

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 8, 1997
 REGISTRATION NO. 333-
 SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 FORM S-1

REGISTRATION STATEMENT
 UNDER
 THE SECURITIES ACT OF 1933
 SONIC AUTOMOTIVE, INC.

(Exact name of registrant as specified in its charter)

<TABLE>			
<S>	DELAWARE	<C>	5511
	(State or Other Jurisdiction of	(Primary Standard Industrial	56-2010790
	Incorporation or Organization)	Classification Code Number)	(I.R.S. Employer
</TABLE>			Identification No.)

5401 EAST INDEPENDENCE BOULEVARD
 P.O. BOX 18747
 CHARLOTTE, NORTH CAROLINA 28218
 TELEPHONE (704) 532-3301

(Address, including zip code, and telephone number, including
 area code, of Registrant's principal executive offices)

MR. O. BRUTON SMITH
 CHIEF EXECUTIVE OFFICER
 SONIC AUTOMOTIVE, INC.
 5401 EAST INDEPENDENCE BOULEVARD
 P.O. BOX 18747
 CHARLOTTE, NORTH CAROLINA 28218
 TELEPHONE (704) 532-3301

(Name, address, including zip code, and telephone number, including
 area code, of agent for service)

COPIES TO:

<TABLE>		<C>	
<S>	GARY C. IVEY, ESQ.		STUART H. GELFOND, ESQ.
	PARKER, POE, ADAMS & BERNSTEIN L.L.P.		FRIED, FRANK, HARRIS, SHRIVER & JACOBSON
	2500 CHARLOTTE PLAZA		ONE NEW YORK PLAZA
	CHARLOTTE, NORTH CAROLINA 28244		NEW YORK, NEW YORK 10004
</TABLE>	TELEPHONE (704) 372-9000		TELEPHONE (212) 859-8000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:

As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on
 a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
 1933, check the following box. ()

If this Form is filed to register additional securities for an offering
 pursuant to Rule 462(b) under the Securities Act, please check the following box
 and list the Securities Act registration statement number of the earlier
 effective registration statement for the same offering. ()

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
 under the Securities Act, check the following box and list the Securities Act
 registration statement number of the earlier effective registration statement
 for the same offering. ()

If delivery of the prospectus is expected to be made pursuant to Rule 434,
 please check the following box. ()

CALCULATION OF REGISTRATION FEE

<TABLE>			
<CAPTION>			
<S>	TITLE OF CLASS OF SECURITIES TO BE REGISTERED	<C>	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1) (2)
<S>	Class A Common Stock, par value \$.01 per share.....	<C>	\$104,000,000
</TABLE>		<C>	AMOUNT OF REGISTRATION FEE \$31,516

(1) Includes shares that the Underwriters have the option to purchase to cover
 over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee
 pursuant to Rule 457 under the Securities Act of 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR

DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8 (A), MAY DETERMINE.

SONIC AUTOMOTIVE, INC.

CROSS-REFERENCE SHEET
 PURSUANT TO SECTION 501(B)(4) OF REGULATION S-K SHOWING LOCATION
 IN THE PROSPECTUS OF INFORMATION REQUIRED BY
 ITEMS OF PART I OF FORM S-1

<TABLE>	
<CAPTION>	
REGISTRATION STATEMENT ITEM AND CAPTION	PROSPECTUS HEADING OR LOCATION
<C> <S>	<C>
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Facing Page; Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front and Outside Back Cover Pages; Additional Information
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; Risk Factors
4. Use of Proceeds.....	Prospectus Summary; Use of Proceeds
5. Determination of Offering Price.....	Outside Front Cover Page; Underwriting
6. Dilution.....	Dilution
7. Selling Security Holders.....	Not Applicable
8. Plan of Distribution.....	Outside Front Cover Page; Underwriting
9. Description of Capital Stock to be Registered... Capital	Outside Front Cover Page; Dividend Policy; Description of Stock
10. Interests of Named Experts and Counsel.....	Not Applicable
11. Information with Respect to the Registrant..... The Policy; Data; Management's of Principal for	Outside Front Cover Page; Prospectus Summary; Risk Factors; Reorganization; The Acquisitions; Use of Proceeds; Dividend Capitalization; Selected Combined and Consolidated Financial Pro Forma Combined and Consolidated Financial Data; Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Certain Transactions; Stockholders; Description of Capital Stock; Shares Eligible for Future Sale; Financial Statements
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities..	Not Applicable

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE

SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION
 PRELIMINARY PROSPECTUS DATED , 1997
 PROSPECTUS
 SHARES
 [LOGO TO COME] SONIC AUTOMOTIVE, INC.
 CLASS A COMMON STOCK

All of the shares of Class A Common Stock, par value \$.01 per share (the "Class A Common Stock"), offered hereby are being sold by Sonic Automotive,

Inc. ("Sonic" or the "Company").

Each share of Class A Common Stock entitles its holder to one vote per share. Each share of Class B Common Stock, par value \$.01 per share (the "Class B Common Stock," and together with the Class A Common Stock, the "Common Stock"), entitles the holder to ten votes per share, except in certain limited circumstances. All of the shares of Class B Common Stock are held by the members of the Smith Group (as defined herein), who are all of the stockholders of the Company prior to the consummation of the Offering. After consummation of the Offering, the Smith Group will beneficially own shares representing approximately % of the combined voting power of the Company's Common Stock (approximately % if the underwriters' over-allotment option is exercised in full). See "Description of Capital Stock -- Common Stock."

Prior to the Offering, there has been no public market for the Class A Common Stock. It is currently estimated that the initial public offering price will be between \$ and \$ per share. For a discussion of factors to be considered in determining the initial public offering price, see "Underwriting."

The Company intends to apply for listing of the Class A Common Stock on the New York Stock Exchange under the symbol "DLR."

SEE "RISK FACTORS" BEGINNING ON PAGE 10 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE CLASS A COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>				
<CAPTION>				
<S>	<C>		<C>	<C>
PROCEEDS TO		PRICE TO	UNDERWRITING	
		PUBLIC	DISCOUNT (1)	
COMPANY (2)				
<S>	<C>		<C>	<C>
Per Share.....		\$	\$	
\$				
Total (3).....		\$	\$	
\$				
</TABLE>				

- (1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting expenses payable by the Company estimated at \$.
- (3) The Company has granted to the Underwriters an option, exercisable within 30 days of the date hereof, to purchase up to an aggregate of additional shares of Class A Common Stock solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discount and Proceeds to Company will be \$, \$ and \$, respectively. See "Underwriting."

The shares of Class A Common Stock are being offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares of Class A Common Stock will be made in New York, New York on or about , 1997.

MERRILL LYNCH & CO.

MONTGOMERY SECURITIES

WHEAT FIRST BUTCHER SINGER

The date of this Prospectus is , 1997.

[Photographs of various of the Company's dealerships and a map of the United States showing locations of the Company's operations]

The Company intends to furnish its stockholders with annual reports containing financial statements audited by its independent public accountants and will make available copies of its quarterly reports for the first three quarters of each year.

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE CLASS A COMMON STOCK. SUCH TRANSACTIONS MAY INCLUDE STABILIZING, THE PURCHASE OF COMMON STOCK TO COVER SYNDICATE SHORT POSITIONS AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

This Prospectus includes statistical data regarding the retail automotive industry. Unless otherwise indicated herein, such data is taken or derived from

information published by a division of Intertec Publishing Corp. in its "Ward's Dealer Business", Crain's Communications, Inc. in its "Automotive News" and "1997 Market Data Book" and by the Industry Analysis Division of the National Automobile Dealers Association ("NADA") in its "Industry Analysis and Outlook" and "Automotive Executive Magazine" publications.

No Manufacturer (as defined in this Prospectus) has been involved, directly or indirectly, in the preparation of this Prospectus or in the Offering being made hereby. Although, as described in this Prospectus, Manufacturers will have granted consents for various of the Acquisitions (as defined herein) and for this Offering, no Manufacturer has made any statements or representations for the purpose of such statements or representations being included in this Prospectus, and no Manufacturer has any responsibility for the accuracy or completeness of this Prospectus.

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PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY, AND SHOULD BE READ IN CONJUNCTION WITH, THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS (INCLUDING THE NOTES THERETO) APPEARING ELSEWHERE IN THIS PROSPECTUS. REFERENCES IN THIS PROSPECTUS TO "SONIC" OR THE "COMPANY" (I) ARE TO SONIC AUTOMOTIVE, INC. AND, UNLESS THE CONTEXT INDICATES OTHERWISE, ITS CONSOLIDATED SUBSIDIARIES AND THEIR RESPECTIVE PREDECESSORS, (II) GIVE EFFECT TO A RECENTLY COMPLETED REORGANIZATION (AS DEFINED BELOW) OF THE COMPANY AND (III) ASSUME THAT THE COMPANY HAS CONSUMMATED THE ACQUISITION OF THE ASSETS OR ALL THE CAPITAL STOCK OF SIX ADDITIONAL DEALERSHIPS OR DEALERSHIP GROUPS, AS DESCRIBED HEREIN, IN NORTH CAROLINA, TENNESSEE, FLORIDA, GEORGIA AND SOUTH CAROLINA (THE "ACQUISITIONS"). SEE "THE ACQUISITIONS." REFERENCES TO THE "OFFERING" ARE TO THE OFFERING OF CLASS A COMMON STOCK MADE HEREBY. UNLESS OTHERWISE INDICATED, ALL INFORMATION IN THIS PROSPECTUS GIVES RETROACTIVE EFFECT TO A -FOR-1 STOCK SPLIT TO BE CONSUMMATED IMMEDIATELY PRIOR TO THE CONSUMMATION OF THE OFFERING (THE "STOCK SPLIT") AND ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTION IS NOT EXERCISED. THE ACQUISITIONS WILL BE CONSUMMATED ON OR BEFORE THE CLOSING OF THE OFFERING.

THE COMPANY

Sonic Automotive, Inc. is one of the leading automotive retailers in the United States, operating 20 dealerships, four standalone used vehicle facilities and eight collision repair centers in the southeastern and southwestern United States. Sonic sells new and used cars and light trucks, sells replacement parts, provides vehicle maintenance, warranty, paint and repair services and arranges related financing and insurance ("F&I") for its automotive customers. The Company's business is geographically diverse, with dealership operations in the Charlotte, Chattanooga, Nashville, Tampa-Clearwater, Houston and Atlanta markets, each of which the Company believes are experiencing favorable demographic trends. Sonic sells 17 domestic and foreign brands, which consist of BMW, Cadillac, Chrysler, Dodge, Eagle, Ford, Honda, Infiniti, Jaguar, Jeep, KIA, Oldsmobile, Plymouth, Saturn, Toyota, Volkswagen and Volvo. In several of its markets, the Company has a significant market share for new cars and light trucks, including 13.7% in Charlotte and 12.6% in Chattanooga in 1996. Pro forma for the Acquisitions, the Company had revenues of \$916.1 million and retail unit sales of 24,114 new and 13,453 used vehicles in 1996. The Company believes that in 1996, based on pro forma retail unit sales it would have been one of the ten largest dealer groups out of a total of more than 15,000 dealer groups in the United States and, based on pro forma revenues, it would have had three of the top 100 single-point dealerships in the United States.

The Company's founder and Chief Executive Officer, O. Bruton Smith, has over 30 years of automotive retailing experience. In addition, the Company's other executive officers, regional vice presidents and executive managers have on average 18 years of automotive retailing experience. The Company's dealerships have won the highest attainable awards from various manufacturers measuring quality and customer satisfaction. These awards include the Five Star Award from Chrysler, the Chairman's Award from Ford, the President's Award from BMW and the President's Circle Award from Infiniti. In addition, the Company was named to Ford's Top 100 Club, which consists of Ford's top 100 retailers based on retail volume and consumer satisfaction. Also, various members of the management team have served on several manufacturer dealer councils which act as liaisons between the manufacturers and dealer groups. As an example of the industry's recognition of the Company's executives, Nelson E. Bowers, II, the Company's Executive Vice President, participated in the development of the Saturn brand and was awarded in 1990 the first Saturn dealership in the United States.

The Company intends to pursue an acquisition growth strategy led by a management team that has experience in the consolidation of both automotive retailing as well as motor sports businesses. Bruton Smith, who is also the Chief Executive Officer of Speedway Motorsports, Inc., the owner and operator of several motor sports facilities, first entered the automotive retailing business in the mid-1960's. Mr. Smith will devote approximately 50% of his business time to the Company. Since 1990, Mr. Smith has successfully acquired three dealerships and increased revenues from his dealerships from \$199.4 million in

1992 to \$376.6 million in 1996, without giving effect to the Acquisitions. In the Tennessee market, Mr. Bowers has acquired or opened eight dealerships since 1992 and increased revenues from \$36.0 million in 1992 to \$181.9 million in 1996.

The Company believes the competitive advantages which differentiate it from its local competitors include the reputation of the Company's management in the automotive retailing industry, regional and national economies of scale, brand and geographic diversity, and the established customer base and local name recognition of the Company's dealerships. The Company has developed and implemented several growth strategies to capitalize on these competitive advantages. One of these is to continue to expand its operations in the Southeast and Southwest by acquiring additional dealerships both within its current markets and in new markets. The Company also is seeking additional growth from the increased sale of higher margin products and services such as wholesale parts, after-market products, collision repair services and F&I.

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The Company believes that an opportunity exists for dealership groups with significant equity capital and experience in identifying, acquiring and professionally managing dealerships, to acquire additional dealerships and capitalize on changes in the automotive retailing industry. With approximately \$640 billion in 1996 sales, automotive retailing is the largest consumer retail market in the United States. The industry today is highly fragmented, with the largest 100 dealer groups generating less than 10% of total sales revenues and controlling less than 5% of all new vehicle dealerships. The Company believes that these factors, together with increasing capital costs of operating automobile dealerships, the lack of alternative exit strategies (especially for larger dealerships) and the aging of many dealership owners provide attractive consolidation opportunities.

GROWTH STRATEGY

(Bullet) ACQUIRE DEALERSHIPS. The Company plans to implement a "hub and spoke" acquisition program primarily by pursuing (i) well-managed dealerships in new metropolitan and growing suburban geographic markets, and (ii) dealerships that will allow the Company to capitalize on regional economies of scale, offer a greater breadth of products and services in any of its markets or increase brand diversity.

NEW MARKETS. The Company looks to acquire well-managed dealerships in geographic markets it does not currently serve, principally in the Southeast and Southwest regions of the United States. The Company will target dealers having superior operational and financial management. Generally, the Company will seek to retain the acquired dealerships' operational and financial management, and thereby benefit from their market knowledge, name recognition and local reputation.

EXISTING MARKETS. The Company seeks growth in its operations within existing markets by acquiring dealerships that increase the brands, products and services offered in those markets. These acquisitions should produce opportunities for additional operating efficiencies, promote increased name recognition and provide the Company with better opportunities for repeat and referral business.

(Bullet) PURSUE OPPORTUNITIES IN ANCILLARY PRODUCTS AND SERVICES. The Company intends to pursue opportunities to increase its sales of higher-margin products and services by expanding its collision repair centers and its wholesale parts and after-market products businesses, which, other than after market products, are not directly related to the new vehicle cycle.

COLLISION REPAIR CENTERS. The Company's collision repair business provides favorable margins and is not significantly affected by economic cycles or consumer spending habits. The Company believes that, because of the high capital investment required for collision repair shops, and the cost of complying with environmental and worker safety regulations, large volume body shops will be more successful in the future than smaller volume shops. The Company believes that this industry will consolidate and that it will be able to expand its collision repair business. The Company believes that opportunities exist for those automotive retailers that can establish relationships with major insurance carriers. The Company currently participates in 35 direct repair programs with major insurance companies and its relationships with these carriers provide a source of collision repair customers. The Company currently has eight collision repair centers accounting for approximately \$8.9 million in pro forma revenue for the year ended 1996.

WHOLESALE PARTS. Over time, the Company plans to capitalize on its growing representation of numerous manufacturers in order to increase its sales of factory authorized parts to wholesale buyers such as independent mechanical and body repair garages and rental and commercial fleet operators.

AFTER-MARKET PRODUCTS. The Company intends to expand its offerings of after-market products in many of its dealership locations. After-market products, such as custom wheels, performance parts, telephones and other accessories, enable the dealership to capture incremental revenue on new and used vehicle sales.

- (Bullet) ENHANCE PROFIT OPPORTUNITIES IN FINANCE AND INSURANCE. The Company offers its customers a wide range of financing and leasing alternatives for the purchase of vehicles, as well as credit life, accident and health and disability insurance and extended service contracts. As a result of its size and scale, the Company believes it will be able to negotiate with the lending institutions that purchase its financing contracts to increase the Company's revenues. Likewise, the Company expects to negotiate to increase the commissions it earns on extended service and insurance products.
- (Bullet) INCREASE USED VEHICLE SALES. The Company believes that there will be opportunities to improve the used vehicle departments at several of its dealerships. The Company currently operates four standalone used vehicle facilities. In 1998, the Company intends to convert part of an existing facility in Nashville to a used vehicle facility. It also intends to develop facilities in other markets where management believes an opportunity exists.

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OPERATING STRATEGY

- (Bullet) OPERATE MULTIPLE DEALERSHIPS IN GEOGRAPHICALLY DIVERSE MARKETS. The Company operates dealerships in Charlotte, Chattanooga, Nashville, Tampa-Clearwater, Houston and Atlanta. By operating in several locations throughout the United States, the Company believes it will be better able to insulate its earnings from local economic downturns. In addition, the Company believes that by establishing a significant market presence in its operating regions, it will be able to provide superior customer service through a market-specific sales, service, marketing and inventory strategy. The Company's market share in its Charlotte and Chattanooga markets was 13.7% and 12.6%, respectively in 1996.
- (Bullet) ACHIEVE HIGH LEVELS OF CUSTOMER SATISFACTION. Customer satisfaction has been and will continue to be a focus of the Company. The Company's personalized sales process is intended to satisfy customers by providing high-quality vehicles in a positive, "consumer friendly" buying environment. Manufacturers generally measure customer satisfaction with an index ("CSI"), which is a result of a survey given to new vehicle buyers. Some Manufacturers offer specific performance incentives, on a per vehicle basis, if certain CSI levels (which vary by Manufacturer) are achieved by a dealer. Manufacturers can withhold approval of acquisitions if a dealer fails to maintain a minimum CSI score. Historically, the Company has not been denied Manufacturer approval of acquisitions based on CSI scores or other reasons. To keep management focused on customer satisfaction, the Company includes CSI results as a component of its incentive compensation program.
- (Bullet) TRAIN AND DEVELOP QUALIFIED MANAGEMENT. Sonic requires all of its employees, from service technicians to regional vice presidents, to participate in in-house training programs. The Company leverages the experience of senior management, along with third party trainers from manufacturers, industry affiliates and vendors, to formally train all employees. This training has also become a convenient and effective way to share best practices among the Company's employees at all levels of the various dealerships. The Company is developing an off-site education center (the "Education Center") to be equipped with classrooms specifically designed on a departmental basis. The Company believes that its comprehensive training of all employees at every level of their career path offers the Company a competitive advantage over other dealership groups in the development and retention of its workforce.
- (Bullet) OFFER A DIVERSE RANGE OF AUTOMOTIVE PRODUCTS AND SERVICES. Sonic offers a broad range of automotive products and services, including a wide selection of new and used vehicles, vehicle financing and insurance programs, replacement parts and maintenance and repair programs. Offering numerous new vehicle brands enables the Company to satisfy a variety of customers, reduces dependence on any one Manufacturer and reduces exposure to supply problems and product cycles.
- (Bullet) CAPITALIZE ON EFFICIENCIES IN OPERATIONS. Because management compensation is based primarily on dealership performance, expense reduction and operating efficiencies are a significant management focus. As the Company pursues its acquisition strategy, the Company's size and market presence should enable it to negotiate favorable contracts on such expense items as advertising, purchasing, bank financings, employee benefit plans and other vendor contracts.

(Bullet) UTILIZE PROFESSIONAL MANAGEMENT PRACTICES AND INCENTIVE BASED COMPENSATION PROGRAMS. As a result of Sonic's size and geographic dispersion, the Company's senior management has instituted a multi-tiered management structure to supervise effectively its dealership operations. In an effort to align management's interest with that of stockholders, a portion of the incentive compensation program for each officer, vice president and executive manager is provided in the form of Company stock options, with additional incentives based on the performance of individual profit centers. Sonic believes that this organizational structure, with room for advancement and the opportunity for equity participation, serves as a strong motivation for its employees.

(Bullet) APPLY TECHNOLOGY THROUGHOUT OPERATIONS. The Company believes that, with the customized technology it has introduced in certain markets, it has been able to improve its operations over time by integrating its systems into all aspects of its business. In these markets the Company uses computer-based technology to monitor its dealerships' operating performance and quickly adjust to market changes, and to integrate computer systems into its sales, F&I and parts and service operations. The Company intends to expand this computer system into all of its dealerships and markets as the existing contracts for computer systems expire.

THE REORGANIZATION

The Company was recently incorporated and capitalized with the stock of the existing automobile dealerships that have been under the control of Bruton Smith comprised of Town & Country Ford, Town & Country Toyota, Lone Star Ford, Fort

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Mill Ford and Frontier Oldsmobile-Cadillac (the "Sonic Dealerships"). As of June 30, 1997, the Company effected a reorganization (the "Reorganization") pursuant to which: (i) the Company acquired all of the capital stock or limited liability company interests of the Sonic Dealerships (the "Dealership Securities"); and (ii) the Company issued Class B Common Stock in exchange for the Dealership Securities. In connection with the Reorganization and the Offering, the Company intends to convert from the last-in-first-out method (the "LIFO Method") of inventory accounting to the first-in-first-out method (the "FIFO Method") of inventory accounting (the "FIFO Conversion"), conditioned upon the closing of the Offering. The FIFO Conversion will increase retained earnings by approximately \$7.5 million and will result in a tax liability of approximately \$5.5 million as of June 30, 1997 in connection with a restatement of the Company's financial statements. See "The Reorganization."

