation (together referred to as “Wachovia”). These mortgage notes payable are secured by the related underlying property.
- 3% Convertible Notes - $29.5 million in aggregate principal amount of our 3% Convertible Notes outstanding, offset by $2.0 million of an unamortized discount. We are required to pay interest on the 3% Convertible Notes on March 15 and September 15 of each year until their maturity on September 15, 2012.
- 8% Senior Subordinated Notes due 2014 (“8% Notes”) - $179.4 million in aggregate principal amount of our 8% Notes outstanding, offset by $3.7 million of hedging activity. We are required to pay interest on the 8% Notes on March 15 and September 15 of each year until their maturity on March 15, 2014.

- 7.625% Senior Subordinated Notes due 2017 ("7.625% Notes") - $143.2 million in aggregate principal amount of our 7.625% Notes outstanding. We are required to pay interest on the 7.625% Notes on March 15 and September 15 of each year until their maturity on March 15, 2017.
- Inventory financing ("Floor plan") facilities - $283.3 million outstanding with lenders affiliated with the manufacturers from which we purchase new vehicles and $72.3 million outstanding with lenders not affiliated with any such manufacturers. The availability under our floor plan facilities is not limited, with

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the exception of an $18.0 million limitation in aggregate borrowings for the purchase of Chrysler, Dodge and Jeep new vehicle inventory and a $30.0 million limitation in aggregate borrowings for the purchase of Hyundai, Kia, Audi, Porsche, Volkswagen, Land Rover and Jaguar new vehicle inventory. In addition to the facilities described above, we have established accounts with certain manufacturers that allow us to transfer cash to an account as an offset to floor plan notes payable (“floor plan offset accounts”) that reduces our outstanding new vehicle floor plan notes payable while retaining the ability to transfer amounts from the offset accounts into our operating cash accounts within one to two days. As of September 30, 2010, we had $70.5 million in these floor plan offset accounts.

Under the terms of our credit facilities and certain mortgage notes payable, our ability to incur new indebtedness is currently limited to (i) permitted floor plan indebtedness, (ii) real estate loans in an aggregate amount not to exceed $12.0 million, (iii) certain refinancing, refunds, renewals or extensions of existing indebtedness and (iv) other customary permitted indebtedness.

Subordinated Note Repurchases

During the third quarter of 2010, we recognized a $1.3 million net loss on the extinguishment of long-term debt. Included in the $1.3 million net loss was a $0.8 million gain on the repurchase of $25.2 million of our 3% Convertible Notes for $24.4 million, offset by (i) a $1.8 million pro-rata write-off of the unamortized discount associated with the repurchased 3% Convertible Notes and (ii) a $0.3 million pro-rata write-off of debt issuance costs.

As of September 30, 2010, we were authorized by our Board of Directors to use up to $5.6 million of cash to repurchase debt securities and/or make unscheduled principal payments on our existing mortgages. This authorization expires on February 28, 2011. Currently, our BofA Revolving Credit Facility and our JPMorgan Used Vehicle Floor Plan Facility limit our ability to purchase our debt securities to $30.0 million per calendar year, plus 50% of the net proceeds from any asset sales during any given calendar year. We may, from time to time in the future, repurchase our 3% Convertible Notes, 8% Notes and/or 7.625% Notes in open market purchases or privately negotiated transactions. The decision to repurchase subordinated notes will be dependent upon prevailing market conditions, our liquidity position, contractual restrictions, such as those set forth above, and other factors.

Covenants

We are subject to a number of financial covenants in our various debt and lease agreements, including those described below. We were in compliance with all of our financial covenants as of September 30, 2010. Additionally, there were no material changes made to the terms of our financial covenants during the three months ended September 30, 2010.

Our BofA Revolving Credit Facility, JPMorgan Used Vehicle Floor Plan Facility and certain of our mortgages and/or guarantees related to such mortgages include certain financial covenants. In July 2009, we amended the BofA Revolving Credit Facility, which among other things, eliminated the total leverage ratio and reduced the required fixed charge coverage ratio from 1.20 to 1.00 to 1.10 to 1.00 for each four fiscal quarter period ending on or before September 30, 2010. For periods ending after September 30, 2010, the fixed charge coverage ratio will return to 1.20 to 1.00. At our option and with 30 days' written notice, the indebtedness limitation, as described above, may be removed in conjunction with the reinstatement of the total leverage ratio to the terms as set forth in the BofA Revolving Credit Facility prior to the July 2009 amendment.