THE ACQUISITIONS

In the past four months, the Company has consummated or signed definitive agreements to purchase six dealerships or dealership groups for an aggregate purchase price of approximately \$100.7 million. These acquisitions consist of Ken Marks Ford located in Clearwater, Florida (the "Ken Marks Acquisition"), the Bowers Transportation Group, which consists of eight dealerships in Chattanooga, Tennessee and one dealership in Nashville, Tennessee (the "Bowers Acquisition"), Lake Norman Dodge and Lake Norman Chrysler-Plymouth-Jeep Eagle located in Cornelius, North Carolina (the "Lake Norman Acquisition"), Dyer & Dyer Volvo located in Atlanta, Georgia (the "Dyer Acquisition"), Jeff Boyd Chrysler-Plymouth-Dodge, located in Fort Mill, South Carolina (the "Fort Mill Acquisition"), and Williams Motors located in Rock Hill, South Carolina (the "Williams Acquisition") (collectively, the "Acquisitions"). The dealerships underlying the Acquisitions had aggregate total revenues of approximately \$569.4 million in 1996 and enhance the Company's market presence in the Southeast. See "The Acquisitions."

The Company's principal executive office is located at 5401 East Independence Boulevard, Charlotte, North Carolina. Its mailing address is P.O. Box 18747, Charlotte, North Carolina 28218, and its telephone number is (704) 532-3301.

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THE OFFERING

<TABLE>	
<S>	<C>
Class A Common Stock Offered by the Company.....	shares (1)
Common Stock to be outstanding after the Offering:	
Class A Common Stock.....	shares (2)
Class B Common Stock.....	shares
Total.....	shares
Voting Rights.....	The Class A Common Stock and Class B Common Stock vote as a single
	class on all matters, except as otherwise required by law,
with each	

vote and	share of Class A Common Stock entitling its holders to one
ten votes	each share of Class B Common Stock entitling its holder to
"Description of	except with respect to certain limited matters. See
Use of proceeds.....	Capital Stock."
the Company	The net proceeds of the Offering will be used to fund the
and "Use	Acquisitions, including repaying indebtedness incurred by
Listing.....	in connection with the Acquisitions. See "The Acquisitions"
Stock	of Proceeds."
symbol "DLR."	The Company intends to apply for listing of the Class A Common
</TABLE>	on the New York Stock Exchange (the "NYSE"), under the

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- (1) Does not include up to an aggregate of shares of Class A Common Stock that may be sold by the Company upon exercise of the over-allotment option granted to the Underwriters. See "Underwriting."
- (2) Excludes shares of Class A Common Stock reserved for future issuance to Company employees under the Company's stock option plan (including up to shares of Class A Common Stock reserved for issuance upon exercise of options granted to date pursuant to the Company's Stock Option Plan (as defined herein)) and excludes shares of Class A Common Stock (shares if the Underwriters' over-allotment option is exercised) reserved for issuance under the Dyer Warrant (defined herein). See "The Acquisitions -- The Dyer Acquisition" and "Management -- Stock Option Plan."

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SUMMARY HISTORICAL AND PRO FORMA COMBINED AND CONSOLIDATED FINANCIAL DATA

The following summary historical and pro forma combined and consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Combined and Consolidated Financial Statements of the Company and the related notes and "Pro Forma Combined and Consolidated Financial Data" included elsewhere in this Prospectus. The Company acquired Fort Mill Ford, Inc. and Fort Mill Chrysler-Plymouth-Dodge in February 1996 and in June 1997, respectively. Both of these acquisitions were accounted for using the purchase method of accounting. As a result the Summary Historical Combined and Consolidated Financial Data below does not include the results of operations of these dealerships prior to the date they were acquired by the Company. Accordingly, the actual historical data for the periods after the acquisition may not be comparable to data presented for periods prior to the acquisitions of Fort Mill Ford and Fort Mill Chrysler-Plymouth-Dodge. Additionally, the Summary Historical and Pro Forma Combined and Consolidated Financial Data below is not necessarily indicative of the results of operations or financial position which would have resulted had the Reorganization, FIFO Conversion, the Acquisitions and Offering occurred during the periods presented.

<TABLE>							SIX
<CAPTION>							
MONTHS ENDED			YEAR ENDED DECEMBER 31,				JUNE
30,							
			ACTUAL			PRO	
ACTUAL						FORMA	
	1992	1993	1994	1995	1996 (2)	1996 (1)	1996 (2)
1997 (3)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							

(IN THOUSANDS, EXCEPT PER SHARE AND VEHICLES UNIT DATA)

COMBINED AND CONSOLIDATED STATEMENT

OF OPERATIONS DATA:							
Revenues:							
Vehicle sales.....	\$171,065	\$203,630	\$227,960	\$267,308	\$326,842	\$802,528	\$164,333
\$185,078							
Parts, service and collision							
repair.....	24,543	30,337	33,984	35,860	42,644	96,098	21,005
22,906							
Finance and insurance.....	3,743	3,711	5,181	7,813	7,118	17,483	4,277
4,763							
Total revenues.....	199,351	237,678	267,125	310,981	376,604	916,109	189,615
212,747							
Cost of sales.....	174,503	210,046	234,461	272,179	332,407	800,583	167,191
188,368							
Gross profit (4).....	24,848	27,632	32,664	38,802	44,197	115,526	22,424

24,379							
Selling, general and administrative expenses.....	20,251	22,738	24,632	29,343	33,678	87,461	16,590
18,413							
Depreciation and amortization.....	682	788	838	832	1,076	3,772	360
396							
Operating income.....	3,915	4,106	7,194	8,627	9,443	24,293	5,474
5,570							
Interest expense floor plan.....	2,215	2,743	3,001	4,505	5,968	11,493	2,801
3,018							
Interest expense, other.....	290	263	443	436	433	973	184
269							
Other income.....	1,360	613	609	449	619	3,135	369
274							
Income before income taxes and minority interest (4).....	2,770	1,713	4,359	4,135	3,661	14,962	2,858
2,557							
Provision for income taxes.....	108	107	1,560	1,675	1,400	6,085	1,093
937							
Income before minority interest.....	2,662	1,606	2,799	2,460	2,261	8,877	1,765
1,620							
Minority interest in (earnings) loss of subsidiary.....	31	22	15	22	114	--	41
47							
Net income.....	\$ 2,693	\$ 1,628	\$ 2,784	\$ 2,438	\$ 2,147	\$ 8,877	\$ 1,724
\$ 1,573							
Net income per share (5).....						\$ --	

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COMBINED AND CONSOLIDATED STATEMENT
OF OPERATIONS DATA:

Revenues:

Vehicle sales.....	\$426,820
Parts, service and collision repair.....	51,125
Finance and insurance.....	9,781
Total revenues.....	487,726
Cost of sales.....	427,898
Gross profit (4).....	59,828
Selling, general and administrative expenses.....	43,754
Depreciation and amortization.....	1,731
Operating income.....	14,343
Interest expense floor plan.....	6,373
Interest expense, other.....	583
Other income.....	1,736
Income before income taxes and minority interest (4).....	9,123
Provision for income taxes.....	3,571
Income before minority interest.....	5,552
Minority interest in (earnings) loss of subsidiary.....	--
Net income.....	\$ 5,552
Net income per share (5).....	\$ --

</TABLE>

OTHER COMBINED AND
CONSOLIDATED OPERATING DATA:

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<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
New vehicle units sold.....	8,060	9,429	9,686	10,273	11,693	24,114	6,027
6,553							
Used vehicle units sold -- retail (6).....	3,892	4,104	4,374	5,172	5,488	13,453	2,836
2,638							
New vehicle revenues.....	\$126,230	\$152,525	\$164,361	\$186,517	\$233,146	\$549,285	\$117,850
\$136,798							
Used vehicle revenues -- retail (6).....	33,636	37,719	47,489	60,758	68,053	186,828	35,200
32,666							
Parts, service and collision repair revenues.....	22,543	30,337	33,984	35,860	42,644	96,098	21,005
22,906							
Gross profit margin (FIFO) (7).....	12.6%	12.2%	12.8%	12.9%	12.1%	12.6%	11.6%
11.2%							
New vehicle gross margin (FIFO) (7).....	6.9%	7.2%	7.0%	7.3%	7.4%	7.4%	6.5%
6.6%							
Used vehicle gross margin (retail) (FIFO) (7) (6).....	10.4%	16.1%	10.9%	9.5%	8.4%	9.1%	8.4%

8.5%							
Parts, service and collision repair gross margin.....	36.4%	36.5%	35.9%	36.1%	36.5%	42.4%	35.4%
35.8%							

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New vehicle units sold.....	12,816
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Used vehicle units sold -- retail (6).....	7,222
New vehicle revenues.....	\$289,909
Used vehicle revenues -- retail (6).....	98,992
Parts, service and collision repair revenues.....	51,126
Gross profit margin (FIFO) (7).....	12.3%
New vehicle gross margin (FIFO) (7).....	7.2%
Used vehicle gross margin (retail) (FIFO) (7) (6).....	8.9%
Parts, service and collision repair gross margin.....	42.5%

</TABLE>

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	AS OF	AS
OF	DECEMBER 31,	JUNE
30, 1997	1996	ACTUAL
PRO FORMA		
<S>	<C>	<C>
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COMBINED AND CONSOLIDATED BALANCE SHEET DATA:		
Working capital.....	\$ 6,201	\$ 4,287
\$ 51,169		
Total assets.....	94,930	106,859
317,489		
Long-term debt.....	5,286	5,137
10,422		
Total liabilities.....	79,181	86,499
189,049		
Minority interest.....	314	--
--		
Stockholders' equity (4).....	15,749	20,360
128,440		

</TABLE>

(FOOTNOTES ON FOLLOWING PAGE)

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- (1) For information regarding the pro forma adjustments made to the Company's historical financial data, which give effect to the Reorganization, the FIFO Conversion, the Acquisitions, and the Offering, see "Pro Forma Combined and Consolidated Financial Data."
- (2) The actual statement of operations data for the year ended December 31, 1996 includes the results of Fort Mill Ford, Inc. from the date of acquisition, February 1, 1996.
- (3) The actual statement of operations data for the six months ended June 30, 1997 include the results of Fort Mill Chrysler-Plymouth-Dodge, Inc. from the date of acquisition June 6, 1997.
- (4) The Company currently utilizes the LIFO Method of inventory accounting. See Note 3 to the Company's Combined and Consolidated Financial Statements. The Company intends to file an election with the Internal Revenue Service to convert, upon the closing of the Offering, to the FIFO Method of inventory accounting and report its earnings for tax purposes and in its financial statements on the FIFO Method. If the Company had previously utilized the FIFO Method, gross profit and income before income taxes and minority interest for the periods shown in the table, and stockholders' equity as of December 31, 1996 and June 30, 1997, would have been as follows:

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ENDED	YEAR ENDED DECEMBER 31,					SIX MONTHS
30,	1992	1993	1994	1995	1996	JUNE
1997						1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>						
				(IN THOUSANDS)		
Gross profit.....	\$28,192	\$29,034	\$34,114	\$40,103	\$45,571	\$22,423

\$27,434							
Income before income taxes and minority interest.....	2,560	3,102	5,809	5,436	5,021	2,858	
2,612							

</TABLE>
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AS OF
JUNE 30, 1997
<S>
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AS OF
DECEMBER 31, 1996
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THOUSANDS)
Stockholders' equity..... \$18,215
\$20,360
</TABLE>

- (5) Historical net income per share is not presented, as the historical capital structure of the Company prior to the Offering is not comparable with the capital structure that will exist after the Offering.
- (6) The term "retail" describes sales to consumers as compared to sales to wholesalers.
- (7) Data is presented on the FIFO Method of inventory accounting. The Company has historically used the LIFO Method of inventory accounting and intends to convert to the FIFO Method conditioned and effective upon the closing of the Offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview."

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RISK FACTORS

THIS PROSPECTUS CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE PROJECTED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN OF THE RISK FACTORS SET FORTH BELOW AND ELSEWHERE IN THIS PROSPECTUS. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER AND EVALUATE ALL OF THE INFORMATION SET FORTH IN THIS PROSPECTUS, INCLUDING THE RISK FACTORS SET FORTH BELOW.

DEPENDENCE ON AUTOMOBILE MANUFACTURERS

Each of the Company's dealerships operates pursuant to a franchise agreement between the applicable automobile manufacturer (or authorized distributor thereof) (the "Manufacturer") and the subsidiary of the Company that operates such dealership. The Company is dependent to a significant extent on its relationship with such Manufacturers.

After giving effect to the Reorganization and the Acquisitions, vehicles manufactured by Ford Motor Company ("Ford"), Chrysler Corporation ("Chrysler"), Toyota Motor Sales (U.S.A.) ("Toyota") and Volvo Motors ("Volvo"), accounted for approximately 62.3%, 16.9%, 5.8% and 5.7%, respectively, of the Company's 1996 pro forma unit sales of new vehicles. No other Manufacturer accounted for more than 5% of the new vehicle sales of the Company during 1996. See "Business -- New Vehicle Sales," and " -- Relationships with Manufacturers." Accordingly, a significant decline in the sale of Ford, Chrysler, Toyota, or Volvo new cars could have a material adverse effect on the Company. Manufacturers exercise a great degree of control over dealerships, and the franchise agreement provides for termination or non-renewal for a variety of causes. The Company believes that it is in compliance in all material respects with all its franchise agreements except that, as set forth in Note 8 to the Combined Financial Statements for Lake Norman Dodge, Inc. and Affiliated Companies, Lake Norman Dodge (one of the dealerships whose assets are being purchased in the Lake Norman Acquisition) is in violation of its franchise agreement with Chrysler. The Company does not have any reason to believe that this will have an effect on its ability to consummate the Lake Norman Acquisition. The Company's franchise agreements generally expire at various times between 1997 and 2000, although some franchise agreements have no specific expiration date and continue in effect unless terminated pursuant to certain limited circumstances. The Company has no reason to believe that it will not be able to renew all of its franchise agreements upon expiration, but there can be no assurance that any of such agreements will be renewed or that the terms and conditions of such renewals will be favorable to the Company. If a Manufacturer terminates or declines to renew one or more of the Company's significant franchise agreements, such action could have a material adverse effect on the Company and its business. Actions taken by Manufacturers to exploit their superior bargaining position in negotiating the terms of such renewals or otherwise could also have a material adverse effect on the Company. See "Business -- Relationships with Manufacturers."

The Company also depends on its Manufacturers to provide it with a desirable mix of popular new vehicles that produce the highest profit margins and which may be the most difficult to obtain from the Manufacturers. If the

Company is unable to obtain a sufficient allocation of the most popular vehicles, its profitability may be materially adversely affected. In some instances, in order to obtain additional allocations of these vehicles, the Company purchases a larger number of less desirable models than it would otherwise purchase and its profitability may be materially adversely affected thereby. The Company's dealerships depend on the Manufacturers for certain sales incentives and other programs that are intended to promote dealership sales or support dealership profitability. Manufacturers have historically made many changes to their incentive programs during each year. A reduction or discontinuation of a Manufacturer's incentive programs may materially adversely affect the profitability of the Company.

The success of each of the Company's dealerships depends to a great extent on the financial condition, marketing, vehicle design, production capabilities and management of the Manufacturers which the Company represents. Events such as strikes and other labor actions by unions, or negative publicity concerning a particular Manufacturer or vehicle model, may materially and adversely affect the Company. Although, the Company has attempted to lessen its dependence on any one Manufacturer by establishing dealer relationships with a number of different domestic and foreign automobile Manufacturers, adverse conditions affecting Ford, Chrysler, Toyota and Volvo in particular, could have a material adverse effect on the Company. See "Business -- New Vehicle Sales" and " -- Relationship with Manufacturers."

Many Manufacturers attempt to measure customers' satisfaction with their sales and warranty service experiences through systems, which vary from Manufacturer to Manufacturer but which are generally known as CSI. These Manufacturers may use a dealership's CSI scores as a factor in evaluating applications for additional dealership acquisitions and other matters such as vehicle inventory allocations. The components of CSI have been modified from time to time in the past, and there is no assurance that such components will not be further modified or replaced by different systems in the future. To date, the Company has not been adversely affected by these standards and has not been denied approval of any acquisition.

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However, there can be no assurance that the Company will be able to comply with such standards in the future. Failure of the Company's dealerships to comply with the standards imposed by Manufacturers at any given time may have a material adverse effect on the Company.

The Company must also obtain approvals by the applicable Manufacturer for any of its acquisitions. See " -- Risks Associated with Acquisitions."

COMPETITION

Automobile retailing is a highly competitive business with over 22,000 franchised automobile dealerships in the United States at the beginning of 1996. The Company's competition includes franchised automobile dealerships selling the same or similar makes of new and used vehicles offered by the Company in the same markets as the Company and sometimes at lower prices than those of the Company. These dealer competitors may be larger and have greater financial and marketing resources than the Company. Other competitors include other franchised dealers, private market buyers and sellers of used vehicles, used vehicle dealers, service center chains and independent service and repair shops. Gross profit margins on sales of new vehicles have been declining since 1986. The Company has also had margin pressure on its used vehicle sales over the last 18 months. The used car market faces increasing competition from non-traditional outlets such as used-car "superstores," which use sales techniques such as one price shopping and the Internet. Several groups have begun to establish nationwide networks of used vehicle superstores. In Charlotte and Atlanta, where the Company has significant operations, CarMax Superstores operate in competition with the Company. In addition, car superstores operate in many of the Company's other markets. "No negotiation" sales methods are also being tried for new cars by at least one of these superstores and by dealers for Saturn and other dealerships. Some recent market entrants may be capable of operating on smaller gross margins compared to the Company. In addition, certain Manufacturers have publicly announced that they may directly enter the retail market in the future which could have a material adverse effect on the Company. The increased popularity of short-term vehicle leasing also has resulted, as these leases expire, in a large increase in the number of late model vehicles available in the market, which puts added pressure on margins. As the Company seeks to acquire dealerships in new markets, it may face increasingly significant competition (including from other large dealer groups and dealer groups that have publicly-traded equity) as it strives to gain market share through acquisitions or otherwise.

The Company's franchise agreements (other than with Saturn) do not give the Company the exclusive right to sell a Manufacturer's product within a given geographic area. The Company could be materially adversely affected if any of its Manufacturers award franchises to others in the same markets where the Company is operating. A similar adverse affect could occur if existing competing franchised dealers increase their market share in the Company's markets. The Company's gross margins may decline over time as it expands into markets where

it does not have a leading position. These and other competitive pressures could materially adversely affect the Company's results of operations. See "Business -- Competition."

OPERATING CONDITION OF ACQUIRED BUSINESSES

Although the Company has conducted what it believes to be a prudent level of investigation regarding the operating condition of the assets to be purchased in the Acquisitions in light of the circumstances of each transaction, certain unavoidable levels of risk remain regarding the actual operating condition of these assets. Until the Company actually assumes operating control of such assets, it will not be able to ascertain their actual value and, therefore, will be unable to ascertain whether the price paid for the Acquisitions represented a fair valuation. The same risk regarding the actual operating condition of businesses to be acquired will also apply to future acquisitions by the Company.

RISKS OF CONSOLIDATING OPERATIONS AS A RESULT OF THE ACQUISITIONS

In connection with the Acquisitions, Sonic acquired six dealerships or dealership groups. Each of these dealerships or groups has been operated and managed as a separate independent entity to date, and the Company's future operating results will depend on its ability to integrate the operations of these businesses and manage the combined enterprise. The Company's management group has been expanded in connection with these Acquisitions. There can be no assurance that the management group will be able effectively and profitably integrate in a timely manner each of the dealerships included in the Acquisitions or any future acquisitions, or to manage the combined entity. The inability of the Company to do so could have a material adverse effect on the Company's business, financial condition and results of operations.

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RISKS ASSOCIATED WITH ACQUISITIONS

The retail automobile industry is considered a mature industry in which minimal growth is expected in unit sales of new vehicles. Accordingly, the Company's future growth will depend in large part on its ability to acquire additional dealerships as well as on its ability to manage expansion, control costs in its operations and consolidate dealership acquisitions, including the Acquisitions, into existing operations. In pursuing a strategy of acquiring other dealerships, including the Acquisitions, the Company faces risks commonly encountered with growth through acquisitions. These risks include, but are not limited to, incurring significantly higher capital expenditures and operating expenses, failing to assimilate the operations and personnel of the acquired dealerships, disrupting the Company's ongoing business, dissipating the Company's limited management resources, failing to maintain uniform standards, controls and policies, impairing relationships with employees and customers as a result of changes in management and causing increased expenses for accounting and computer systems, as well as integration difficulties. Installing new computer systems has in the past disrupted existing operations as management and salespersons adjust to new technologies. In addition, as contracts with existing suppliers of the Company's computer systems expire, the Company's strategy may be to install new systems at its existing dealerships. The Company expects that it will take one to two years to fully integrate an acquired dealership into the Company's operations and realize the full benefit of the Company's strategies and systems. There can be no assurance that the Company will be successful in overcoming these risks or any other problems encountered with such acquisitions, including in connection with the Acquisitions. Acquisitions may also result in significant goodwill and other intangible assets that are amortized in future years and reduce future stated earnings. See "The Acquisitions," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business -- Growth Strategy."

Although there are many potential acquisition candidates that fit the Company's acquisition criteria, there can be no assurance that the Company will be able to consummate any such transactions in the future or identify those candidates that would result in the most successful combinations or that future acquisitions will be able to be consummated at acceptable prices and terms. The magnitude, timing and nature of future acquisitions will depend upon various factors, including the availability of suitable acquisition candidates, competition with other dealer groups for suitable acquisitions, the negotiation of acceptable terms, the Company's financial capabilities, the availability of skilled employees to manage the acquired companies and general economic and business conditions.

In addition, the Company's future growth as a result of its acquisition of automobile dealerships will depend on its ability to obtain the requisite Manufacturer approvals. There can be no assurance that Manufacturers will grant such approvals. It is also possible that one or more Manufacturers might object to ownership by one company of many of its franchises. For example, it is currently the policy of Toyota to restrict any company from holding more than seven Toyota or more than three Lexus franchises and to impose restrictions based on the number of franchises held within certain geographic areas. Although the Company has been to date able to obtain Manufacturer approvals for its acquisitions on acceptable terms, there can be no assurance that it will be able

to do so in the future.

In certain cases, the Company may be required to file applications and obtain clearances, under applicable federal antitrust laws before consummation of an acquisition. These regulatory requirements may restrict or delay the Company's acquisitions, and may increase the cost of completing such transactions.

FINANCIAL RESOURCES AVAILABLE FOR ACQUISITIONS

The Company intends to finance acquisitions with cash on hand, through issuances of equity or debt securities and through borrowings under credit arrangements. The Company is currently negotiating new credit arrangements, although none has been consummated and no assurance can be given that any lending or credit arrangement will be consummated or that such arrangements will adequately meet the Company's financing needs on acceptable terms. Similarly, there is no assurance that the Company will be able to obtain additional debt or equity securities financing. Using cash to complete acquisitions could substantially limit the Company's operating or financial flexibility. Using stock to consummate acquisitions may result in significant dilution of stockholders' percentage interest in the Company, which dilution may be prohibited by the Company's franchise agreements with Manufacturers. See " -- Stock Ownership/Issuance Limits." If the Company is unable to obtain financing on acceptable terms, the Company may be required to reduce significantly the scope of its presently anticipated expansion, which could materially adversely affect the Company's business. See "The Acquisitions," "Management's Discussion and Analysis of Financial Condition and Results of Operation -- Liquidity and Capital Resources" and "Business -- Growth Strategy."

In addition, the Company is dependent to a significant extent on its ability to finance the purchase of inventory, which in the automotive retail industry involves significant sums of money in the form of floor plan financing. As of June 30, 1997 on

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a pro forma basis for the Acquisitions, the Company had approximately \$140.6 million of floor plan indebtedness. Substantially all the assets of the Company's dealerships are pledged to secure such indebtedness, which may impede the Company's ability to borrow from other sources. Many floor plan lenders are associated with Manufacturers with whom the Company has franchise agreements. Consequently, deterioration of the Company's relationship with a Manufacturer could adversely affect its relationship with the affiliated floor plan lender and vice-versa. In addition, the Company must obtain new floor plan financing or obtain consents to assume such financing in connection with its acquisition of dealerships. See " -- Dependence on Automobile Manufacturers."

STOCK OWNERSHIP/ISSUANCE LIMITS

Standard automobile franchise agreements prohibit transfers of any ownership interests of a dealership and its parent, such as Sonic, and, therefore, often do not by their terms accommodate public trading of the capital stock of a dealership or its parent. While, prior to the Offering and as a condition thereto, all of the Manufacturers of which Company subsidiaries are franchisees will have agreed to permit the Offering and trading in the Class A Common Stock, a number of Manufacturers will continue to impose restrictions upon the transferability of the Common Stock. Any transfer of shares of the Company's Common Stock, including a transfer by members of the Smith Group, will be outside the control of the Company and, if such transfer results in a change in control of the Company, could result in the termination or non-renewal of one or more of its franchise agreements. Moreover, these issuance limitations may impede the Company's ability to raise capital through additional equity offerings or to issue Common Stock as consideration for, and therefore, to consummate, future acquisitions. Such restrictions also may prevent or deter prospective acquirors from acquiring control of the Company and, therefore, may adversely impact the Company's equity value. See " -- Financial Resources Available for Acquisitions."

Upon consummation of the Offering, % of the Common Stock (on a fully diluted basis) will be publicly owned (assuming full exercise of the Underwriters' over-allotment option). The Company has contractual obligations to provide "piggyback" registration rights to holders of Class B Common Stock to register their shares under the Securities Act under certain circumstances. Additionally, such shares will become in the future, eligible for sale pursuant to the terms of Rule 144 under the Securities Act ("Rule 144"). See "Certain Transactions -- Registration Rights Agreement" and "Shares Eligible for Future Sale."

POTENTIAL CONFLICTS OF INTEREST

Bruton Smith, the Chairman and Chief Executive Officer of the Company, will continue to serve as the Chairman and Chief Executive Officer of Speedway Motorsports. Accordingly, the Company will compete with Speedway Motorsports for the management time of Mr. Smith. Under his employment agreement with the Company, Mr. Smith is required to devote approximately 50% of his business time

to the affairs of the Company. The remainder of his business time may be devoted to other entities including Speedway Motorsports.

The Company has in the past and will likely in the future enter into transactions with entities controlled by either Mr. Smith, Nelson Bowers or Ken Marks or other affiliates of the Company. The Company believes that all of these arrangements are favorable to the Company and were entered into on terms that, taken as a whole, reflect arms'-length negotiations, although certain lease provisions included in such transactions may be at below-market rates. Since no independent appraisals evaluating these business transactions were obtained, there can be no assurance that such transactions are on terms no less favorable than could have been obtained from unaffiliated third parties. Certain of the existing arrangements will continue after the Offering. Potential conflicts of interest could also arise in the future between the Company and these affiliated parties in connection with the enforcement, amendment or termination of these arrangements. See "Certain Transactions." The Company anticipates renegotiating its leases with all related parties at lease expiration at fair market rentals, which may be higher than current rents. For further discussion of these related party leases, see "Certain Transactions -- Certain Dealership Leases."

In addition to his interest and responsibilities with the Company, Nelson Bowers has ownership interests in several non-Company entities, including a Toyota dealership in Cleveland, Tennessee, an auto body shop in Chattanooga, Tennessee and a used-car auction house. These enterprises are involved in businesses that are related to, and that compete with, the businesses of the Company. Pursuant to his employment agreement, Mr. Bowers is not permitted to participate actively in the operation of those businesses and is only permitted to maintain a passive investment in these enterprises.

Under Delaware Law generally, a corporate insider is precluded from acting on a business opportunity in his individual capacity if that opportunity is one which the corporation is financially able to undertake, is in the line of the corporation's

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business, is of practical advantage to the corporation and is one in which the corporation has an interest or reasonable expectancy. Accordingly, corporate insiders are generally required to engage in new business opportunities of the Company only through the Company unless a majority of the Company's disinterested directors decide under the standards discussed above that it is not in the best interest of the Company to pursue such opportunities.

The Company's Amended and Restated Certificate of Incorporation (the "Certificate") contains provisions providing that transactions between the Company and its affiliates must be no less favorable to the Company than would be available in corporate transactions in arms'-length dealing with an unrelated third party. Moreover, any such transactions involving aggregate payments in excess of \$500,000 must be approved by a majority of the Company's directors and a majority of the Company's independent directors. Otherwise, the Company must obtain an opinion as to the financial fairness of the transaction to be issued by an investment banking or appraisal firm of national standing.

LACK OF INDEPENDENT DIRECTORS

As of the date hereof, all of the members of the Company's Board of Directors are employees and/or majority shareholders of the Company or affiliates thereof. Although the Company intends to appoint at least two independent directors following completion of the Offering, such directors will not constitute a majority of the Board, and the Company's Board may not have a majority of independent directors in the future. In the absence of a majority of independent directors, the Company's executive officers, who also are principal stockholders and directors, could establish policies and enter into transactions without independent review and approval thereof, subject to certain restrictions under the Certificate. In addition, although the Company intends to establish audit and compensation committees which will consist entirely of outside directors, until those committees are established, audit and compensation policies could be approved without independent review. These and other transactions could present the potential for a conflict of interest between the Company and its stockholders generally and the controlling officers, stockholders or directors. See "Management."

DEPENDENCE ON KEY PERSONNEL AND LIMITED MANAGEMENT AND PERSONNEL RESOURCES

The Company's success depends to a significant degree upon the continued contributions of its management team (particularly its senior management) and service and sales personnel. The loss of the services of one or more of these key employees could have a material adverse effect on the Company. Although the Company has employment agreements with Bruton Smith, Bryan Scott Smith, Nelson Bowers, Theodore M. Wright, O. Ken Marks, Jr. and Jeffrey C. Rachor, the Company will not have employment agreements in place with other key personnel. In addition, as the Company expands it may need to hire additional managers. The market for qualified employees in the industry and in the regions in which the Company operates, particularly for general managers and sales and service personnel, is highly competitive and may subject the Company to increased labor

costs in periods of low unemployment. The loss of the services of key employees or the inability to attract additional qualified managers could have a material adverse effect on the Company. In addition, the lack of qualified management or employees employed by the Company's potential acquisition candidates may limit the Company's ability to consummate future acquisitions. See "Business -- Growth Strategy," "Business -- Competition" and "Management."

MATURE INDUSTRY; CYCLICAL AND LOCAL NATURE OF AUTOMOBILE SALES

The United States automobile dealership industry generally is considered a mature industry in which minimal growth is expected in unit sales of new vehicles. As a consequence, growth in the Company's revenues and earnings are likely to be significantly affected by the Company's success in acquiring and integrating dealerships and the pace and size of such acquisitions. See " -- Risks Associated with Acquisitions" and "Business -- Growth Strategy."

The automobile industry is cyclical and historically has experienced periodic downturns, characterized by oversupply and weak demand. Many factors affect the industry, including general economic conditions and consumer confidence, the level of discretionary personal income, interest rates and credit availability. For the six months ended June 30, 1997, industry retail sales were down 2% as a result of retail car sales declines of 5.3% and retail truck sales gains of 2.4% from the same period in 1996. Future recessions may have a material adverse effect on the Company's business.

Local economic, competitive and other conditions also affect the performance of dealerships. The Sonic Dealerships are located in the Charlotte and Houston markets. Pursuant to the Acquisitions, the Company is acquiring dealerships in the metropolitan areas of Charlotte, Chattanooga, Nashville, Tampa-Clearwater and Atlanta. While the Company intends to pursue acquisitions outside of these markets, the Company expects that the majority of its operations will continue to be concentrated in these areas for the foreseeable future. As a result, the Company's results of operations will depend substantially on general economic conditions and consumer spending habits in the Southeast and, to a lesser extent, in the Houston market, as

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well as various other factors, such as tax rates and state and local regulations, specific to North Carolina, Tennessee, Florida, Texas, Georgia and South Carolina. There can be no assurance that the Company will be able to expand geographically, or that any such expansion will adequately insulate it from the adverse effects of local or regional economic conditions. See "Business -- Growth Strategy."

SEASONALITY

The Company's business is seasonal, with a disproportionate amount of sales occurring in the second, third and fourth fiscal quarters. See "Managements's Discussion and Analysis of Financial Condition and Results of Operations."

IMPORTED PRODUCTS

Certain motor vehicles retailed by the Company, as well as certain major components of vehicles retailed by the Company, are of foreign origin. Accordingly, the Company is subject to the import and export restrictions of various jurisdictions and is dependent to some extent upon general economic conditions in and political relations with a number of foreign countries, particularly Japan. Additionally, fluctuations in currency exchange rates may adversely affect the Company's sales of vehicles produced by foreign manufacturers. Imports into the United States may also be adversely affected by increased transportation costs.

GOVERNMENTAL REGULATIONS; ENVIRONMENTAL MATTERS

The Company is subject to a wide range of federal, state and local laws and regulations, such as local licensing requirements, consumer protection laws and regulations relating to gasoline storage, waste treatment and other environmental matters. Future acquisitions by the Company may also be subject to regulation, including antitrust reviews. The Company believes that it complies in all material respects with all laws and regulations applicable to its business, but future regulations may be more stringent and require the Company to incur significant additional costs.

The Company's facilities and operations are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety, including those governing wastewater discharges, air emissions, the operation and removal of underground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials and the remediation of contamination associated with such disposal. Certain of these laws and regulations may impose joint and several liability on certain statutory classes of persons for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal. These persons include the present or former owner or operator of a contaminated property and companies that generated, disposed of or arranged for the disposal

of hazardous substances found at the property.

Past and present business operations of the Company subject to such laws and regulations include the use, storage handling and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials such as motor oil, waste motor oil and filters, transmission fluid, antifreeze, freon, waste paint and lacquer thinner, batteries, solvents, lubricants, degreasing agents, gasoline and diesel fuels. The Company is subject to other laws and regulations as a result of the past or present existence of underground storage tanks at many of the Company's properties. The Company, like many of its competitors, has incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations. In addition, soil and groundwater contamination exist at certain of the Company's properties, and there can be no assurance that other properties have not been contaminated by any leakage from underground storage tanks or by any spillage or other releases of hazardous or toxic substances or wastes.

Certain laws and regulations, including those governing air emissions and underground storage tanks, have been amended so as to require compliance with new or more stringent standards as of future dates. The Company cannot predict what other environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist in the future. Compliance with new or more stringent laws or regulations, stricter interpretation of existing laws or the future discovery of environmental conditions may require additional expenditures by the Company, some of which may be material. See "Business -- Governmental Regulations and Environmental Matters."

CONCENTRATION OF VOTING POWER AND ANTI-TAKEOVER PROVISIONS

The Common Stock is divided into two classes with different voting rights, which allows for the maintenance of control of the Company by the holders of the Class B Common Stock. Holders of Class A Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders of the Company. Holders of Class B Common Stock are entitled

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to ten votes per share on all matters, except that the Class B Common Stock is entitled to only one vote per share with respect to any transaction proposed or approved by the Company's Board of Directors, proposed by or on behalf of the holders of the Class B Common Stock or their affiliates or as to which any members of the Smith Group or any affiliate thereof has a material financial interest (other than as a then existing stockholder of the Company) constituting a (a) "going private" transaction (as defined herein), (b) disposition of substantially all of the Company's assets, (c) transfer resulting in a change in the nature of the Company's business, or (d) merger or consolidation in which current holders of Common Stock would own less than 50% of the Common Stock following such transaction. The two classes vote together as a single class on all matters, except where class voting is required by Delaware Law, which exception would apply, among other situations, to a vote on any proposal to modify the voting rights of the Class B Common Stock. See "Description of Capital Stock." Upon completion of this Offering (assuming the Underwriters' over-allotment option is not exercised), the existing holders of Class B Common Stock will have approximately % of the combined voting power of the Common Stock (in those circumstances in which the Class B Common Stock has ten votes per share) and % of the outstanding Common Stock. Accordingly such holders of Class B Common Stock will effectively have the ability to elect all of the directors of the Company and to control all other matters requiring the approval of the Company's stockholders. In addition, the Company may issue additional shares of Class B Common Stock to members of the Smith Group in the future for fair market value. See "Principal Stockholders."

The disproportionate voting rights of the Class B Common Stock under the above-mentioned circumstances could have a material adverse effect on the market price of the Class A Common Stock. Such disproportionate voting rights may make the Company a less attractive target for a takeover than it otherwise might be, or render more difficult or discourage a merger proposal, a tender offer or a proxy contest, even if such actions were favored by a majority of the holders of the Class A Common Stock.

Certain provisions of the Certificate and the Company's Bylaws make it more difficult for stockholders of the Company to effect certain corporate actions. See "Description of Capital Stock -- Delaware Law, Certain Charter and Bylaw Provisions and Certain Franchise Agreement Provisions." Under the Company's Stock Option Plan, options outstanding thereunder become immediately exercisable upon a change in control of the Company. See "Management -- Employment Agreements" and " -- Stock Option Plan." The agreements, corporate documents and laws described above, as well as provisions of the Company's franchise agreements described in " -- Dependence on Automobile Manufacturers" above permitting Manufacturers to terminate such agreements upon a change of control, may have the effect of delaying or preventing a change in control of the Company or preventing stockholders from realizing a premium on the sale of their shares

of Class A Common Stock upon an acquisition of the Company.

The Certificate authorizes the Board of Directors of the Company to issue three million shares of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by the Board of Directors. Accordingly, the Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights or preferences that could adversely affect the voting power or other rights of the holders of the Class A Common Stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying, or preventing a change in control of the Company. The issuance of preferred stock could also prevent stockholders from realizing a premium upon the sale of their shares of Class A Common Stock upon an acquisition of the Company. Although the Company has no present intention to issue any shares of its preferred stock, there can be no assurance that the Company will not do so in the future. See "Description of Capital Stock."

Additionally, the Company's Bylaws provide: (i) for a Board of Directors divided into three classes serving staggered terms; (ii) that special meetings of stockholders may be called only by the Chairman or by the Company's Secretary or Assistant Secretary at the request in writing of a majority of the Board of Directors; (iii) that no stockholder action may be taken by written consent; and (iv) that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual or a special meeting of stockholders must provide timely notice thereof in writing. These provisions will impair the stockholders' ability to influence or control the Company or to effect a change in control of the Company, and may prevent stockholders from realizing a premium on the sale of their shares of Class A Common Stock upon an acquisition of the Company. See "Description of Capital Stock."

NO PRIOR PUBLIC MARKET FOR CLASS A COMMON STOCK AND POSSIBLE VOLATILITY OF STOCK PRICE

Prior to the Offering, there has been no public market for the Class A Common Stock. The Company intends to apply for a listing of the Class A Common Stock on the NYSE. The initial public offering price of the Class A Common Stock will be determined by negotiations among the Company and representatives of the Underwriters. See "Underwriting." There can

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be no assurance that the market price of the Class A Common Stock prevailing at any time after this Offering will equal or exceed the initial public offering price. Quarterly and annual operating results of the Company, variations between such results and the results expected by investors and analysts, changes in local or general economic conditions or developments affecting the automobile industry, the Company or its competitors could cause the market price of the Class A Common Stock to fluctuate substantially. As a result of these factors, as well as other factors common to initial public offerings, the market price could fluctuate substantially from the initial offering price. In addition, the stock market has, from time to time, experienced extreme price and volume fluctuations, which could adversely effect the market price for the Class A Common Stock without regard to the financial performance of the Company.

DILUTION

Purchasers of Class A Common Stock in the Offering will experience immediate and substantial dilution in the amount of \$ per share in net tangible book value per share from the initial offering price. See "Dilution."

SHARES ELIGIBLE FOR FUTURE SALE

The shares of Class B Common Stock owned beneficially by existing stockholders of the Company and the shares of Class A Common Stock underlying options granted by the Company under the Stock Option Plan and to an outstanding warrant issued in connection with the Dyer Acquisition, are "restricted securities" as defined in Rule 144 under the Securities Act, and may in the future be resold in compliance with Rule 144. See "Management -- Stock Option Plan" and "The Acquisitions -- The Dyer Acquisition." In addition, shares of Common Stock constituting restricted securities are subject to certain piggyback registration rights. See "Certain Transactions -- Registration Rights Agreements." No prediction can be made as to the effect that resale of shares of Common Stock, or the availability of shares of Common Stock for resale, will have on the market price of the Class A Common Stock prevailing from time to time. The resale of substantial amounts of Common Stock, or the perception that such resales may occur, could materially and adversely affect prevailing market prices for the Common Stock and the ability of the Company to raise equity capital in the future. The Company has agreed not to issue, and all executive officers of the Company and all owners of the Class B Common Stock have agreed not to resell, any shares of Common Stock or other equity securities of the Company for 180 days after the date of this Prospectus without the prior written consent of the representatives of the Underwriters. See "Management -- Stock Option Plan," "Shares Eligible for Future Sale" and "Underwriting."

THE REORGANIZATION

The Company was recently incorporated and capitalized with the stock of the Sonic Dealerships, which have been under the control of Bruton Smith and which are comprised of Town & Country Ford, Town & Country Toyota, Lone Star Ford, Fort Mill Ford and Frontier Oldsmobile-Cadillac. As of June 30, 1997, the Company effected the Reorganization pursuant to which: (i) the Company acquired all of the Dealership Securities; and (ii) the Company issued Class B Common Stock in exchange for the Dealership Securities. See "Certain Transactions -- Other Transactions." Subsequent to the Reorganization, the Company intends to convert from the LIFO Method of inventory accounting to the industry standard FIFO Method of inventory accounting, conditioned upon the closing of the Offering. As a result of the Reorganization and the FIFO Conversion, the historical combined financial information included in this Prospectus is not necessarily indicative of the results of operations, financial position and cash flows of the Company in the future or of those which would have resulted had the Reorganization and FIFO Conversion been in effect during the periods presented in the Company's Combined and Consolidated Financial Statements included elsewhere in this Prospectus. Upon election of the FIFO Method, the Company will be required under generally accepted accounting principles to restate its historical financial statements. The FIFO Conversion will increase retained earnings by \$7.5 million and will result in a tax liability of approximately \$5.5 million as of June 30, 1997. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview."

THE ACQUISITIONS

In the last four months, the Company consummated or signed definitive agreements to purchase six additional dealerships or dealership groups for an aggregate purchase price of approximately \$100.7 million. These acquisitions consist of the Ken Marks Acquisition, the Bowers Acquisition, the Lake Norman Acquisition, the Dyer Acquisition, the Fort Mill Acquisition and the Williams Acquisition.

The closing of the Offering is contingent upon the Company consummating the Acquisitions. The Company intends to use the proceeds from the Offering to pay the purchase prices of the Acquisitions and to repay indebtedness, if any, incurred in connection with the Acquisitions. See "Use of Proceeds." In addition, the Company intends to refinance all of the floor plan indebtedness of the dealerships constituting the Acquisitions.