Our guarantees under the Wachovia Master Loan Agreement include required compliance with certain financial covenants. In May 2009, we amended the Wachovia Master Loan Agreement, which among other things, eliminated the requirement that we comply with a total leverage ratio, but imposed significant additional limitations on our ability to incur new indebtedness. At our option and with 30 days' written notice, this indebtedness limitation may be removed in conjunction with the reinstatement of the total leverage ratio to the terms as set forth in the Wachovia Master Loan Agreement prior to the May 2009 amendment.

Certain of our lease agreements include financial covenants and incorporate by reference the financial covenants set forth in the BofA Revolving Credit Facility.

Share Repurchases Related to Employee Benefit Plan Awards

During the first nine months of 2010, we repurchased 20,264 shares of our common stock for $0.3 million from employees in connection with a net share settlement feature of our employee benefit plan share-based awards.

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Cash Flow

Classification of Cash Flows Associated with Floor Plan Notes Payable

Borrowings and repayments of floor plan notes payable to a lender unaffiliated with the manufacturer from which we purchase a particular new vehicle ("Non-Trade"), and all floor plan notes payable relating to pre-owned vehicles (collectively referred to as “Floor Plan Notes Payable - Non-Trade”), are classified as financing activities on the accompanying Condensed Consolidated Statements of Cash Flows, with borrowings reflected separately from repayments. The net change in floor plan notes payable to a lender affiliated with the manufacturer from which we purchase a particular new vehicle (collectively referred to as “Floor Plan Notes Payable - Trade”) is classified as an operating activity on the accompanying Condensed Consolidated Statements of Cash Flows. Borrowings of floor plan notes payable associated with inventory acquired in connection with all acquisitions are classified as a financing activity. Cash flows related to floor plan notes payable included in operating activities differ from cash flows related to floor plan notes payable included in financing activities only to the extent that the former are payable to a lender affiliated with the entity from which we purchased the related inventory, while the latter are payable to a lender not affiliated with the entity from which we purchased the related inventory.

Floor plan borrowings are required by all vehicle manufacturers for the purchase of new vehicles, and all floor plan lenders require amounts borrowed for the purchase of a vehicle to be repaid within a specified time period after the related vehicle is sold. As a result, we believe that it is important to understand the relationship between the cash flows of all of our floor plan notes payable and new vehicle inventory in order to understand our working capital and operating cash flow and to be able to compare our operating cash flow to that of our competitors (i.e., if our competitors have a different mix of trade and non-trade floor plan financing as compared to us). In addition, we include all floor plan borrowings and repayments in our internal operating cash flow forecasts. As a result, we use the non-GAAP measure (defined below) “cash provided by operating activities, as adjusted” to compare our results to forecasts. We believe that splitting the cash flows of floor plan notes payable between operating activities and financing activities, while all new vehicle inventory activity is included in operating activities, results in significantly different operating cash flow than if all the cash flows of floor plan notes payable were classified together in operating activities.

Cash provided by operating activities, as adjusted, includes borrowings and repayments of floor plan notes payable to lenders not affiliated with the manufacturer from which we purchase the related vehicle. Cash provided by operating activities, as adjusted, has material limitations. Cash provided by operating activities, as adjusted, may not be comparable to similarly titled measures of other companies and should not be considered in isolation, or as a substitute for analysis of our operating results in accordance with GAAP. In order to compensate for these potential limitations we also review the related GAAP measures.

As described above, cash provided by operating activities, as adjusted, is not a measure of operating performance under U.S. generally accepted accounting principles (“GAAP”) and should not be considered as an alternative or substitute for GAAP profitability measures such as cash provided by operating activities. This non-GAAP operating performance measure has material limitations and as a result should be evaluated in conjunction with the directly comparable GAAP measure. For example, this non-GAAP measure is not defined by GAAP and our definition of the measure may differ from and therefore may not be comparable to similarly titled measures used by other companies, thereby limiting its usefulness as a comparative measure. In order to compensate for these limitations, we also review the related GAAP measures. Investors should not consider non-GAAP measures in isolation, or as a substitute for analysis of our operating results as reported under GAAP.