THE KEN MARKS ACQUISITION. Ken Marks Ford is located in Clearwater, Florida. Ken Marks, Jr., together with the other stockholders of Ken Marks Ford, and the Company entered into a definitive stock purchase agreement in July 1997, providing for the acquisition by the Company of all of the outstanding stock of Ken Marks Ford. Ken Marks Ford had retail sales of approximately 4,369 new and 1,764 used vehicles, had aggregate revenues of approximately \$147.4 million in 1996, and, based on revenues, is one of the 20 largest Ford dealerships in the United States. This acquisition further implements the Company's growth strategy by adding a well-managed dealership with significant presence in a new market. Ken Marks, Jr., with over 13 years of automotive retailing experience in central Florida, will continue to serve as the Executive Manager of Ken Marks Ford and will join the senior management team of the Company as the Regional Vice President for Florida.

In the Ken Marks Acquisition, the Company has agreed to purchase all of the outstanding capital stock of Ken Marks Ford for a total of approximately \$25.0 million. At closing, the Company will pay the stockholders of Ken Marks Ford the sum of approximately \$25.0 million, less \$0.5 million which will be deposited into escrow for certain contingencies. The \$25.0 million sum will be adjusted downward to the extent that the net book value of Ken Marks Ford as of the closing is less than approximately \$5.1 million. At the closing, Ken Marks Ford will lease its facilities from an affiliate of the original stockholders of Ken Marks Ford. See "Business -- Facilities" and "Certain Transactions -- Certain Dealership Leases." If the Company fails to perform its obligation to close the Ken Marks Acquisition by October 15, 1997, it has agreed to pay a termination fee.

THE BOWERS ACQUISITION. European Motors of Nashville (a BMW and Volkswagen dealership), European Motors (a BMW and Volvo dealership), Jaguar of Chattanooga (a Jaguar and Infiniti dealership), Cleveland Chrysler-Plymouth-Jeep-Eagle, Nelson Bowers Dodge, Cleveland Village Imports (a Honda dealership), Saturn of Chattanooga, Nelson Bowers Ford, L.P. and KIA of Chattanooga (a KIA and Volkswagen dealership), (collectively, the "Bowers Dealerships") and the Company, as well as the persons and entities controlling the Bowers Dealerships, have entered into a definitive asset purchase agreement dated as of June 24, 1997. The Bowers Dealerships are located in the Chattanooga, Tennessee metropolitan area, with the exception of European Motors of Nashville, which is located in Nashville, Tennessee. The Bowers Dealerships had retail sales of approximately 3,196 new and 2,388 used vehicles, and had aggregate revenues of approximately \$127.1 million in 1996. The Bowers Dealerships estimate that their combined market share of total new vehicle unit sales in the Chattanooga

metropolitan market was approximately 12.6% for 1996. This acquisition serves the Company's growth strategy by

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adding a group of well-managed dealerships with a substantial portion of its sales in luxury vehicles. Nelson Bowers, the Bowers Dealerships' chief executive, and Jeffrey Rachor, their chief operating officer, have over 20 and 10 years of experience in the automotive industry, respectively. Mr. Bowers will join the Company's senior management team as Executive Vice President. Mr. Rachor will be the Company's Regional Vice President for Tennessee, Georgia, Kentucky and Alabama.

The Company will acquire substantially all the Bowers Dealerships' assets, excluding real property, and assume substantially all the liabilities associated with the purchased assets. For the Bowers Acquisition, the Company agreed to pay up to \$33.5 million. At closing, the Company will pay \$27.5 million in cash to the sellers and will deposit \$1.0 million into an escrow account, all subject to certain potential downward adjustments based on the net book value of the purchased assets and assumed liabilities as of the closing. The balance (up to \$5.0 million) of the purchase price will be evidenced by the Company's promissory notes that will be payable in 28 equal quarterly installments and will bear interest at NationsBank's prime rate less 0.5%. The sellers or their affiliates will retain ownership of certain real property underlying some of the dealerships and will lease such property to the Company. See "Business -- Facilities" and "Certain Transactions -- Certain Dealership Leases." In the event the Company fails to close the Bowers Acquisition by October 31, 1997, it has agreed to pay a termination fee.

THE LAKE NORMAN ACQUISITION. Lake Norman Chrysler-Plymouth-Jeep-Eagle and Lake Norman Dodge (collectively, the "Lake Norman Dealerships") are both located in Cornelius, North Carolina approximately 20 miles north of Charlotte. The Lake Norman Dealerships had retail sales of approximately 3,572 new and 2,320 used vehicles, and had aggregate revenues of approximately \$137.7 million in 1996. The existing management of the Lake Norman Dealerships will continue with the Company.

The Company will acquire substantially all the Lake Norman Dealerships' assets, excluding real property, and assume substantially all of the sellers' liabilities. For the Lake Norman Acquisition, the Company agreed in May 1997 to pay up to \$18.2 million. At closing, the Company will pay \$17.7 million in cash to the sellers and deposit \$0.5 million into an escrow account. At the sellers' option, the payment of the total purchase price may be made in two installments: one at closing and one on January 1, 1998, the second being evidenced by a Company promissory note. The purchase price will be adjusted downward based on the net book value of the purchased assets and assumed liabilities as of the closing date, to be determined after the closing. The sellers of the assets will retain ownership of the three tracts of real property underlying the dealerships and will lease such property to the Company. See "Business -- Facilities." In the event the Company fails to close the Lake Norman Acquisition by September 30, 1997, it has agreed to pay a termination fee secured by a letter of credit.

THE DYER ACQUISITION. Dyer & Dyer, Inc. ("Dyer Volvo"), which is located in Atlanta, Georgia, is the largest Volvo dealership in the United States in terms of retail unit sales. For 1996, Dyer Volvo had retail sales of approximately 1,284 new and 1,493 used vehicles, and had aggregate revenues of approximately \$72.6 million. This acquisition is a significant step in the Company's growth strategy in that it adds a large, well-managed dealership in a new geographic market and increases the Company's presence in the luxury car market. Richard Dyer, who has over 25 years in the automotive retailing industry, will continue as the Company's Executive Manager of Dyer Volvo.

The Company will acquire all of the operating assets of Dyer Volvo for \$18.0 million plus assumption of substantially all of Dyer Volvo's existing recorded liabilities and obligations. The \$18.0 million purchase price is subject to adjustment in the event that net book value of the purchased assets, less assumed liabilities, is more or less than \$10.5 million as of the date of the closing. At the closing, the Company will pay \$17.0 million in cash to the seller and deposit \$1.0 million into an escrow account. In addition, the Company will issue a warrant to Richard Dyer to purchase 0.375% of the Company's outstanding shares of Common Stock (in the form of Class A Common Stock) after consummation of the Offering (shares if the Underwriters' over-allotment option is exercised in full) pursuant to his employment agreement with the Company at a per share exercise price equal to the initial public offering per share price (the "Dyer Warrant"). The Dyer Warrant is exercisable immediately and will expire five years after the consummation of the Dyer Acquisition. The Dyer Warrant is in addition to stock options that are to be granted to Richard Dyer pursuant to the Company's Stock Option Plan. Dyer Volvo leases its dealership premises and the Company will assume Dyer Volvo's obligations under the leases at the closing. See "Business -- Facilities." The closing of the Dyer acquisition will occur no later than November 1, 1997. If the Company fails to perform its obligation to close by that date, it has agreed to pay a termination fee.

THE FORT MILL ACQUISITION. Fort Mill Chrysler-Plymouth-Dodge is located in

Fort Mill, South Carolina, which is a part of the Charlotte market. In 1996, Jeff Boyd Chrysler-Plymouth-Dodge (the predecessor to Fort Mill Chrysler-Plymouth-Dodge) had retail sales of approximately 632 new and 842 used vehicles, and had total revenues of \$20.3 million.

The Company purchased in June 1997 certain dealership assets, excluding real property, of Jeff Boyd Chrysler-

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Plymouth-Dodge for a total purchase price of approximately \$3.7 million in cash and assumed the floor plan liabilities of the sellers. Of the \$3.7 million purchase price paid, \$3.5 million was advanced to the Company by Bruton Smith and is to be repaid with proceeds from the Offering. See "Certain Transactions -- The Smith Advance." An affiliate of Jeff Boyd Chrysler-Plymouth-Dodge will retain ownership of the real property underlying the dealership and will lease the property to the Company. See "Business -- Facilities."

THE WILLIAMS ACQUISITION. Williams Motors, Inc. (Chrysler-Plymouth-Jeep-Eagle dealerships) is located in Rock Hill, South Carolina, approximately 35 miles south of Charlotte. In 1996, Williams Motors had retail sales of approximately 248 new and 280 used vehicles, and had total revenues of \$9.6 million.

The Company has entered into a definitive asset purchase agreement to acquire substantially all of the operating assets of Williams Motors (excluding primarily used car inventory and real estate) for up to \$1.8 million plus assumption of floor plan indebtedness to Chrysler Credit Corporation. The exact price will depend upon the net book value of the purchased assets, less assumed liabilities, as of the closing. The Company will also lease the dealership premises from the sellers for one to five years, at the Company's option. See "Business -- Facilities."

FUTURE ACQUISITIONS. The Company intends to pursue acquisitions in the future that will be financed with cash or debt or equity financing or a combination thereof. Although the Company has identified and has held preliminary discussions with several potential acquisition candidates, at this time, the Company has no agreements to effect any such acquisitions other than the Acquisitions. There is no assurance that the Company will consummate any future acquisition, that they will be on favorable terms to the Company or that financing for such acquisitions will be available. All future acquisitions by the Company will be contingent upon the consent of the applicable manufacturer. Although no assurance can be given that any such consents will be obtained, the Company historically has not been denied manufacturer approval of acquisitions. The Company is currently negotiating with several lending institutions for credit arrangements to finance acquisitions and general corporate purposes, although there can be no assurance that the Company will obtain any such financing. See "Risk Factors -- Risks Associated with Acquisitions" and " -- Financial Resources Available for Acquisitions," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

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USE OF PROCEEDS

The net proceeds to the Company from the sale of shares of Class A Common Stock offered hereby are estimated to be approximately \$ million (\$ million if the Underwriters' over-allotment option is exercised in full), assuming an initial public offering price of \$ per share (the midpoint of the range of the initial public offering price set forth on the cover page of this Prospectus) and after deducting the underwriting discount and estimated expenses of the Offering. The net proceeds will be used to pay the purchase price for the Acquisitions or repay short-term borrowings incurred to finance any of the Acquisitions that close before the consummation of the Offering, including approximately \$3.5 million to repay a loan advanced by Bruton Smith in connection with the Acquisitions, which bears interest at 3.83% per annum. See "The Acquisitions" and "Certain Transactions -- The Smith Advance."

DIVIDEND POLICY

The Company intends to retain all of its earnings to finance the growth and development of its business, including future acquisitions, and does not anticipate paying any cash dividends on its Common Stock for the foreseeable future. Any future change in the Company's dividend policy will be made at the discretion of the Board of Directors of the Company and will depend upon the Company's operating results, financial condition, capital requirements, general business conditions and such other factors as the Board of Directors deems relevant. In addition, any lending arrangement negotiated by the Company is expected to include limitations on the ability of the Company to pay dividends without the consent of the lender. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and "Description of Capital Stock."

CAPITALIZATION

The following table sets forth, as of June 30, 1997, the capitalization of the Company (a) on an actual basis, including the Reorganization which is effective as of June 30, 1997, (b) on a pro forma basis, as adjusted to reflect the FIFO Conversion and the Acquisitions, and (c) on a pro forma basis, additionally adjusted to reflect the Offering and the application of the estimated net proceeds to be received by the Company. See "Use of Proceeds." This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the unaudited Pro Forma Combined and Consolidated Financial Statements of the Company and the related notes thereto included elsewhere in this Prospectus.

	JUNE 30, 1997 PRO FORMA FOR THE FIFO CONVERSION	AND THE ACQUISITIONS (1)
PRO FORMA FOR THE OFFERING (2)	ACTUAL	ACQUISITIONS (1)
<S> <C>	<C>	<C>
THOUSANDS)	(DOLLARS IN	
Short-term debt:		
Notes payable -- floor plan.....	\$67,855	\$144,490
\$ 144,490		
Current maturities of long-term debt.....	487	1,286
1,286		
Total short-term debt.....	\$68,342	\$145,776
\$ 145,776		
Long-term debt.....	\$ 5,137	\$ 10,422
\$ 10,422		
Stockholders' equity:		
Preferred Stock, \$.10 par value, 3,000,000 shares authorized; no shares issued and outstanding.....	--	--
--		
Class A Common Stock, \$.01 par value, 50,000,000 shares authorized; no shares issued and outstanding, actual; shares issued and outstanding, as adjusted (3) (4).....	--	--
Class B Common Stock, \$.01 par value, 15,000,000 shares authorized; 10,000 shares issued and outstanding, actual; shares issued and outstanding, as adjusted (5).....	--	--
Additional paid-in capital.....	16,604	16,604
116,604		
Retained earnings and members' and partners' equity.....	6,486	14,566
14,566		
Due from Affiliates.....	(2,633)	(2,633)
(2,633)		
Unrealized loss on marketable equity securities.....	(97)	(97)
(97)		
Total stockholders' equity.....	20,360	28,440
128,440		
Total capitalization.....	\$25,497	\$ 38,862
\$ 138,862		

- (1) Adjusted to give pro forma effect to the FIFO Conversion and the Acquisitions. See "Pro Forma Combined and Consolidated Financial Data."
- (2) Adjusted to give pro forma effect to the FIFO Conversion, the Acquisitions and the Offering.
- (3) shares if the Underwriters' over-allotment option is exercised in full. Excludes shares of Class A Common Stock reserved for future issuance under the Company's Stock Option Plan (including up to shares of Class A Common Stock reserved for issuance upon exercise of options granted to date pursuant to the Stock Option Plan) and excludes shares of Class A Common Stock (shares if the Underwriters' over-allotment option is exercised in full) reserved for issuance under the Dyer Warrant. See "The Acquisitions -- The Dyer Acquisition" and "Management -- Stock Option Plan."
- (4) The number of shares of Class A Common Stock offered hereby, may be reduced to the extent the Company elects to finance a portion of the purchase price of the Acquisitions through borrowings under a revolving credit facility or other form of indebtedness. In such event, pro forma debt will increase by the amount of such borrowings.

(5) Actual shares of Class B Common Stock do not include the effect of the Stock Split (which will be effected in the form of a stock dividend).

DILUTION

The pro forma net tangible book value of the Company (after giving effect to the FIFO Conversion and the Acquisitions) as of June 30, 1997 was \$ per share of Common Stock. Pro forma net tangible book value per share is determined by dividing the pro forma tangible net worth of the Company (pro forma total assets less goodwill less pro forma total liabilities) by the total number of outstanding shares of Common Stock. After giving effect to the sale of the shares of Class A Common Stock offered hereby and the receipt of an assumed \$ million of net proceeds from the Offering (based on an assumed initial public offering price of \$ per share and net of the underwriting discounts and estimated offering expenses), pro forma net tangible book value of the Company at June 30, 1997 would have been \$ per share. This represents an immediate increase in pro forma net tangible book value of \$ per share to existing stockholders and an immediate dilution of \$ per share to the new investors purchasing Class A Common Stock in the Offering. The following table illustrates the per share dilution:

<TABLE>	
<S>	<C>
Assumed initial public offering price per share.....	\$
Pro forma net tangible book value per share before giving effect to the Offering.....	
Increase in pro forma net tangible book value per share attributable to the Offering.....	
Pro forma net tangible book value per share after giving effect to the Offering.....	
Dilution per share to new investors.....	\$
</TABLE>	

The following table sets forth, on a pro forma basis as of June 30, 1997, the number of shares of Common Stock purchased from the Company, the total consideration paid to the Company and the average price per share paid to the Company by existing stockholders and new investors purchasing shares from the Company in the Offering (before deducting underwriting discounts and commissions and estimated offering expenses):

<TABLE>				
<CAPTION>				
AVERAGE				
CONSIDERATION	PRICE PER	SHARES PURCHASED	TOTAL	
PERCENT	SHARE	NUMBER	PERCENT	AMOUNT
<S>		<C>	<C>	<C>
<C>				<C>
Existing stockholders (1).....			%	\$
%	\$			
New investors (2).....				
Total.....			100.0%	\$
100.0%				
</TABLE>				

- (1) Does not reflect the possible exercise of options to purchase shares of Class A Common Stock reserved for issuance under the Company's Stock Option Plan including options to purchase shares of Class A Common Stock that will be granted immediately before the completion of the Offering with an exercise price equal to the initial public offering price and the possible exercise of the Dyer Warrant to purchase shares of Class A Common Stock. See "Management -- Stock Option Plan" and "Certain Transactions."
- (2) Assumes that the Underwriters' over-allotment option is not exercised. Sales pursuant to the exercise by the Underwriters of the over-allotment option will cause the total number of shares purchased by new investors, total consideration paid by new investors, percent of total consideration paid by new investors and average price per share for all investors to increase to , \$, % and \$, respectively.

SELECTED COMBINED AND CONSOLIDATED FINANCIAL DATA

The selected combined and consolidated statement of operations data for the years ended December 31, 1994, 1995 and 1996 and the selected combined balance sheet data as of December 31, 1995 and 1996 are derived from the Company's audited financial statements, which are included elsewhere in this Prospectus. The selected combined and consolidated statement of operations data for the years ended December 31, 1992 and 1993 and the selected combined and consolidated balance sheet data as of December 31, 1992, 1993 and 1994 are derived from the Company's unaudited financial statements, which are not included in this Prospectus. The selected combined and consolidated results of

operations data for the six months ended June 30, 1996 and 1997, and the selected combined and consolidated balance sheet data at June 30, 1997, are derived from the unaudited financial statements of the Company, which are included elsewhere in this Prospectus. In the opinion of management, these unaudited financial statements reflect all adjustments necessary for a fair presentation of its results of operations and financial condition. All such adjustments are of a normal recurring nature. The results of operations for an interim period are not necessarily indicative of results that may be expected for a full year or any other interim period. This selected combined and consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Combined and Consolidated Financial Statements and related notes included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

ENDED 30, 1997 (2) (5)	YEAR ENDED DECEMBER 31,					SIX MONTHS JUNE	
	1992	1993	1994	1995	1996 (1) (5)	1996 (1) (5)	
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>	
(IN THOUSANDS)							
COMBINED AND CONSOLIDATED STATEMENT OF OPERATIONS DATA:							
Revenues:							
Vehicle sales.....	\$171,065	\$203,630	\$227,960	\$267,308	\$326,842	\$164,333	
\$185,078							
Parts, service and collision repair...	24,543	30,337	33,984	35,860	42,644	21,005	
22,906							
Finance and insurance.....	3,743	3,711	5,181	7,813	7,118	4,277	
4,763							
Total revenues.....	199,351	237,678	267,125	310,981	376,604	189,615	
212,747							
Cost of sales.....	174,503	210,046	234,461	272,179	332,407	167,191	
188,368							
Gross profit(3).....	24,848	27,632	32,644	38,802	44,197	22,424	
24,379							
Selling, general and administrative expenses.....							
20,251	22,738	24,632	29,343	33,678	16,590		
18,413							
Depreciation and amortization.....	682	788	838	832	1,076	360	
396							
Operating income.....	3,915	4,106	7,194	8,627	9,443	5,474	
5,570							
Interest expense, floor plan.....	2,215	2,743	3,001	4,505	5,968	2,801	
3,018							
Interest expense, other.....	290	263	443	436	433	184	
269							
Other income.....	1,360	613	609	449	619	369	
274							
Income before income taxes and minority interest(3).....	2,770	1,713	4,359	4,135	3,661	2,858	
2,557							
Provision for income taxes.....	108	107	1,560	1,675	1,400	1,093	
937							
Income before minority interest.....	2,662	1,606	2,799	2,460	2,261	1,765	
1,620							
Minority interest in (earnings) loss of subsidiary.....	31	22	15	22	114	41	
47							
Net income(4).....	\$ 2,693	\$ 1,628	\$ 2,784	\$ 2,438	\$ 2,147	\$ 1,724	\$
1,573							
COMBINED AND CONSOLIDATED BALANCE SHEET DATA:							
Working capital (deficit).....	\$ (1,985)	\$ 160	\$ 2,327	\$ 5,920	\$ 6,201	\$ 8,405	\$
4,287							
Total assets.....	40,656	45,448	58,142	67,242	94,930	87,236	
106,859							
Long-term debt.....	3,904	4,142	3,773	3,561	5,286	4,825	
5,137							
Total liabilities.....	40,035	42,905	52,602	57,980	79,181	68,719	
86,499							
Minority interest.....	139	161	177	200	314	240	
--							
Stockholders' equity(3).....	482	2,382	5,166	9,062	15,749	18,517	
20,360							

</TABLE>

(1) The statement of operations data includes the results of Fort Mill Ford, Inc. from the date of acquisition, February 1, 1996.

(2) The statement of operations data for the six months ended June 30, 1997 includes the results of Fort Mill Chrysler-Plymouth-Dodge, Inc. from the date of acquisition, June 3, 1997.

(FOOTNOTES CONTINUED ON NEXT PAGE)

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(3) The Company currently utilizes the LIFO Method of inventory accounting. See Note 3 to the Company's Combined and Consolidated Financial Statements. The Company intends to file an election with the IRS to convert, effective January 1, 1997, to the FIFO Method of inventory accounting and report its earnings for tax purposes and in its financial statements on the FIFO Method. If the Company had previously utilized the FIFO Method, gross profit and income before income taxes and minority interest for the periods shown in the table, and stockholders' equity as of December 31, 1996 and June 30, 1997, would have been as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1992	1993	1994	1995	1996	1996	1997
	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(IN THOUSANDS)						
Gross profit.....	\$28,192	\$29,034	\$34,114	\$40,103	\$45,571	\$22,423	\$27,434
Income before income taxes and minority interest.....	2,560	3,102	5,809	5,436	5,021	2,858	2,612

<TABLE>
<CAPTION>

	AS OF	AS
OF	DECEMBER 31, 1996	JUNE 30,
1997		
<S>	<C>	<C>
	(IN THOUSANDS)	
Stockholders' equity.....	\$18,215	\$20,360

</TABLE>

(4) Historical net income per share is not presented, as the historical capital structure of the Company prior to the Offering is not comparable with the capital structure that will exist after the Offering.

(5) The Company acquired Fort Mill Ford, Inc. and Fort Mill Chrysler-Plymouth-Dodge in February 1996 and in June 1997, respectively. Both of these acquisitions were accounted for using the purchase method of accounting. As a result, the Selected Combined and Consolidated Financial Data below does not include the results of operations of these dealerships prior to the date they were acquired by the Company. Accordingly, the actual historical data for periods after the acquisition may not be comparable to data presented for periods prior to the acquisition of Fort Mill Ford and Fort Mill Chrysler-Plymouth-Dodge.

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PRO FORMA COMBINED AND CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma combined and consolidated statements of operations for the year ended December 31, 1996 and for the six months ended June 30, 1997 reflect the historical accounts of the Company for those periods, adjusted to give pro forma effect to the Reorganization, the FIFO Conversion, the Acquisitions and the Offering, as if these events had occurred at January 1, 1996. The following unaudited pro forma consolidated balance sheet as of June 30, 1997 reflects the historical accounts of the Company as of that date adjusted to give pro forma effect to the FIFO Conversion, the Acquisitions and the Offering as if these events had occurred on June 30, 1997. The Acquisitions will be consummated on or before the closing of the Offering and are conditions precedent to the closing of the Offering. The Company intends to convert to the FIFO Method of inventory accounting conditioned and effective upon the closing of the Offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview."

The pro forma combined and consolidated financial data and accompanying notes should be read in conjunction with the Combined and Consolidated Financial Statements and related notes of the Company as well as the financial statements and related notes of the Bowers Dealerships, the Lake Norman Dealerships, Ken Marks Ford and Dyer Volvo, all of which are included elsewhere in this Prospectus. The Company believes that the assumptions used in the following statements provide a reasonable basis on which to present the pro forma financial data. The pro forma combined financial data is provided for

informational purposes only and should not be construed to be indicative of the Company's financial condition or results of operations had the transactions and events described above been consummated on the dates assumed, and are not intended to project the Company's financial condition on any future date or its results of operation for any future period.

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PRO FORMA COMBINED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1996

PRO FORMA ADJUSTMENTS FOR THE ACQUISITIONS (4) (5) <S>	COMPANY PRO FORMA ADJUSTMENTS FOR THE REORGANI- ZATION AND THE FIFO CONVERSION		THE ACQUISITIONS BOWERS DEALERSHIPS LAKE NORMAN KEN MARKS DYER VOLVO				
	ACTUAL (1) <C>	CONVERSION <C>	PRO FORMA (2) <C>	DEALERSHIPS <C> (IN THOUSANDS,	FORD (3) <C> EXCEPT PER	SHARE DATA) <C>	<C>
Revenues:							
Vehicle sales.....	\$ 326,842	\$	\$ 159,417	\$ 124,539	\$ 130,859	\$60,871	\$
Parts, service and collision repair.....	42,644		18,579	9,543	14,224	11,163	
(55) (11)							
Finance and insurance.....	7,118		3,888	3,617	2,317	543	
Total revenues.....	376,604		181,884	137,699	147,400	72,577	
(55)							
Cost of sales.....	332,407	(1,360) (8)	156,910	121,806	128,850	62,547	
(545) (12)							
(31) (11)							
Gross profit.....	44,197	1,360	24,974	15,893	18,550	10,030	
522							
Selling, general and administrative expenses.....	33,677		20,366	14,215	16,190	6,921	
(1,333) (13)							
(3,355) (14)							
127 (11)							
(527) (15)							
Depreciation and amortization.....	1,076	75 (9)	846	89	94	202	
(8) (11)							
(193) (16)							
1,654 (17)							
63 (15)							
Operating income.....	9,444	1,285	3,762	1,589	2,266	2,907	
3,420							
Interest expense, floor plan(6).....	5,968		1,545	1,553	2,054	373	
Interest expense, other.....	433		383	49			
400 (18)							
(292) (15)							
Other income.....	618		742	258	1,064	453	
Income before income taxes and minority interest.....	3,661	1,285	2,576	245	1,276	2,987	
3,312							
Provision for income taxes....	1,400	513 (10)	61		546	955	
(1,401) (9)							
(2,254) (20)							
(61) (21)							
955 (22)							
Income before minority interest.....	2,261	772	2,515	245	730	2,032	
550							
Minority interest in earnings of subsidiary.....	114	114 (9)					
Net income.....	\$ 2,147	\$ 886	\$ 2,515	\$ 245	\$ 730	\$ 2,032	\$

550
 Net income per share (7).....
 Weighted average shares
 outstanding.....

<CAPTION>

	PRO FORMA ADJUSTMENTS FOR THE OFFERING <C>	PRO FORMA FOR THE REORGANI- ZATION, FIFO CONVERSION, THE ACQUISITIONS AND THE OFFERING <C>
<S>		
Revenues:		
Vehicle sales.....	\$	\$802,528
Parts, service and collision repair.....		96,098
Finance and insurance.....		17,483
Total revenues.....		916,109
Cost of sales.....		800,583
Gross profit.....		115,526
Selling, general and administrative expenses.....	380 (23)	87,461
Depreciation and amortization.....		3,772
Operating income.....	(380)	24,293
Interest expense, floor plan(6).....		11,493
Interest expense, other.....		973
Other income.....		3,135
Income before income taxes and minority interest.....	(380)	14,962
Provision for income taxes....	(152) (24)	(6,085)
Income before minority interest.....	(228)	8,877
Minority interest in earnings of subsidiary.....		
Net income.....	\$ (228)	\$ 8,877
Net income per share (7).....		\$.89
Weighted average shares outstanding.....		10,000

</TABLE>

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PRO FORMA COMBINED AND CONSOLIDATED STATEMENT OF OPERATIONS
 SIX MONTHS ENDED JUNE 30, 1997

<TABLE>

<CAPTION>

PRO FORMA ADJUSTMENTS FOR THE ACQUISITIONS (4) (5) <S> <C>	COMPANY		THE ACQUISITIONS			
	PRO FORMA ADJUSTMENTS FOR THE ACQUISITIONS ACTUAL (1) <C>	PRO FORMA ADJUSTMENTS FOR THE REORGANI- ZATION AND THE FIFO CONVERSION <C>	BOWERS DEALERSHIPS PRO FORMA (2) <C>	LAKE NORMAN DEALERSHIPS <C>	KEN MARKS FORD (3) <C>	DYER VOLVO <C>
(IN THOUSANDS, EXCEPT PER SHARE DATA)						
Revenues:						
Vehicle sales.....	\$ 185,077	\$	\$75,874	\$69,798	\$ 64,698	\$31,373
Parts, service and collision repair.....	22,907		12,184	5,321	5,999	5,960
Finance and insurance.....	4,763		1,910	1,950	1,029	129
Total revenues.....	212,747		89,968	77,069	71,726	37,462
Cost of sales.....	188,367	54 (8)	76,541	68,272	63,402	32,377
Gross profit.....	24,380	(54)	13,427	8,797	8,324	5,085
Selling, general and administrative expenses....	18,413		10,358	6,937	7,547	3,498

(1,421) (13)						
(1,743) (14)						
(324) (11)						
263 (15)						
Depreciation and amortization.....	397	36 (9)	445	47	47	151
(45) (11)						
(100) (16)						
827 (17)						
(38) (15)						
Operating income.....	5,570	(90)	2,624	1,813	730	1,436
2,450						
Interest expense, floor plan (6).....	3,018		969	1,185	925	276
Interest expense, other.....	269		211	68		
200 (18)						
(165) (15)						
Other income.....	274		489	176	550	247
Income before income taxes and minority interest.....	2,557	(90)	1,933	736	355	1,407
2,415						
Provision for income taxes.....	937	(36) (10)	31		147	
894 (19)						
1,591 (20)						
83 (21)						
Income before minority interest.....	1,620	(54)	1,902	736	208	1,407
(153)						
Minority interest in earnings of subsidiary.....	47	(47) (9)				
Net income.....	\$ 1,573	\$ (7)	\$1,902	\$ 736	\$ 208	\$1,407
\$ (153)						
Net income per share (7).....						
Weighted average shares outstanding.....						

<CAPTION>

	PRO FORMA ADJUSTMENTS FOR THE OFFERING	PRO FORMA FOR THE REORGANIZATION, FIFO CONVERSION, THE ACQUISITIONS AND THE OFFERING
<S>	<C>	<C>
Revenues:		
Vehicle sales.....	\$	\$426,820
Parts, service and collision repair.....		51,125
Finance and insurance.....		9,781
Total revenues.....		487,726
Cost of sales.....		427,898
Gross profit.....		59,828
Selling, general and administrative expenses....	--	(43,718)
190 (23)		
Depreciation and amortization.....		(1,767)
Operating income.....	(190)	14,343
Interest expense, floor plan (6).....		6,373
Interest expense, other.....	--	583
Other income.....		1,736
Income before income taxes and minority interest.....	(190)	9,123
Provision for income taxes.....	(76) (24)	(3,571)
Income before minority interest.....	(114)	5,552
Minority interest in earnings of subsidiary.....		
Net income.....	\$ (114)	\$ 5,552
Net income per share (7).....		\$
Weighted average shares outstanding.....		

</TABLE>

(1) The actual combined statement of operations data for the Company includes

the results of Fort Mill Ford from February 1, 1996, the effective date of its acquisition. Pro forma adjustments have not been presented to include the results of operations for Fort Mill Ford for the one month period ended February 1, 1996 because management believes such results are not material. The actual consolidated statement of operations data for the six months ended June 30, 1997 include the results of Fort Mill Chrysler-Plymouth-Dodge from June 3, 1997, the date of its acquisition.

(FOOTNOTES CONTINUED ON NEXT PAGE)

(2) During 1996 and 1997, Nelson Bowers acquired three automobile dealerships whose operating results, from their respective dates of acquisition, are included in the historical combined and consolidated statement of operations in the table below. The results of operations of one of the acquisitions, European Motors of Chattanooga, for the period from January 1, 1996 to May 1, 1996 (the date of its acquisition), have been excluded because the former owner of this dealership would not provide the Company with this information. The Company believes the exclusion of such results is not material to the Bowers Dealerships pro forma combined statements of operations. The following table adjusts the historical combined and consolidated statements of operations to include two of the acquirees as if two of the acquisitions, European Motors of Nashville and Nelson Bowers Dodge, had occurred on January 1, 1996.

<TABLE>
<CAPTION>

BOWERS DEALERSHIPS (PRO FORMA)	YEAR ENDED DECEMBER 31, 1996			
	BOWERS	EUROPEAN	NELSON	
	DEALERSHIPS (A) (HISTORICAL)	MOTORS OF NASHVILLE (B)	BOWERS DODGE (B)	PRO FORMA ADJUSTMENTS
<S>	<C>	<C>	<C>	<C>
<C>				
	(IN THOUSANDS)			
Revenues:				
Vehicle sales.....	\$113,363	\$ 21,827	\$24,227	\$
\$159,417				
Parts, service and collision repair.....	10,405	4,740	3,434	
18,579				
Finance and insurance.....	3,348	199	341	
3,888				
Total revenues.....	127,116	26,766	28,002	
181,884				
Cost of sales.....	109,373	23,054	24,483	
156,910				
Gross profit.....	17,743	3,712	3,519	
24,974				
Selling, general and administrative expenses.....	14,887	2,636	2,843	
20,366				
Depreciation and amortization.....	515	86	106	139 (d)
846				
Operating income.....	2,341	990	570	139
3,762				
Interest expense, floor plan.....	1,288	208	49	
1,545				
Interest expense, other.....	380	--	3	
383				
Other income.....	158	166	418	
742				
Income before income taxes and minority interest.....	831	948	936	139
2,576				
Provision for income taxes.....	61			
61				
Net Income.....	\$ 770	\$ 948	\$ 936	\$ 139
\$ 2,515				

<TABLE>
<CAPTION>

BOWERS DEALERSHIPS (PRO FORMA)	SIX MONTHS ENDED JUNE 30,		
	BOWERS	NELSON	
	DEALERSHIPS (A) (HISTORICAL)	BOWERS DODGE (C)	PRO FORMA ADJUSTMENTS
<S>	<C>	<C>	<C>
<C>			
	(IN THOUSANDS)		

Revenues:				
Vehicle sales.....	\$ 72,605	\$ 3,269	\$	
\$ 75,874				
Parts, service and collision repair.....	11,597	587		
12,184				
Finance and insurance.....	1,868	42		
1,910				
Total revenues.....	86,070	3,898		
89,967				
Cost of sales.....	73,096	3,445		
76,541				
Gross profit.....	12,974	453		
13,426				
Selling, general and administrative expenses.....	9,908	450		
10,358				
Depreciation and amortization.....	416	14		15 (d)
445				
Operating income.....	2,650	(11)		15
2,624				
Interest expense, floor plan.....	965	4		
969				
Interest expense, other.....	211	--		
211				
Other income.....	452	37		
489				
Income before income taxes and minority interest.....	1,926	22		15
1,933				
Provision for income taxes.....	31			
31				
Net Income.....	\$ 1,895	\$ 22	\$	15
\$ 1,902				

</TABLE>

(a) The historical statement of operations data for the Bowers Dealerships includes the results of Nelson Bowers Dodge from March 1, 1997, the date of its acquisition by the owners of the Bowers Dealerships. Such statement also includes the results of European Motors of Nashville and European Motors of Chattanooga from October 1, 1996 and May 1, 1996, respectively, which were acquired by the owners of the Bowers Dealerships on those dates.

(FOOTNOTES CONTINUED ON NEXT PAGE)

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(b) Reflects the results of operations of (i) Nelson Bowers Dodge for the year ended December 31, 1996; and (ii) European Motors of Nashville for the period from January 1, 1996 to October 1, 1996, the date of its acquisition by the owners of the Bowers Dealerships. Such data was obtained from monthly financial statements prepared by the dealership as required by the manufacturers.

(c) Reflects the results of operations of (i) Nelson Bowers Dodge for the period from January 1, 1997 to March 1, 1997, the date of its acquisition by the owners of the Bowers Dealerships. Such data was obtained from monthly financial statements prepared by the dealership as required by the manufacturers.

(d) Reflects the amortization of goodwill resulting from the acquisition of Nelson Bowers Dodge, European Motors of Nashville and European Motors of Chattanooga over an assumed amortization period of 40 years for the period not included in the historical financial statements, assuming that such acquisitions were consummated on January 1, 1996.

(3) Ken Marks Ford's fiscal year ends on April 30 of each year. Accordingly, the Statement of Operations data for Ken Marks Ford for the year ended December 31, 1996 was derived by adjusting the data for the year ended April 30, 1997 to include results from January 1, 1996 through April 30, 1996, and exclude results from January 1, 1997 through April 30, 1997. The Statement of Operations data for the six months ended June 30, 1997 was similarly derived by adjusting the historical financial statements for the year ended April 30, 1997 to include results from May 1, 1997 through June 30, 1997, and excludes results from May 1, 1996 through December 31, 1996.

(4) The Company has excluded (i) the results of operations of Fort Mill Chrysler-Plymouth-Dodge for the year ended December 31, 1996 and the period ended June 3, 1997 and (ii) the historical results of operations and related pro forma adjustments related to the Williams Acquisition because management believes such results and adjustments are not material to the Pro Forma Combined and Consolidated Statement of Operations.

(5) Prior to the Company's acquisition of the Lake Norman Dealerships, its former owners directed \$550,000 and \$150,000 in contributions to charitable organizations during the year ended December 31, 1996 and the six months

ended June 30, 1997, respectively. It is the Company's intention to maintain the level of charitable contributions already reflected in the Company's historical combined financial statements. Although no pro forma adjustment to eliminate this expense has been included in the accompanying Pro Forma Combined and Consolidated Statements of Operations, the Company believes disclosure and consideration of the Lake Norman Dealerships contributions is appropriate to understand the continuing impact on the Company's results of operations of the acquisition of the Lake Norman Dealerships.

- (6) The Company intends to raise sufficient funds in the Offering to fund the Acquisitions. In the event that the Company determines not to raise sufficient funds in the Offering to acquire the dealerships being acquired in the Acquisitions, the Company would incur additional indebtedness and the related interest expense. The Pro Forma Combined and Consolidated Statements of Operations do not give effect to any additional interest expense that would be incurred.
- (7) Pro forma net income per share is based upon the assumption that _____ shares of Class A Common Stock are outstanding after the Offering. This amount represents _____ shares of Class A Common Stock to be issued in the Offering, and _____ shares of Common Stock owned by the Company's stockholders immediately following the Reorganization and the Acquisitions. See "Principal Stockholders" and Note 1 to the Company's Combined and Consolidated Financial Statements included elsewhere in this Prospectus.
- (8) Reflects the conversion from the LIFO Method of inventory accounting to the FIFO Method of inventory accounting. The Company intends to convert to the FIFO Method conditioned and effective upon the closing of the Offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview."
- (9) Reflects the elimination of minority interest in earnings as a result of the acquisition of the 31% minority ownership interest in Town & Country Toyota, Inc. for \$3.2 million of Class B Common Stock in connection with the Reorganization, and the amortization of approximately \$2.8 million in related goodwill over 40 years arising from such acquisition.
- (10) Reflects the net increase in the provision for income taxes due to the conversion to the FIFO Method and the amortization of goodwill related to the acquisition of the minority interest pursuant to the Reorganization, calculated at the effective rate of 39.9%.
- (11) Reflects the elimination of the operations of one of the Bowers Dealerships' collision repair businesses that will not be acquired by the Company.
- (12) Adjustment reflects the conversion from the LIFO Method of inventory accounting to the FIFO Method of inventory accounting at the Lake Norman Dealerships, Ken Marks Ford and Dyer Volvo in the amount of \$169,000, \$572,000 and \$116,000, respectively for the year ended December 31, 1996 and \$324,000, \$47,000 at the Lake Norman Dealerships and Ken Marks Ford for

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period ended June 30, 1997. The Company intends to convert to the FIFO Method conditioned upon the closing of the Offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview."

- (13) Reflects the net decrease in selling, general and administrative expenses related to the net reduction in salaries and fringe benefits of owners and officers of the acquired dealerships who will become employees of the Company after the Offering, consistent with reduced salaries pursuant to employment agreements with the Company, effective upon consummation of the Offering.
- (14) The decrease in selling, general and administrative expenses reflects the elimination of salaries paid to owners of certain dealerships acquired in the Acquisitions whose positions and salaries will be eliminated in conjunction with the Offering.
- (15) Reflects the Company's estimate of the increase in rent expense related to lease agreements entered into with the sellers of the Bowers Dealerships for the dealerships' real property that will not be acquired by the Company, and decreases in depreciation expense and interest expense related to mortgage indebtedness encumbering such property.
- (16) Reflects the elimination of amortization expense related to goodwill that arose in previous acquisitions in the Bowers Dealerships, assuming that each of the acquisitions giving rise to goodwill was consummated on January 1, 1996. See Note 5.
- (17) Reflects the amortization over an assumed amortization period of 40 years

of approximately \$66.2 million in intangible assets, which consist primarily of goodwill, resulting from the Acquisitions which were assumed to occur on January 1, 1996. See "Acquisitions" and "Pro Forma Combined and Consolidated Balance Sheet."

- (18) In connection with the Bowers Acquisition, the Company will issue a promissory note of up to \$5.0 million that will bear interest at NationsBank's prime rate less 0.5%. This adjustment reflects an increase in interest expense related to the promissory note assuming a prime rate of 8.5%.
- (19) Reflects the net increase in provision for income taxes resulting from adjustments 11 through 18 above, computed using effective income tax rates ranging from 38.5% to 40.9%.
- (20) Certain of the Bowers Dealerships, the Lake Norman Dealerships, and Dyer Volvo were not subject to federal and state income taxes because they were either S corporations, partnerships, or limited liability companies during the period indicated. This adjustment reflects an increase in the federal and state income tax provision as if these entities had been taxable at the combined statutory income tax rate of 39%. Upon completion of the Acquisitions, these businesses that have historically not been subject to corporate income tax will thereafter be subject to federal and state income tax as C corporations.
- (21) Reflects an increase from the Company's historical effective tax rate resulting from a higher statutory tax rate used due to an increase in taxable income to above \$10.0 million for the pro forma combined entity and from an additional pro forma permanent difference for non-taxable goodwill amortization.
- (22) Reflects the elimination of federal and state tax expense which were assessed on the recapture of the LIFO inventory reserve which was required by tax law pursuant to the conversion of Dyer Volvo from a C corporation to an S corporation during 1997.
- (23) Reflects the increase in salaries of existing and new officers who have entered into employment agreements with the Company, effective upon consummation of the Offering.
- (24) Reflects the net increase in provision for income taxes resulting from adjustment 23 above, computed using an effective income tax rate of 40.6%.