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We have provided below a reconciliation of cash flow from operating activities, as if all changes in floor plan notes payable, except for (i) borrowings associated with acquisitions and repayments associated with divestitures and (ii) borrowings and repayments associated with the purchase of used vehicle inventory, were classified as an operating activity.

	For the Nine Months Ended September 30,	
	2010	2009
	(In millions)	
Reconciliation of cash (used in) provided by operating activities to cash (used in) provided by operating activities, as adjusted		
Net cash (used in) provided by operating activities, as reported	$(44.0)	$59.7
New vehicle floor plan borrowings (repayments)—non-trade, net	(3.8)	(66.9)
Floor plan notes payable—trade divestitures	5.9	10.2
Net cash (used in) provided by operating activities, as adjusted	$(41.9)	$3.0

Operating Activities-

Net cash used in operating activities totaled $44.0 million and net cash used in operating activities, as adjusted, totaled $41.9 million during the nine months ended September 30, 2010. Net cash provided by operating activities totaled $59.7 million and net cash provided by operating activities, as adjusted, totaled $3.0 million during the nine months ended September 30, 2009. Net cash used in or provided by operating activities, as adjusted, includes net income adjusted for non-cash items and changes in working capital, including changes in floor plan notes payable and inventory.

The $44.9 million decrease in our cash provided by operating activities, as adjusted, for the nine months ended September 30, 2010, compared to the nine months ended September 30, 2009, was primarily the result of the following;

- $70.5 million related to the use of excess cash to repay new vehicle floor plan notes payable using floor plan offset accounts with three of our floor plan lenders,
- $29.7 million related to the timing of collection of accounts receivable and contracts-in-transit, and
- $14.9 million change in other current assets related to (i) $10.1 million primarily related to an expected federal tax refund related to carrying back our 2009 net operating loss to a prior period and (ii) $8.0 million related to restricted cash in the 2009 period for the repayment of certain mortgage notes payable.

The decrease in our cash provided by operating activities, as adjusted, was primarily offset by the following;

- $24.7 million increase in net income adjusted for non-cash items,
- $25.0 million increase related to the timing of sale of inventory and repayment of the related floor plan notes payable, and
- $20.1 million increase related to the timing of payment of accounts payable and accrued expenses.

Investing Activities-

Net cash provided by investing activities totaled $3.9 million and $18.6 million for the nine months ended September 30, 2010 and 2009, respectively. Cash flows from investing activities relate primarily to capital expenditures, acquisition and divestiture activity and the sale of property and equipment.

Capital expenditures totaled $15.9 million and $6.1 million for the nine months ended September 30, 2010 and 2009, respectively. Our capital investments consisted of the construction of a new dealership facility, upgrades of our existing facilities and equipment purchases. We expect that capital expenditures during 2010 will total between $25.0 million and $30.0 million.

Proceeds from the sale of assets totaled $15.5 million and $25.3 million for the nine months ended September 30, 2010 and 2009, respectively. We continuously evaluate the financial and operating results of our dealerships, as well as each dealership's geographical location, and may continue to refine our dealership portfolio through strategic acquisitions and divestitures from time to time.

During the nine months ended September 30, 2010 we received insurance proceeds related to tornado damage to the unused real estate of one of our former dealership locations in Yazoo City, Mississippi totaling $4.9 million, which is included in Other Investing Activities on our accompanying Condensed Consolidated Statement of Cash Flows.

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Financing Activities-

Net cash used in financing activities totaled $35.5 million and $136.2 million during the nine months ended September 30, 2010 and 2009, respectively.

During the first nine months of 2010 and 2009, repayments of borrowings amounted to $30.8 million and $67.7 million, respectively. The repayments of borrowings during the nine months ended September 30, 2010 were primarily related to the repurchase of $25.2 million of our 3% Convertible Notes. The repayments of borrowings during the nine months ended September 30, 2009 were primarily related to a $50.0 million repayment of borrowings from our BofA Revolving Credit Facility.