(FOOTNOTES CONTINUED ON NEXT PAGE)

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PRO FORMA COMBINED AND CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 1997

<TABLE>
<CAPTION>

PRO-FORMA	PRO-FORMA ADJUSTMENTS FOR			THE ACQUISITIONS			
	ACTUAL	FIFO	BOWERS	LAKE NORMAN	KEN MARKS		THE
ADJUSTMENTS FOR ASSETS ACQUISITIONS <S>	(1)	CONVERSION	DEALERSHIPS	DEALERSHIPS	FORD	DYER VOLVO	<C>
	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(IN THOUSANDS)						
Current Assets:							
Cash and cash equivalents... (88,267) (3)	\$ 9,238		\$ 5,797	\$ 3,467	\$ 3,711	\$ 173	\$
Marketable equity securities.....	769						
Receivables..... (76) (4)	12,897		3,398	2,535	1,473	2,535	
Inventories..... 4,332 (5)	59,885	13,580 (2)	34,071	22,778	14,802	11,129	
(88) (4)							
Deferred income taxes.....	256				95		
Other current assets.....	818		2,453	244	277	32	
Total current assets.... (84,099)	83,863	13,580	45,719	29,024	20,358	13,869	
Property and equipment, net... (4,052) (6)	13,270		8,744	567	489	1,156	
400 (18)							
Goodwill, net..... (1,887) (4)	9,463		8,286				
66,150 (3)							
(8,285) (7)							

Other assets.....	263		257	462	14	297	
(20) (4)							
Total assets.....	\$106,859	\$13,580	\$63,006	\$30,053	\$20,861	\$ 15,322	\$
(32,193)							
LIABILITIES AND STOCKHOLDERS'							
EQUITY							
Current Liabilities:							
Notes payable-floor plan....	\$ 67,855		\$29,071	\$25,865	\$16,165	\$ 5,534	
Notes payable-other.....			4,590	28			
Trade accounts payable.....	3,848		1,425	1,352	622		
(89) (4)							
Accrued interest.....	492		178				
Other accrued liabilities...	3,394		1,739	472	1,582	512	
(33) (4)							
Taxes payable.....		917 (2)			243	239	
170 (8)							
Payable to Company's chairman.....	3,500						
Current maturities of long-term debt.....	487		558	71			
357 (3)							
Total current liabilities.....	79,576	917	37,561	27,788	18,611	6,285	
406							
Long-term debt.....	5,137		4,365	786			
(3,157) (6)							
4,643 (3)							
(1,351) (4)							
Payable to affiliated companies.....	855						
Deferred income taxes.....	931	4,583 (2)			24		
850 (8)							
Other long-term liabilities...						238	
Minority interest.....							
Stockholders' Equity:							
Common Stock of combined companies.....			1,000	75	1	153	
(1,229) (3)							
Class A Common Stock.....							
Class B Common Stock.....							
Warrant (3)							
Paid-in capital.....	16,604			600	424	28	
(1,052) (3)							
Treasury stock.....						(4,976)	
4,976 (7)							
Retained earnings and members' and partners' equity.....	6,486	8,080 (2)	20,941	804	1,801	13,594	
4,332 (5)							
(1,020) (8)							
(894) (6)							
(30,673) (3)							
(599) (4)							
(8,286) (7)							
Due from affiliates.....	(2,633)		(861)				
861 (3)							
Unrealized loss on marketable equity securities.....	(97)						
Total stockholders' equity.....	20,360	8,080	21,080	1,479	2,226	8,798	
(33,584)							
Total liabilities and stockholders' equity.....	\$106,859	\$13,580	\$63,006	\$30,053	\$20,861	\$ 15,322	\$
(32,193)							

<CAPTION>

	PRO-FORMA ADJUSTMENTS FOR THE OFFERING		TOTAL
<S>	<C>		<C>
Current Assets:			
Cash and cash equivalents...	100,000 (9)	\$ 34,119	
Marketable equity securities.....		769	
Receivables.....		22,762	
Inventories.....		160,488	
Deferred income taxes.....		351	

Other current assets.....		3,824
Total current assets....	100,000	222,314
Property and equipment, net...		18,287
Goodwill, net.....		75,613
Other assets.....		1,275
Total assets.....	\$ 100,000	\$317,489
LIABILITIES AND STOCKHOLDERS'		
EQUITY		
Current Liabilities:		
Notes payable-floor plan....		\$144,490
Notes payable-other.....		4,618
Trade accounts payable.....		7,157
Accrued interest.....		669
Other accrued liabilities...		7,668
Taxes payable.....		1,568
Payable to Company's chairman.....		3,500
Current maturities of long-term debt.....		1,474
Total current liabilities.....		171,145
Long-term debt.....		10,422
Payable to affiliated companies.....		855
Deferred income taxes.....		6,388
Other long-term liabilities...		239
Minority interest.....		
Stockholders' Equity:		
Common Stock of combined companies.....		--
Class A Common Stock.....		--
Class B Common Stock.....		--
Warrant (3)		
Paid-in capital.....	100,000 (9)	116,604
Treasury stock.....		
Retained earnings and members' and partners' equity.....		14,566
Due from affiliates.....		(2,633)
Unrealized loss on marketable equity securities.....		(97)
Total stockholders' equity.....	100,000	128,440
Total liabilities and stockholders' equity.....	\$ 100,000	\$317,489

</TABLE>

(FOOTNOTES CONTINUED ON NEXT PAGE)

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- (1) The Reorganization, including the acquisition of the 31% minority interest in Town & Country Toyota for \$3.2 million in Class B Common Stock in exchange therefor, was effective as of June 30, 1997 and is therefore reflected in the actual balance sheet as of that date. The acquisition of the minority interest resulted in the recognition of \$2.8 million of additional goodwill.
- (2) Reflects the conversion from the LIFO Method of inventory accounting to the FIFO Method of inventory accounting and the amount of taxes payable that will result from this conversion. The Company intends to convert to the FIFO Method conditioned upon the closing of the Offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview."
- (3) Reflects the preliminary allocation of the aggregate purchase price of the Acquisitions based on the estimated fair value of the net assets acquired. Because the carrying amount of the net assets acquired, which primarily consist of accounts receivable, inventory, equipment accounts receivable and floor plan indebtedness, approximates their fair value, management believes the application of purchase accounting will not result in an adjustment to the carrying amount of those net assets. Under the acquisition agreement, the negotiated purchase prices for the Acquisitions will be adjusted downward to the extent that the fair value of the tangible net assets as of the closing is less than an agreed upon amount. The Company expects that the sellers of these dealerships will withdraw cash or other assets from these dealerships to the extent that the carrying amount of the tangible net assets sold exceeds the negotiated minimum value. Under the provisions of purchase accounting, the Company has one year from the date of acquisition to finalize the allocation of the purchase price to the assets and liabilities acquired. Thus, the amount of goodwill and the corresponding amortization may ultimately be different from the amounts estimated here. The estimated purchase price allocation consists of the following:

<TABLE>
<CAPTION>

	BOWERS DEALERSHIPS	KEN MARKS FORD	LAKE NORMAN DEALERSHIPS	DYER VOLVO
TOTAL				
<S>	<C>	<C>	<C>	<C>
<C>				
Estimated total consideration:				
Cash.....	\$ 28,500	\$ 25,500	\$18,200	\$ 18,000
\$90,200				
Promissory note issued.....	5,000			
5,000				
Warrant issued.....				
Total.....	33,500	25,500	18,200	18,000
95,200				
Less negotiated minimum fair value				
of tangible net assets acquired...	10,500	5,050	3,000	10,500
29,050				
Excess of purchase price over fair				
value of net tangible assets				
acquired.....	\$ 23,000	\$ 20,450	\$15,200	\$ 7,500
\$66,150				

</TABLE>

In connection with the acquisition of Dyer Volvo, the Company will issue a warrant that will entitle the holder to acquire Class A shares representing a 0.375% ownership interest in the Company at an exercise price per share equal to the price offered in the Company's public offering. Because the number of underlying shares and the exercise price of the underlying shares is not determinable at this time, the Company is currently not able to value this warrant. Accordingly, the Pro Forma Combined and Consolidated Balance Sheet does not give effect to the issuance of this warrant, however, management believes the effect on the Company's financial position and results of operations would not be materially different from that which is presented. The difference between the purchase price and the fair market value of the net tangible assets acquired will be allocated to intangible assets, primarily goodwill and amortized over 40 years.

- (4) Reflects the elimination of the assets and liabilities of one of the Bowers Dealerships' collision repair businesses that will not be acquired by the Company.
- (5) Reflects the conversion from the LIFO Method of inventory accounting to the FIFO Method of inventory accounting at the Lake Norman Dealerships, Ken Marks Ford and Dyer Volvo in the amounts of \$1,564,000, \$2,652,000 and \$116,000, respectively. The Company intends to convert to the FIFO Method conditioned upon the closing of the Offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview."
- (6) Reflects the distribution of real property of the Bowers Dealerships with a net depreciated cost of approximately \$4.1 million, which are not being acquired in the Acquisitions, and the related mortgage indebtedness in the amount of approximately \$3.2 million. See "Certain Transactions."
- (7) Reflects the elimination of goodwill that arose in previous acquisitions of the Bowers Dealerships.
- (8) Reflects the amount of taxes payable that will result from the FIFO conversion at Ken Marks Ford in the amount of \$1,020,000.
- (9) Reflects the issuance of Class A Common Stock in the Offering. See "Use of Proceeds."

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the results of operations and financial condition should be read in conjunction with the Sonic Automotive, Inc. and Affiliated Companies Combined and Consolidated Financial Statements and the related notes thereto included elsewhere in this Prospectus.

OVERVIEW

Sonic Automotive, Inc. is one of the leading automotive retailers in the United States, operating 20 dealerships, four standalone used vehicle facilities and eight collision repair centers in the southeastern and southwestern United States. Sonic sells new and used cars and light trucks, sells replacement parts, provides vehicle maintenance, warranty, paint and repair services and arranges related F&I for its automotive customers. The Company's business is geographically diverse, with dealership operations in the Charlotte, Chattanooga, Nashville, Tampa-Clearwater, Houston and Atlanta markets, each of which the Company believes are experiencing favorable demographic trends. Sonic sells 17 domestic and foreign brands, which consist of BMW, Cadillac, Chrysler, Dodge, Eagle, Ford, Honda, Infiniti, Jaguar, Jeep, KIA, Oldsmobile, Plymouth,

Saturn, Toyota, Volkswagen and Volvo. In several of its markets, the Company has a significant market share for new cars and light trucks, including 13.7% in Charlotte and 12.6% in Chattanooga in 1996. Pro forma for the Acquisitions, the Company had revenues of \$916.1 million and retail unit sales of 24,114 new and 13,453 used vehicles in 1996. The Company believes that in 1996, based on pro forma retail unit sales it would have been one of the ten largest dealer groups out of a total of more than 15,000 dealer groups in the United States and, based on pro forma revenues, it would have had three of the top 100 single-point dealerships in the United States.

The Company intends to pursue an acquisition growth strategy led by a management team that has experience in the consolidation of both automotive retailing as well as motor sports businesses. Bruton Smith, who is also the Chief Executive Officer of Speedway Motorsports, Inc., the owner and operator of several motor sports facilities, first entered the automotive retailing business in the mid-1960's. Mr. Smith will devote approximately 50% of his business time to the Company. Since 1990, Mr. Smith has successfully acquired three dealerships and increased revenues from his dealerships from \$199.4 million in 1992 to \$376.6 million in 1996, without giving effect to the Acquisitions. In the Tennessee market, Mr. Bowers has acquired or opened eight dealerships since 1992 and increased revenues from \$36.0 million in 1992 to \$127.6 million in 1996.

New vehicle revenues include the sale and lease of new vehicles. Used vehicle revenues include amounts received for used vehicles sold to retail customers, other dealers and wholesalers. Other operating revenues include parts and services revenues, fees and commissions for arranging F&I and sales of third party extended warranties for vehicles (collectively, "F&I transactions"). In connection with vehicle financing contracts, the Company receives a fee (a "finance fee") from the lender for originating the loan. If within 90 days of origination the customer pays off the loans through refinancing or selling/trading in the vehicle, or defaults on the loan the finance company will assess a charge (a "chargeback") for a portion of the original commission. The amount of the chargeback depends on how long the related loan was outstanding. As a result, the Company has established reserves based on its historical chargeback experience. The Company also sells warranties provided by third party vendors, and recognizes a commission at the time of sale.

While the automotive retailing business is cyclical, Sonic sells several products and services that are not closely tied to the sale of new and used vehicles. Such products and services include the Company's parts and service and collision repair businesses, both of which are not dependent upon near-term new vehicle sales volume. One measure of cyclical exposure in the automotive retailing business is based on the dealerships' ability to cover fixed costs with gross profit from revenues independent of vehicle sales. According to this measurement of "fixed coverage," a higher percentage of non-vehicle sales revenue to fixed costs indicates a lower exposure to economic cycles. Each manufacturer requires its dealerships to report fixed coverage according to a specific method, and the methods used vary widely among the manufacturers and are not comparable. However, on an aggregate basis, the Company believes its exposure to cyclicity may be measured by dividing the sum of the gross profit for parts, service and collision repair by the sum of all operating expenses with the exception of advertising expenses and variable payroll ("Fixed Coverage"). Under this definition, the Company's Fixed Coverage was 89.3% in 1996. For the first half of 1997, the Sonic Dealership's Fixed Coverage was 84.2% compared to 89.7% in the first half of 1996.

The Company's cost of sales and profitability are also affected by the allocations of new vehicles which its dealerships receive from Manufacturers. When the Company does not receive allocations of new vehicle models adequate to meet customer demand, it purchases additional vehicles from other dealers at a premium to the manufacturer's invoice, reducing the

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gross margin realized on the sales of such vehicles. In addition, the Company follows a disciplined approach in selling vehicles to other dealers and wholesalers when the vehicles have been in the Company's inventory longer than the guidelines set by the Company. Such sales are frequently at or below cost and, therefore, affect the Company's overall gross margin on vehicle sales. The Company's salary expense, employee benefits costs and advertising expenses comprise the majority of its selling, general and administrative ("SG&A") expenses. The Company's interest expense fluctuates based primarily on the level of the inventory of new vehicles held at its dealerships, substantially all of which is financed (such financing being called "floor plan financing").

The Company has historically accounted for all of its dealership acquisitions using the purchase method of accounting and, as a result, does not include in its financial statements the results of operations of these dealerships prior to the date they were acquired by the Company. The combined and consolidated financial statements of the Company discussed below reflect the results of operations, financial position and cash flows of each of the Company's dealerships acquired prior to June 30, 1997. As a result of the foregoing effects of the Reorganization, as well as the effects of the Acquisitions and the Offering, the historical combined and consolidated

financial information described in the Management's Discussion and Analysis is not necessarily indicative of the results of operations, financial position and cash flows of the Company in the future or the results of operations, financial position and cash flows which would have resulted had the Reorganization and Acquisitions occurred at the beginning of the periods presented in the Combined and Consolidated Financial Statements.

The Company's total revenues have increased from \$199.4 million in 1992 to \$376.6 million in 1996, for a compound annual growth rate of 17.2%. Operating income during this period experienced faster growth, with operating income increasing from \$3.9 million in 1992 to \$9.4 million in 1996, for a 24.6% annual compounded growth rate. Income before income taxes and minority interest, however, has only increased at a compound annual growth rate of 7.2% primarily because interest expense on floor plan obligations has increased from 1.1% of total revenues in 1992 to 1.6% of total revenues in 1996. Inventory and floor plan balances increased during 1995 and 1996 to support the Company's strategy of increasing market share. In early 1997, the Company instituted additional inventory controls in order to reduce interest costs to levels typical of the industry. Interest expense on floor plan obligations as a percentage of total revenues has improved from 1.5% for the six months ended June 30, 1996 to 1.4% for the six months ended June 30, 1997.

As of June 30, 1997, the Company effected the Reorganization pursuant to which the Company (i) acquired all of the capital stock of the Sonic Dealerships and (ii) issued Class B Common Stock in exchange for the Dealer Securities. The Company will acquire these minority interests in purchase transactions at a price in excess of their book value by approximately \$2.5 million. This excess will be capitalized as goodwill and amortized over forty years. In May, June and July 1997, the Company consummated or signed definitive agreements to purchase six additional dealerships or dealership groups for an aggregate purchase price of \$100.7 million. The Company intends to use the proceeds from the Offering to pay the purchase price of the Acquisitions. In connection with the Acquisitions, the Company will book approximately \$66.2 million of goodwill which will be amortized over forty years.

The Company currently utilizes the LIFO Method of accounting for inventory but intends to convert to the FIFO Method of accounting, upon the closing of the Offering, effective January 1, 1997. If the FIFO Method of inventory accounting had been used by the Company in prior periods, income before taxes and minority interest would have been higher by \$1.5 million, \$1.3 million and \$1.4 million for the years ended December 31, 1994, 1995 and 1996, respectively, and immaterially changed for the six months ended June 30, 1996 and 1997, respectively, from the reported results under the LIFO Method. Upon election of the FIFO Method, the Company will be required under generally accepted accounting principles to restate its historical financial statements. The Company estimates that it will incur a tax liability of approximately \$5.5 million in connection with this conversion to the FIFO Method.

The automobile industry is cyclical and historically has experienced periodic downturns, characterized by oversupply and weak demand. Many factors affect the industry including general economic conditions and consumer confidence, the level of discretionary personal income, interest rates and available credit. During the five years ended December 31, 1996, the automobile industry was generally in a growth period with new vehicles sales growing at a compound rate of 10.5% as a result of price increases of 6.2% and unit sales increases of 4.0%. During the first six months of 1997, however, industry sales of new cars declined by 2.0%, although the Company's new car and light truck unit sales increased by 7.0% during the period. During these periods, interest rates were relatively stable.

RESULTS OF OPERATIONS

The following table summarizes, for the periods presented, the percentages of total revenues represented by certain items reflected in the Company's statement of operations.

<TABLE>
<CAPTION>

MONTHS ENDED	PERCENTAGE OF TOTAL REVENUES FOR SIX			
	YEAR ENDED DECEMBER 31,			JUNE
30,	1994	1995	1996	1996
1997	<C>	<C>	<C>	<C>
<S>	<C>	<C>	<C>	<C>
<C>	<C>	<C>	<C>	<C>
Revenues:				
New vehicle sales.....	61.5 %	60.0 %	61.9 %	61.0 %
64.4 %				
Used vehicle sales.....	23.9 %	26.0 %	24.9 %	25.6 %
22.6 %				
Parts, service and collision repair.....	12.7 %	11.5 %	11.3 %	11.1 %

10.8 %				
Finance and insurance.....	1.9 %	2.5 %	1.9 %	2.3 %
2.2 %				
Total revenues.....	100.0 %	100.0 %	100.0 %	100.0 %
100.0 %				
Cost of sales.....	87.8 %	87.5 %	88.3 %	88.2 %
88.5 %				
Gross profit.....	12.2 %	12.5 %	11.7 %	11.8 %
11.5 %				
Selling, general and administrative.....	9.2 %	9.4 %	8.9 %	8.8 %
8.7 %				
Operating income.....	2.7 %	2.8 %	2.5 %	2.6 %
2.4 %				
Interest expense.....	1.3 %	1.6 %	1.7 %	1.6 %
1.6 %				
Income before income taxes.....	1.6 %	1.3 %	1.0 %	1.4 %
1.2 %				

</TABLE>

SIX MONTHS ENDED JUNE 30, 1997 COMPARED TO SIX MONTHS ENDED JUNE 30, 1996

REVENUES. Revenues grew in each of the Company's primary revenue areas, except for used vehicles, for the first half of 1997 as compared with the first half of 1996, causing total revenues to increase 12.2% to \$212.7 million. New vehicle sales revenue increased 18.4% to \$137.0 million, compared with \$115.7 million. New vehicle unit sales increased from 6,027 to 6,553, accounting for 47.3% of the increase in vehicle sales revenues. The remainder of the increase was primarily due to a 8.9% increase in the average selling price resulting from changes in vehicle prices, particularly a shift in customer preference to higher cost light trucks and sport utility vehicles.

Used vehicle revenues from retail sales declined 7.2% from \$35.2 million in the first half of 1996 to \$32.7 million in the first half of 1997. The decline in used vehicle revenues was due principally to declines in used vehicle unit sales at the Company's Town & Country Ford and Lone Star Ford locations, which related to weak consumer demand.

The Company's parts, service and collision repair revenue increased 9.0% to \$22.9 million from \$21.0 million, and declined as a percentage of revenue to 10.8% from 11.1%. The increase in service and parts revenue was due principally to increased parts revenue, including wholesale parts, from the Company's Lone Star Ford and Fort Mill Ford locations. F&I revenue increased \$0.5 million, due principally to increased new vehicle sales and related financings.

GROSS PROFIT. Gross profit increased 8.7% in the 1997 period to \$24.4 million from \$22.4 million in the 1996 period due to increases in revenues of new vehicles principally at the Company's Lone Star Ford and Fort Mill Ford locations. Parts and service revenue increases also contributed to the increase in gross profit. Gross profit as a percentage of sales declined from 11.8% to 11.5% due principally to reductions in higher margin used vehicle sales from the prior period.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased 10.9% from \$16.6 million to \$18.4 million. These expenses increased due to increases in sales volume as well as expenses associated with the Acquisitions and the Offering.

INTEREST EXPENSE. The Company's interest expense increased 10.8% from \$3.0 million to \$3.3 million. The increase in interest expense was due to the acquisition of Fort Mill Chrysler Plymouth Dodge dealership in June of 1997, increases in interest rates on floor plan debt and increased new vehicle inventory levels at existing dealerships.

NET INCOME. As a result of the factors noted above, the Company's net income decreased by \$0.2 million in the first half of 1997 compared to the first half of 1996.

YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

REVENUES. The Company's total revenue increased 21.1% to \$376.6 million in 1996 from \$311.0 million in 1995. New vehicle sales increased 25.0% to \$233.1 million in 1996 from \$186.5 million in 1995, primarily because of the acquisition in

February 1996 of the Company's Fort Mill Ford dealership. The inclusion of the results of the Fort Mill Ford dealership accounted for 65.3% of the Company's overall increase in new vehicle sales in 1996. Of the increase in sales, 55.3% was attributable to increases in unit sales from 1995 to 1996. The remainder of the increase in new vehicle sales in 1996 was largely attributable to an increase in average unit selling costs of 9.8% which the Company believes was primarily due to changes in inventory mix (particularly shifting customer preferences to light trucks and sport utility vehicles) and general increases in new vehicle sales prices.

Used vehicle revenues from retail sales increased 12.0% to \$68.0 million in 1996 from \$60.8 million in 1995. The inclusion of the results of the Company's Fort Mill Ford dealership accounted for substantially all of this increase in used vehicle sales. The Company attributes the remainder of the increase in its used vehicle sales in 1996 to increases of approximately 5.6% in the average retail selling price per vehicle sold. Increases in average retail selling prices were due to changes in product mix and general price increases.