During the nine months ended September 30, 2009, we repaid $2.9 million of non-trade floor plan notes payable associated with the sale of dealerships.

Pending Acquisitions and Divestitures

Assets and liabilities held for sale includes real estate not currently used in our operations that we currently intend to sell, and totaled $12.8 million as of September 30, 2010. There were no franchises pending disposition as of September 30, 2010.

Share Repurchase and Dividend Restrictions

Pursuant to the indentures governing our 8% Notes and our 7.625% Notes, and the agreements governing our BofA Revolving Credit Facility and our JPMorgan Used Vehicle Floor Plan Facility, our ability to repurchase shares of our common stock and pay cash dividends is limited. Such limits are calculated by adding 50% of cumulative net income or subtracting 100% of cumulative net losses (the “Cumulative Net Income Basket”) from each applicable period. The most restrictive covenant of such agreements provides that we may spend $25.0 million in addition to any amounts provided by the Cumulative Net Income Basket to repurchase common stock or pay dividends. As of September 30, 2010, our ability to repurchase common stock or pay dividends was limited to $2.0 million under this covenant.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements during the periods presented other than those disclosed in Note 11 of our accompanying condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market risk from fluctuations in interest rates on a significant portion of our outstanding indebtedness. Based on our $382.1 million of total variable rate debt (including floor plan notes payable) outstanding as of September 30, 2010, a 1% change in interest rates would result in a change of approximately $3.8 million to our annual other interest expense.

Hedging Risk

We have an interest rate swap with a notional principal amount of $125.0 million as of September 30, 2010. The swap was designed to provide a hedge against changes in variable rate interest payments through maturity in June 2013. This swap is collateralized by our assets that do not otherwise have a first priority lien granted on such assets. This interest rate swap qualifies for cash flow hedge accounting treatment and contains minor ineffectiveness.

We have a separate interest rate swap with a notional principal amount of $11.8 million as of September 30, 2010. The swap was designed to provide a hedge against changes in variable rate interest payments through maturity in June 2011. The notional value of this swap is reduced over its term. This interest rate swap qualifies for cash flow hedge accounting treatment and contains minor ineffectiveness.

For additional information about the effect of our derivative instruments on the accompanying condensed consolidated financial statements, see Note 7, “Financial Instruments” of the notes thereto.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the Company's chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). Based on this evaluation, the Company's chief executive officer and chief

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financial officer concluded that, as of the end of such period, such disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time period specified in the rules and forms of the U.S. Securities and Exchange Commission and (ii) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. The Company's management, including the chief executive officer and the chief 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 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 individual 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.

There was no change in our internal control over financial reporting during the third quarter of 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. In June 2010, the Company announced that it has chosen to transition its dealerships' dealer management systems to Automatic Data Processing, Inc. (“ADP”). As of September 30, 2010, we had implemented ADP at 4 of our 80 dealership locations. As appropriate, and in connection with this transition, the Company plans to modify the documentation of its internal control processes and procedures to supplement and complement its existing internal controls over financial reporting.

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PART II. OTHER INFORMATION

Item 6. Exhibits

4.1	Second Supplemental Indenture, dated as of August 17, 2010, among Asbury Automotive Group, Inc. and the Subsidiaries of Asbury Automotive Group, Inc. listed on Schedule II thereto, the other Guarantors listed on Schedule I thereto and The Bank of New York Mellon, as Trustee, related to the 3.00% Senior Subordinated Notes due 2012 of Asbury Automotive Group, Inc.
31.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Asbury Automotive Group, Inc. (Registrant)	
Date: October 27, 2010	By:	/s/ CHARLES R. OGLESBY
	Name:	Charles R. Oglesby
	Title:	Chief Executive Officer and President
Date: October 27, 2010	By:	/s/ CRAIG T. MONAGHAN
	Name:	Craig T. Monaghan
	Title:	Senior Vice President and Chief Financial Officer (Principal Financial Officer)

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INDEX TO EXHIBITS

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31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002