The Company's parts, service and collision repair revenue increased 19.0% to \$42.6 million for 1996, compared to \$35.9 million in 1995. Of this increase, \$4.4 million and 64.5% was due to the inclusion of the Company's Fort Mill Ford dealership in the 1996 results of operations. The remainder of the increase was principally the result of improved service operations and wholesale parts distribution at the Company's Town and Country Ford dealership. F&I revenues declined \$0.7 million, or 8.9%, due principally to reductions in sales of finance and insurance products at Town and Country Ford.

GROSS PROFIT. Gross profit increased 13.9% in 1996 to \$44.2 million from \$38.8 million in 1995 primarily due to the addition of the Fort Mill Ford dealership. Gross profit decreased from 12.5% to 11.7% as a percentage of sales due principally to declines in F&I income and declines in gross profit margins on the sale of used vehicles. Gross margins on new vehicles increased primarily due to increases in the average selling price per unit due to a change in mix of new vehicles sold, particularly higher margin light trucks and sport utility vehicles.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. The Company's SG&A expenses increased \$4.3 million, or 14.8%, from \$29.3 million in 1995 to \$33.7 million in 1996. However, as a percentage of revenue, SG&A expenses decreased from 9.4% to 8.9%. Expenses associated with the Fort Mill Ford dealership acquired by the Company in 1996 accounted for approximately 97.1% of this increase. The Company attributes the remainder of the increase in selling, general and administrative expenses primarily to higher compensation levels in 1996 and to an increase in advertising expenses.

INTEREST EXPENSE. The Company's interest expense in 1996 increased 29.6% to \$6.4 million from \$4.9 million in 1995. Of this increase \$1.0 million or 70.0% is attributable to floor plan financing at the Company's Fort Mill Ford dealership acquired in February 1996. The remainder of the increase primarily reflects interest expense on the debt assumed in the acquisition of Fort Mill Ford and an increase in floor plan interest rates during 1996.

NET INCOME. The Company's net income in 1996 decreased 11.9% to \$2.1 million from \$2.4 million in 1995. This decrease was principally caused by increased interest costs related to floor plan financing and debt assumed in the acquisition of Fort Mill Ford.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

REVENUES. The Company's total revenue increased 16.4% to \$311.0 million in 1995 from \$267.1 million in 1994. New vehicle sales increased 13.5% to \$186.5 million in 1995 from \$164.4 million in 1994. The Company attributes the increase in new vehicle sales to unit sales increases of 6.1% primarily from the Town & Country Ford and Lone Star Ford dealerships which increased 9.3% and 7.1%, respectively. The remainder of the increase was due to increased sales of higher priced light trucks and sport utility vehicles and general price increases.

Used vehicle revenues from retail sales increased by 27.9% to \$60.8 million in 1995, compared with \$47.5 million in 1994. The increase in used vehicle unit sales was due principally to increases at the Company's Lone Star Ford, Town & Country Ford and Frontier Cadillac-Oldsmobile locations. Unit sales volume increased 18.2%, or 798 units, accounting for 65.3% of the increase in used vehicle revenues. The remainder of the increase was due to improvements in product mix and general increases in used vehicle selling prices.

The Company's parts, service and collision repair revenue increased 5.5% or \$1.9 million, from \$34.0 million in 1994 to \$35.9 million in 1995. Wholesale parts sale increases at the Company's Lone Star Ford dealership and improved service operations at the Company's Town and Country Toyota dealership account for the majority of the increase. F&I revenue increased \$2.6 million due principally to additional sales of F&I products at the Company's Town and Country Ford and Lone Star Ford dealerships.

GROSS PROFIT. Gross profit increased 18.8% in 1995 to \$38.8 million from \$32.6 million in 1994. Gross profit as a percentage of sales increased from 12.2% to 12.5% due principally to a 50.8% increase in high margin finance and insurance product sales. Gross margins on used vehicles improved due to the Company's strategy of improved inventory management and the purchase of quality used vehicles.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. The Company's SG&A expenses increased \$4.7 million to \$29.3 million or 19.1% and represented 9.4% in total

revenues in 1995 from \$24.6 million or 9.2% of total revenues in 1994.

INTEREST EXPENSE. The Company's interest expense in 1995 increased 43.4% to \$4.9 million from \$3.4 million in 1994. Increased interest expense was due to increases in inventory levels and related floor plan borrowings.

NET INCOME. The Company's net income in 1995 decreased 12.4% to \$2.4 million from \$2.8 million in 1994. This decrease was caused by the increase in floor plan financing due to an increase in vehicle inventory levels.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal needs for capital resources are to finance acquisitions, debt service and working capital requirements. Historically, the Company has relied primarily upon internally generated cash flows from operations, borrowing under its various credit facilities and borrowings and capital contributions from its stockholders to finance its operations and expansion. After the Offering, the Company does not expect to receive any additional financing from its existing stockholders.

The Company has historically maintained a separate revolving floor plan credit facility for each dealership which has been used to finance vehicle inventory. The Company currently has floor plan credit facilities with Ford Motor Credit, Chrysler Financial Corporation and World Omni Financial Corporation. As of June 30, 1997 there was an aggregate of \$67.9 million outstanding under the floor plan credit facilities. These floor plan facilities bear interest at variable rates ranging from LIBOR plus 2.75% to prime plus 1.0%. The Company makes monthly interest payments on the amount financed under the floor plan lines but is not required to make loan principal repayments prior to the sale of the vehicles. The underlying notes are due when the related vehicles are sold and are collateralized by vehicle inventories and other assets of the Company. The floor plan financing agreements contain a number of covenants, including among others, covenants restricting the Company with respect to limitations on liens and changes in ownership, officers and key management personnel.

Prior to consummation of the Offering, the Company intends to consolidate its new vehicle floor plan lines and obtain an additional revolving line of credit. The Company is currently negotiating with credit sources for more favorable terms. Based on current discussions with these lenders, the Company expects the interest rate on its floor plan debt to decrease compared to the interest rates currently being charged. The additional credit facility will be used principally for acquisitions.

The Company leases various facilities and equipment under operating lease agreements including leases with related parties. See "Certain Transaction -- Leases."

During the first six months of 1997, the Company generated net cash of \$5.6 million from operating activities. Net cash used for operating activities was \$2.1 million in 1996 and was primarily attributable to increased inventory levels and accounts receivable, partially offset by increased floor plan indebtedness and accounts payable. The increase in inventory levels in 1996 reflects an increase in the volume of sales and the timing of shipments from the Manufacturers. Increased receivables reflect increased sales primarily attributable to Fort Mill Ford and Fort Mill Chrysler-Plymouth-Dodge acquired in 1996 and 1997, respectively. The Company generated net cash from operations of \$3.0 million in 1995 and 1994.

Cash used for investing activities was approximately \$2.9 million for the first six months of 1997 and related primarily to acquisitions of property and equipment. Cash provided by (used in) investing activities was (\$11.5) million, \$0.3 million and (\$1.7) million in 1996, 1995 and 1994, respectively, including \$1.9 million, \$1.5 million and \$1.4 million of capital expenditures during such periods.

In 1996, cash provided by financing activities reflected the purchase of capital stock by a stockholder of the Company, the proceeds of which were used to fund the acquisition of Fort Mill Ford and the purchase of stock by a stockholder of Town & Country Ford. Cash used in financing activities for the six months ended June 30, 1997 was \$0.2 million principally due to scheduled payments on long-term debt.

Capital expenditures, excluding amounts paid in acquisitions, were \$0.9 million, \$1.9 million, \$1.5 million and \$1.4 million in the first six months of 1997 and in 1996, 1995 and 1994, respectively. The Company's principal capital expenditures typically include building improvements and equipment for use in the Company's dealerships. Capital expenditures in

1996 and 1995 were primarily attributable to expenditures for the addition of a used car lot in 1996 and other capital improvements at the Lone Star Ford dealership. Excluding the purchase price for the Acquisitions and future acquisitions, the Company is anticipating total capital expenditures in the

second half of 1997 to be approximately \$1.0 million. The Company expects to increase its capital expenditures over the next few years as part of its acquisition and growth strategy.

The Company believes that funds generated through future operations and availability of borrowings under the floor plan financing (or any replacements thereof) and its other credit arrangements, and the proceeds from the Offering will be sufficient to fund its debt service and working capital requirements and any seasonal operating requirements, including its currently anticipated internal growth for the foreseeable future. The Company estimates that it will incur a tax liability of approximately \$5.5 million in connection with the change in its tax basis of accounting for inventory from LIFO to FIFO. The Company believes that it will be required to pay this liability in three to six equal annual installments, beginning in March 1998, and believes that it will be able to pay such obligation with cash provided by operations. The Company expects to fund any future acquisitions from its future cash flow from operations, additional debt financing, or Class A Common Stock issuances. The Company does not currently have in place any credit facilities for acquisitions. There can be no assurance that additional financing can be obtained on terms favorable to the Company, or that the Company will be able to use its common stock to fund any future acquisitions. See "Risk Factors -- Financial Resources Available for Acquisitions."

SEASONALITY

The Company's operations are subject to seasonal variations. The first quarter generally contributes less revenue and operating profits than the second, third and fourth quarters. Seasonality is principally caused by weather conditions and timing of manufacturer incentive programs and model changeovers.

Set forth below is revenue information with respect to the Company's operations for the most recent six quarters.

<TABLE>
<CAPTION>

	1996				
1997	1ST	2ND	3RD	4TH	1ST
2ND	QUARTER	QUARTER	QUARTER	QUARTER	QUARTER
QUARTER					
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Revenues.....	\$85,382	\$103,659	\$93,509	\$94,053	\$98,426
\$113,694					

</TABLE>

EFFECTS OF INFLATION

Due to the relatively low levels of inflation in 1994, 1995 and 1996 and the first half of 1997, inflation did not have a significant effect on the Company's results of operations for those periods.

NEW ACCOUNTING STANDARDS

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share." This Statement specifies the computation, presentation and disclosure requirements for earnings per share. The Company believes that the adoption of such Statement would not result in earnings per share materially different than pro forma earnings per share presented in the accompanying statements of income.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." This standard establishes standards of reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. This Statement will be effective for the Company's fiscal year ending December 31, 1998, and the Company does not intend to adopt this statement prior to the effective date. Had the Company adopted this Statement as of January 1, 1994, it would have reported comprehensive income of \$2.8 million, \$2.4 million and \$2.1 million for the years ended December 31, 1994, 1995 and 1996, respectively.

OVERVIEW

Sonic Automotive, Inc. is one of the leading automotive retailers in the United States, operating 20 dealerships, four standalone used vehicle facilities and eight collision repair centers in the southeastern and southwestern United States. Sonic sells new and used cars and light trucks, sells replacement parts, provides vehicle maintenance, warranty, paint and repair services and arranges related F&I for its automotive customers. The Company's business is geographically diverse, with dealership operations in the Charlotte,

Chattanooga, Nashville, Tampa-Clearwater, Houston and Atlanta markets, each of which the Company believes are experiencing favorable demographic trends. Sonic sells 17 domestic and foreign brands, which consist of BMW, Cadillac, Chrysler, Dodge, Eagle, Ford, Honda, Infiniti, Jaguar, Jeep, KIA, Oldsmobile, Plymouth, Saturn, Toyota, Volkswagen and Volvo. In several of its markets, the Company has a significant market share for new cars and light trucks, including 13.7% in Charlotte and 12.6% in Chattanooga in 1996. Pro forma for the Acquisitions, the Company had revenues of \$916.1 million and retail unit sales of 24,114 new and 13,453 used vehicles in 1996. The Company believes that in 1996, based on pro forma retail unit sales it would have been one of the ten largest dealer groups out of a total of more than 15,000 dealer groups in the United States and, based on pro forma revenues, it would have had three of the top 100 single-point dealerships in the United States.

The Company's founder and Chief Executive Officer, O. Bruton Smith, has over 30 years of automotive retailing experience. In addition, the Company's other executive officers, regional vice presidents and executive managers have on average 18 years of automotive retailing experience. The Company's dealerships have won the highest attainable awards from various manufacturers measuring quality and customer satisfaction. These awards include the Five Star Award from Chrysler, the Chairman's Award from Ford, the President's Award from BMW and the President's Circle Award from Infiniti. In addition, the Company was named to Ford's Top 100 Club, which consists of Ford's top 100 retailers based on retail volume and consumer satisfaction. Also, various members of the management team have served on several manufacturer dealer councils which act as liaisons between the manufacturers and dealer groups. As an example of the industry's recognition of the Company's executives, Nelson Bowers, the Company's Executive Vice President, participated in the development of the Saturn brand and was awarded in 1990 the first Saturn dealership in the United States.

The Company intends to pursue an acquisition growth strategy led by a management team that has experience in the consolidation of both automotive retailing as well as motor sports businesses. Bruton Smith, who is also the Chief Executive Officer of Speedway Motorsports, Inc., the owner and operator of several motor sports facilities, first entered the automotive retailing business in the mid-1960's. Mr. Smith will devote approximately 50% of his business time to the Company. Since 1990, Mr. Smith has successfully acquired three dealerships and increased revenues from his dealerships from \$199.4 million in 1992 to \$376.6 million in 1996, without giving effect to the Acquisitions. In the Tennessee market, Mr. Bowers has acquired or opened 8 dealerships since 1992 and increased revenues from \$36.0 million in 1992 to \$181.9 million in 1996.

The Company believes the competitive advantages which differentiate it from its local competitors include the reputation of the Company's management in the automotive retailing industry, regional and national economies of scale, brand and geographic diversity, and the established customer base and local name recognition of the Company's dealerships. The Company has developed and implemented several growth strategies to capitalize on these competitive advantages. One of these is to continue to expand its operations in the Southeast and Southwest by acquiring additional dealerships both within its current markets and in new markets. The Company also is seeking additional growth from the increased sale of higher margin products and services such as wholesale parts, after-market products, collision repair services and F&I.

GROWTH STRATEGY

The Company's objective is to capitalize on the consolidation of the automotive retailing industry. Key elements of the Company's strategy to achieve this objective include the acquisition of additional dealerships and the leveraging of the Company's new vehicle franchises to increase sales of higher margin products and services.

(Bullet) ACQUIRE DEALERSHIPS. The Company plans to implement a "hub and spoke" acquisition program primarily by pursuing (i) well-managed dealerships in new metropolitan and growing suburban geographic markets, and (ii) dealerships that will allow the Company to capitalize on regional economies of scale, offer a greater breadth of products and services in any of its markets or increase brand diversity. The growth generated through acquisitions creates opportunities for economies of scale, including more favorable financing terms from lenders and cost savings from the consolidation of administrative functions such as employee benefits, risk management and employee training.

NEW MARKETS. The Company looks to acquire well-managed dealerships in geographic markets it does not currently serve, principally in the Southeast and Southwest regions of the United States. The Company will target dealers having superior operational and financial management. Generally, the Company will seek to retain the acquired dealerships' operational and financial management, and thereby benefit from their market knowledge, name recognition and local reputation. The Company also anticipates that management teams at the acquired dealerships will enable the Company to identify more effectively additional acquisition opportunities in these markets.

EXISTING MARKETS. The Company seeks growth in its operations within existing markets by acquiring dealerships that increase the brands, products and services offered in those markets. These acquisitions should produce opportunities for additional operating efficiencies, promote increased name recognition and provide the Company with better opportunities for repeat and referral business. Such acquisitions should also create opportunities for regional economies of scale in areas such as vendor consolidation, facility and personnel utilization and advertising spending. Additionally, cost savings may be achieved by consolidating certain administrative functions on a regional basis that would not be efficient on a national basis, such as accounting, information systems, title work, credit and collection.

(Bullet) PURSUE OPPORTUNITIES IN ANCILLARY PRODUCTS AND SERVICES. The Company intends to pursue opportunities to increase its sales of higher-margin products and services by expanding its collision repair centers and its wholesale parts and after-market products businesses, which, other than after market products, are not directly related to the new vehicle cycle.

COLLISION REPAIR CENTERS. The Company's collision repair business provides favorable margins and is not significantly affected by economic cycles or consumer spending habits. The Company believes that, because of the high capital investment required for collision repair shops, and the cost of complying with environmental and worker safety regulations, large volume body shops will be more successful in the future than smaller volume shops. The Company believes that this industry will consolidate and that it will be able to capitalize on this trend by expanding its collision repair business. The Company also believes that opportunities exist for those automotive retailers that can establish relationships with major insurance carriers. The Company currently participates in 35 direct repair programs with major insurance companies and its relationships with these carriers provide a source of collision repair customers. The Company currently has eight collision repair centers accounting for approximately \$8.9 million in pro forma revenue for the year ended 1996. Sonic intends over the next several years to establish collision repair centers at various of its other facilities as market conditions warrant.

WHOLESALE PARTS. Over time, the Company plans to capitalize on its growing representation of numerous manufacturers in order to increase its sales of factory authorized parts to wholesale buyers such as independent mechanical and body repair garages and rental and commercial fleet operators.

AFTER-MARKET PRODUCTS. The Company intends to expand its offerings of after-market products in many of its dealership locations. After-market products, such as custom wheels, performance parts, telephones and other accessories, enable the dealership to capture incremental revenue on new and used vehicle sales.

(Bullet) ENHANCE PROFIT OPPORTUNITIES IN FINANCE AND INSURANCE. The Company offers its customers a wide range of financing and leasing alternatives for the purchase of vehicles, as well as credit life, accident and health and disability insurance and extended service contracts. As a result of its size and scale, the Company believes it will be able to negotiate with the lending institutions that purchase its financing contracts to increase the Company's revenues. Likewise, the Company expects to negotiate to increase the commissions it earns on extended service and insurance products. It also expects that the integration of innovative computer technologies and in-depth sales training will serve as an important tool in enhancing F&I profitability.

(Bullet) INCREASE USED VEHICLE SALES. The Company believes that there will be opportunities to improve the used vehicle departments at several of its dealerships. The Company currently operates four standalone used vehicle facilities. In 1998, the Company intends to convert part of an existing facility in Nashville to a used vehicle facility. It also intends to develop facilities in other markets where management believes an opportunity exists.

OPERATING STRATEGY

Sonic's operating objectives are to focus on customer satisfaction throughout the organization in order to build long-term customer relationships and to capitalize on operating efficiencies which will enhance its financial performance. The Company seeks to achieve these objectives by implementing the following operating strategies.

(Bullet) OPERATE MULTIPLE DEALERSHIPS IN GEOGRAPHICALLY DIVERSE MARKETS. The Company operates dealerships in Charlotte, Chattanooga, Nashville, Tampa-Clearwater, Houston and Atlanta. By operating in several locations throughout the United States, the Company believes it will be

better able to insulate its earnings from local economic downturns. In addition, the Company believes that by establishing a significant market presence in its operating regions, it will be able to provide superior customer service through a market-specific sales, service, marketing and inventory strategy. It is the Company's strategy, for instance, that the savings in a market on reduced advertising costs will be re-deployed into customer service and customer retention programs. The Company's market share in its Charlotte and Chattanooga markets was 13.7% and 12.6%, respectively in 1996.

- (Bullet) **ACHIEVE HIGH LEVELS OF CUSTOMER SATISFACTION.** Customer satisfaction has been and will continue to be a focus of the Company. The Company's personalized sales process is intended to satisfy customers by providing high-quality, affordable vehicles in a positive, "consumer friendly" buying environment. The Company's service department also seeks to provide its customers with a professional and reliable service experience of a consistently high standard. Beyond establishing strong consumer loyalty, this focus on customer satisfaction engenders good relations with Manufacturers. Manufacturers generally measure CSI, which is a result of a survey given to new vehicle buyers. Some Manufacturers offer specific performance incentives, on a per vehicle basis, if certain CSI levels (which vary by Manufacturer) are achieved by a dealer. Manufacturers can withhold approval of acquisitions if a dealer fails to maintain a minimum CSI score. Historically, the Company has not been denied Manufacturer approval of acquisitions based on CSI scores or other reasons. To keep management focused on customer satisfaction, the Company includes CSI results as a component of its incentive compensation program.
- (Bullet) **TRAIN AND DEVELOP QUALIFIED MANAGEMENT.** Sonic requires all of its employees, from service technicians to regional vice presidents, to participate in in-house training programs. The Company leverages the experience of senior management, along with third party trainers from manufacturers, industry affiliates and vendors, to formally train all employees. This training regimen has resulted in many of the Company's regional vice presidents, executive managers and salespeople being certified by NADA, and has become a convenient and effective way to share best practices among the Company's employees at all levels of the various dealerships. The Company is developing the Education Center to be equipped with classrooms specifically designed on a departmental basis. The F&I classroom in the Education Center, for example, is to be equipped with simulation software that replicates the dealers' systems and allows the employee to handle all facets of an F&I transaction. The Company believes that its comprehensive training of all employees at every level of their career path offers the Company a competitive advantage over other dealership groups in the development and retention of its workforce.
- (Bullet) **OFFER A DIVERSE RANGE OF AUTOMOTIVE PRODUCTS AND SERVICES.** Sonic offers a broad range of automotive products and services, including a wide selection of new and used vehicles, vehicle financing and insurance programs, replacement parts and maintenance and repair programs. The Company offers 17 product lines ranging from economy to luxury brands consisting of BMW, Cadillac, Chrysler, Dodge, Eagle, Ford, Honda, Infiniti, Jaguar, Jeep, KIA, Oldsmobile, Plymouth, Saturn, Toyota, Volkswagen and Volvo. The Company also offers a variety of used vehicles at a broad range of prices. Offering numerous new vehicle brands enables the Company to satisfy a variety of customers, reduces dependence on any one Manufacturer and reduces exposure to supply problems and product cycles.
- (Bullet) **CAPITALIZE ON EFFICIENCIES IN OPERATIONS.** Because management compensation is based primarily on dealership performance, expense reduction and operating efficiencies are a significant management focus. As the Company pursues its acquisition strategy, the Company's size and market presence should enable it to negotiate favorable contracts on such expense items as advertising, purchasing, bank financings, employee benefit plans and other vendor contracts. In addition, the Company has instituted both regional and national operations committees that meet on a regular basis to share best practices to improve dealership performance.
- (Bullet) **UTILIZE PROFESSIONAL MANAGEMENT PRACTICES AND INCENTIVE BASED COMPENSATION PROGRAMS.** As a result of Sonic's size and geographic dispersion, the Company's senior management has instituted a multi-tiered management structure to supervise effectively its dealership operations. In addition to the officers of the Company, this structure includes executive managers who are responsible for individual dealership operations, as well as regional vice presidents responsible for various regions throughout the country. In an effort to align management's interest with that of stockholders, a portion of the incentive compensation program for each officer, vice president and executive manager is provided in the form of Company stock options, with additional incentives based on the performance of individual profit centers. Sonic believes that this organizational structure, with

room for advancement and the opportunity for equity participation, serves as a strong motivation for its employees.

(Bullet) APPLY TECHNOLOGY THROUGHOUT OPERATIONS. The Company believes that, with the customized technology it has introduced in certain markets, it has been able to improve its operations over time by integrating its systems into all aspects of its business. In these markets the Company uses computer-based technology to monitor its dealerships' operating performance and quickly adjust to market changes, and to integrate computer systems into its sales, F&I and parts and service operations. For example, sales managers use a database to identify and solicit prospective customers, and to design appropriate financing packages for prospective buyers. Service and parts managers utilize computer technology to coordinate between the two departments and to service customers more efficiently. In addition to these uses, the Company's technology also plays a role in its inventory management. The Company intends to expand this computer system into all of its dealerships and markets as the existing contracts for computer systems expire.

INDUSTRY OVERVIEW

Automotive retailing, with approximately \$640 billion in 1996 retail sales, is the largest consumer retail market in the United States, representing approximately 8% of the domestic gross product based on data collected by NADA and the U.S. Department of Commerce. Retail sales of new vehicles, which are sold exclusively through new vehicle dealers, were approximately \$328 billion. In addition, used vehicle retail sales in 1996 were estimated at \$311 billion, with approximately \$260 billion in sales by franchised and independent dealers and the balance in privately negotiated transactions. From 1992 to 1996, new vehicles sales have grown at an annual compound rate of 10.5%, while used vehicle sales have grown at a rate of 15.8% for retail used vehicle sales and 6.7% for wholesale used vehicle sales. This significant increase in sales revenue is primarily because the average price of a new vehicle has risen at a compound average rate of 6.2% from 1992 to 1996 and newer, high-quality used vehicles now comprise a larger part of the used vehicle market. During this period, unit sales grew at rates of only 4.0% for new vehicles, 6.4% for retail used vehicles and 1.4% for wholesale used vehicles. For the six months ended June 30, 1997, industry retail sales were down 2% as a result of retail car sales declines of 5.3% and retail truck sales gains of 2.4% from the same period in 1996.

The following table sets forth information regarding vehicle sales by new vehicle dealerships for the periods indicated.

<TABLE>
<CAPTION>

VEHICLE SALES	UNITED STATES NEW VEHICLE DEALERS'			
	1992	1993	(1) 1994	1995
1996				
<S>	<C>	<C>	<C>	<C>
<C>				
	(UNITS IN MILLIONS; DOLLARS IN			
BILLIONS)				
New vehicle unit sales.....	12.9	13.9	15.1	14.7
15.1				
New vehicle sales (2).....	\$220.3	\$253.3	\$289.1	\$301.2
\$328.4				
Used vehicle unit sales-retail.....	9.3	9.9	10.9	11.5
11.9				
Used vehicle sales-retail (2).....	\$ 77.1	\$ 90.7	\$110.6	\$126.9
\$137.9				
Used vehicle unit sales-wholesale.....	6.9	6.4	6.9	7.0
7.3				
Used vehicle sales -- wholesale (2).....	\$ 26.2 (3)	\$ 24.3	\$ 27.9	\$ 30.4
\$ 33.9				
Total vehicle sales.....	\$323.6	\$368.3	\$427.6	\$458.5
\$500.2				
Annual growth in total vehicle sales.....	--	13.8%	16.1%	7.2%
9.1%				

</TABLE>

(1) Reflects new vehicle dealership sales at retail and wholesale. In addition, sales by independent retail used vehicle dealers were approximately \$81, \$100, \$134, \$130 and \$122 billion, respectively, and casual used car sales were estimated at approximately \$36, \$33, \$40, \$52 and \$51 billion, respectively, for each of the five years ended December 31, 1996.

(2) Sales figures are calculated by multiplying unit sales by the average sales price for the year.

(3) The NADA did not report the averages sales price for wholesale transactions

prior to 1993. As a result, the 1992 wholesale used vehicle sales were calculated using the 1993 average wholesale price for used vehicles.

In addition to new and used vehicles, dealerships offer a wide range of other products and services, including repair and warranty work, replacement parts, extended warranty coverage, financing and credit insurance. In 1996, the average dealership's revenue consisted of 57.7% new vehicles sales, 30.4% used vehicle sales, and 11.9% other products and services. As a result of intense competition for new vehicle sales, the average dealership generates the majority of its profits from the sale of used vehicles and other products and services, including finance and insurance, mechanical and collision repair, and parts and service. In 1996, for example, a used vehicle earned an average gross margin of 11.0% as compared to a new vehicle's average gross margin of 6.4%, in each case for sales by new vehicle dealerships. As is typical in the retailing industry, dealership profitability varies widely across different stores and, ultimately, profitability depends on effective management of inventory, competition, marketing, quality control and, most importantly, responsiveness to the customer.

NEW VEHICLE SALES. Franchised dealerships were originally established by automobile manufacturers for the distribution of their new vehicles. In return for exclusive distribution rights within specified territories, manufacturers exerted significant influence over their dealers by limiting the transferability of ownership in dealerships, designating the dealerships location, and managing the supply and composition of the dealership's inventory. These arrangements resulted in the proliferation of small, single-owner operations that, at their peak in the late 1940's, totaled almost 50,000. As a result of competitive, economic and political pressures during the 1970's and 1980's, significant changes and consolidation occurred in the automotive retail industry. One of the most significant changes was the increased penetration by foreign manufacturers and the resulting loss of market share by domestic car makers, which forced many dealerships to close or sell to better-capitalized dealership groups. According to industry data, the number of franchised dealerships has declined from approximately 25,000 dealerships in 1990 to approximately 22,000 in 1996. Although significant consolidation has taken place since the automotive retailing industry's inception, the industry today remains highly fragmented, with the largest 100 dealer groups generating less than 10% of total sales revenues and controlling less than 5% of all franchised dealerships.

USED VEHICLE SALES. Sales of used vehicles have increased over the past five years, primarily as a result of the substantial increase in new vehicle prices and the greater availability of newer used vehicles due to the increased popularity of short-term leases. Like the new vehicle market, the used vehicle market is highly fragmented, with approximately 22,000 new vehicle dealers accounting for approximately \$172 billion in 1996 sales. In addition, an even greater number of independent used car dealers accounted for approximately \$122 billion in 1996 sales. Privately negotiated transactions accounted for the remaining 1996 sales, estimated at \$51 billion. In addition, an increasing number of used vehicles are being sold by "superstore" outlets, which market only used vehicles and offer a wide selection of low mileage, popular models. In 1996, the top 100 new vehicle dealer groups accounted for less than 2% of used vehicle sales.

INDUSTRY CONSOLIDATION. The Company believes that further consolidation is likely due to increased capital requirements of dealerships, the limited number of viable alternative exit strategies for dealership owners, and the desire of certain manufacturers to strengthen their brand identity by consolidating their franchised dealerships. The Company also believes that an opportunity exists for dealership groups with significant equity capital, and experience in identifying, acquiring and professionally managing dealerships, to acquire additional dealerships for cash, stock, debt or a combination thereof. Publicly owned dealer groups, such as the Company, are able to offer prospective sellers tax advantaged transactions through the use of publicly traded stock which may, in certain circumstances, make them more attractive to prospective sellers.

DEALERSHIP OPERATIONS

Upon completion of the Reorganization and the Acquisitions, the Company will own eight dealerships in the Charlotte market, eight dealerships in the Chattanooga market, one dealership in the Nashville market, one dealership in the Houston market, one dealership in the Clearwater market and one dealership in the Atlanta market.

The following table sets forth, for each of those areas, information relating to the Company's pro forma performance for the year ended December 31, 1996 and the six months ended June 30, 1997:

<TABLE>
<CAPTION>

	CHARLOTTE MARKET	NASHVILLE/ CHATTANOOGA MARKET	HOUSTON MARKET	TAMPA/ CLEARWATER MARKET	ATLANTA MARKET
TOTAL					

<S>	<C>	<C>	<C>	<C>	<C>
(DOLLARS IN THOUSANDS)					
YEAR ENDED DECEMBER 31, 1996 SALES:					
New vehicles.....	\$ 229,179	\$ 108,089	\$ 83,763	\$ 88,262	\$39,940
\$549,233					
Used vehicles.....	105,034	51,277	33,402	42,597	20,931
253,241					
Parts, service and collision repair.....	33,317	18,524	18,927	14,224	11,163
96,155					
Finance and insurance.....	7,396	3,887	3,338	2,317	542
17,480					
Total.....	374,926	181,777	139,430	147,400	72,576
916,109					
SIX MONTHS ENDED JUNE 30, 1997 SALES:					
New vehicles.....	\$ 123,130	\$ 45,972	\$ 55,902	\$ 45,308	\$19,597
\$289,909					
Used vehicles.....	57,979	29,901	17,865	19,390	11,778
136,913					
Parts, service and collision repair.....	18,542	10,261	10,363	5,999	5,960
51,125					
Finance and insurance.....	4,464	1,910	2,249	1,029	129
9,781					
Total.....	204,115	88,044	86,379	71,726	37,464
487,728					

Since 1990 the Company has grown significantly, as a result of the acquisition and integration of new vehicle dealerships and an increase in revenues at its existing dealerships. The following table sets forth the name, brands, year of acquisition and location of the dealerships acquired by or awarded to the Company or one of the Bowers Dealerships since 1990:

LOCATION	YEAR ACQUIRED
DEALERSHIP AND BRANDS CURRENTLY REPRESENTED	
SONIC AUTO WORLD	
Town & Country Toyota.....	1990
Charlotte	
Fort Mill Ford.....	1996
Charlotte	
Fort Mill Chrysler-Plymouth-Dodge.....	1997
Charlotte	
BOWERS DEALERSHIPS	
Nelson Bowers Ford.....	1993
Chattanooga	
Cleveland Village Honda/Infiniti.....	1994
Chattanooga	
Cleveland Chrysler-Plymouth-Jeep-Eagle.....	1995
Chattanooga	
Jaguar of Chattanooga (awarded franchise).....	1995
Chattanooga	
European Motors of Nashville	
"BMW, Volkswagen".....	1996
Nashville	
European Motors	
"BMW, Volvo".....	1996
Chattanooga	
Nelson Bowers Dodge.....	1997
Chattanooga	
KIA -- VW of Chattanooga (awarded franchise).....	1997
Chattanooga	

DEALERSHIP MANAGEMENT

Operations of the dealerships are overseen by Regional Vice Presidents, who report to the Company's Chief Operating Officer. Each of the Company's dealerships is managed by an Executive Manager who is responsible for the operations of the dealership and the dealership's financial and customer satisfaction performance. The Executive Manager is responsible for selecting, training and retaining dealership personnel. All Executive Managers report to the Company's senior management on a regular basis and prepare a comprehensive monthly financial and operating statement of their dealership. In addition, the Company's senior management meets on a monthly basis with its Executive Managers to address changing customer preferences, operational concerns and to share best practices, such as maintaining a customer-friendly buying environment, maximizing potential revenues per new vehicle sale through increased F&I penetration, using customer calling and coupon programs to attract and retain

service customers, and continued training of dealership personnel.

Each Executive Manager is complemented by a team which includes two senior managers that aid in the operation of the dealership. The General Sales Manager is primarily responsible for the operations, personnel, financial performance and customer satisfaction performance of the new vehicle sales, used vehicle sales, and finance and insurance departments. The Parts and Service Director is primarily responsible for the operations, personnel, financial and customer satisfaction performance of the service, parts and collision repair departments (if applicable). Each of the departments of the dealership typically has a manager who reports to the General Sales Manager or Parts and Service Director.

Each Executive Manager is complemented by a team which includes two senior managers that aid in the operation of the dealership. The General Sales Manager is primarily responsible for the operations, personnel, financial performance and customer satisfaction performance of the new vehicle sales, used vehicle sales, and finance and insurance departments. The Parts and Service Director is primarily responsible for the operations, personnel and financial and customer satisfaction performance of the service, parts and collision repair departments (if applicable). Each of the departments of the dealership typically has a manager who reports to the General Sales Manager or Parts and Service Director.

After the Acquisitions, the Company's Regional Vice Presidents will be as listed, with their region of responsibility and other information, on the following table:

<TABLE>
<CAPTION>

NAME	AGE	REGION OF RESPONSIBILITY
<S>	<C>	<C>
Ken Marks, Jr.	35	Florida
Jeffrey C. Rachor	35	Tennessee, Georgia, Kentucky and Alabama
Ivan A. Tufty	57	Texas
William Sullivan	65	North Carolina and South Carolina

</TABLE>

NEW VEHICLE SALES

The Company sells 17 brands of cars, light trucks and sport utility vehicles. The products have a broad range of prices from lower priced, or economy vehicles, to luxury vehicles. The Company believes that its brand, product and price diversity

reduces the risk of changes in customer preferences, product supply shortages and aging products. Sales of new vehicles in 1996 were approximately 43% cars and 57% trucks. Approximately 14% of sales in 1996 were luxury brands (BMW, Cadillac, Infiniti, Jaguar and Volvo). See "Risk Factors -- Dependence on Automobile Manufacturers."

The following table sets forth, by vehicle brand, information relating to the Company's pro forma new vehicle sales for 1996 and the first six months of 1997:

<TABLE>
<CAPTION>

VEHICLE BRAND/MANUFACTURER	NEW VEHICLE SALES		SIX MONTHS
	YEAR ENDED		ENDED
	DECEMBER 31, 1996 (1)	PERCENTAGE OF	JUNE 30,
	NEW VEHICLE	NEW VEHICLE	1997 (1)
	REVENUES	REVENUES	REVENUES
<S>	<C>	<C>	<C>
	(REVENUE AMOUNTS IN THOUSANDS)		
BMW.....	\$ 10,838	2.1%	\$ 13,993
Cadillac.....	2,029	0.4%	770
Chrysler/Dodge/Plymouth/Jeep/Eagle.....	88,951	17.5%	50,935
Ford.....	297,169	58.3%	164,768
Honda.....	11,599	2.3%	4,992
Infiniti.....	6,618	1.3%	3,247
Jaguar.....	2,296	0.5%	1,405
KIA.....	--	--	685
Oldsmobile.....	2,212	0.4%	1,055
Saturn.....	13,488	2.6%	4,984
Toyota.....	30,520	6.0%	19,246
Volvo.....	43,060	8.5%	21,478
Volkswagen.....	732	0.1%	257
Total.....	\$ 509,512	100.0%	\$ 287,815

<CAPTION>

PERCENTAGE OF
NEW VEHICLE
REVENUES

<S>	<C>
VEHICLE BRAND/MANUFACTURER	
BMW.....	4.9%
Cadillac.....	0.3%
Chrysler/Dodge/Plymouth/Jeep/Eagle.....	17.7%
Ford.....	57.2%
Honda.....	1.7%
Infiniti.....	1.1%
Jaguar.....	0.5%
KIA.....	0.2%
Oldsmobile.....	0.4%
Saturn.....	1.7%
Toyota.....	6.7%
Volvo.....	7.5%
Volkswagen.....	0.1%
Total.....	100.0%

</TABLE>

(1) Does not include Nelson Bowers Dodge as it was purchased March 1997 and KIA-VW of Chattanooga which was purchased April 1997. European Motors of Nashville and European Motors were purchased in October 1996 and May 1996, respectively, and information for such dealerships is included from their purchase dates through December 1996.

The Company seeks to provide customer oriented service and build lasting customer relationships that will result in repeat and referral business. Sales techniques and processes vary depending on the product line and local market conditions. All of the Company's dealerships use computer technology for prospecting and customer follow-up and extensively train sales staff to meet the needs of customers. Certain of the dealerships use computer kiosks to allow customers to browse vehicle inventories at their leisure. Depending on brand and local market, dealerships may use "greeters" rather than sales people to initially assist customers entering a dealership.

Substantially all of the Company's new vehicles are acquired from Manufacturers. Allocation of vehicle inventory from Manufacturers is based primarily on sales volume and input from dealers. Vehicle purchases are financed through revolving credit facilities known in the industry as floor plan lending.

The following table presents information with respect to the Company's new vehicle sales:

DEALERSHIPS ENDED	SONIC DEALERSHIPS						SONIC SIX MONTHS	
	YEAR ENDED DECEMBER 31,						JUNE 30,	
	1992	1993	ACTUAL 1994	1995	1996	PRO FORMA FOR THE ACQUISITIONS 1996	ACTUAL 1996	
1997								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(IN THOUSANDS, EXCEPT VEHICLE UNIT DATA)							
Unit sales.....	8,060	9,429	9,686	10,273	11,693	24,114	6,027	
6,553								
Sales revenue.....	\$126,230	\$152,525	\$164,361	\$186,517	\$233,146	\$549,285	\$117,850	
\$136,798								
Gross profit.....	\$ 8,799	\$ 8,872	\$ 10,043	\$ 12,338	\$ 15,809	\$ 39,811	\$ 7,672	\$
8,892								
Gross profit margin...	7.0%	5.8%	6.1%	6.6%	6.8%	7.3%	6.6%	
6.5%								

<CAPTION>

	PRO FORMA FOR THE ACQUISITIONS 1997
<S>	<C>
Unit sales.....	12,816
Sales revenue.....	\$289,908
Gross profit.....	\$ 20,881
Gross profit margin...	7.2%

</TABLE>

New vehicle sales include retail lease transactions and lease-type transactions, both of which are arranged by the Company. New vehicle leases generally have short terms. Lease customers, therefore, return to the new vehicle market more

frequently. Leases also provide a source of late-model, generally low mileage, vehicles for its used vehicle inventory. Generally, leased vehicles are under warranty for the entire lease term, which allows the Company to provide repair service to the lessee throughout the term of the lease.

USED VEHICLE SALES

The Company sells a broad variety of makes and models of used cars, vans, trucks and sport utility vehicles. In 1996, the Company sold 9,541 used car and 3,949 used truck (including sport utility vehicles) units. Used vehicle retail sales for 1996 represented 38.7% of pro forma total retail unit sales.

Used vehicles are obtained by the Company through customer trade-ins, at "closed" auctions which may be attended only by new vehicle dealers and which offer off-lease, rental and fleet vehicles, and at "open" auctions which offer repossessed vehicles and vehicles sold by other dealers. The Company sells its used vehicles to retail customers and, in the case of vehicles in poor condition or vehicles which remain unsold for a specified period of time, to other dealers or wholesalers. Sales to other dealers or wholesalers are frequently close to or below cost and therefore negatively affect the Company's gross margin on used vehicle sales.

The Company emphasizes retail sales of used vehicles in order to offer a wider variety of vehicles and to benefit from the higher gross margins from used vehicle sales. To improve the marketability of used vehicles the Company employs both manufacturer supported and in-house used car certification programs and sale of extended warranties on used vehicles. At certain locations, the Company provides a five day money back guarantee on the sale of all used vehicles. The Company intends to expand this guarantee program to all locations.

After the Acquisitions, the Company will operate four standalone used car facilities. As the Company enters new markets and gains market share in existing markets, the Company intends to expand its standalone used car facilities to take advantage of the high quality sources of vehicles available to new vehicle retailers.

The following table sets forth information on the Company's used vehicle sales:

ENDED	SONIC DEALERSHIPS						SONIC	
	YEAR ENDED DECEMBER 31,						SIX MONTHS	
	1992	1993	ACTUAL 1994	1995	1996	PRO FORMA FOR THE ACQUISITIONS 1996	ACTUAL 1996	JUNE 30,
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(IN THOUSANDS, EXCEPT VEHICLE UNIT DATA)							
Retail units sold.....	3,891	4,104	4,372	5,172	5,488	13,453	2,836	
2,638								
Retail revenue.....	\$33,636	\$37,742	\$47,537	\$60,766	\$68,054	\$186,828	\$35,200	
\$32,666								
Retail gross profit.....	3,545	3,964	5,182	5,776	5,748	14,761	2,968	
2,772								
Retail gross margin.....	10.5%	10.5%	10.9%	9.5%	8.5%	7.9%	8.4%	
8.5%								
Wholesale unit sales.....	3,756	4,189	4,656	5,009	5,344	12,469	2,751	
2,750								
Wholesale revenue.....	\$11,198	\$13,362	\$16,109	\$20,025	\$25,642	\$ 66,415	\$13,411	
\$15,342								
Wholesale gross profit.....	16	27	43	(45)	(23)	1,160	(12)	
(145)								
Wholesale gross margin.....	0.1%	0.2%	0.3%	(0.2)%	(0.1)%	1.8%	(0.9)%	
(1.0)%								
Total unit sales.....	7,647	8,293	9,028	10,181	10,832	25,922	5,587	
5,388								
Total revenue.....	\$44,834	\$51,104	\$63,646	\$80,791	\$93,696	\$253,243	\$48,611	
\$48,008								
Total gross profit.....	3,561	3,991	5,225	5,731	5,725	15,921	2,956	
2,627								
Total gross margin.....	7.9%	7.8%	8.2%	7.1%	6.1%	6.3%	6.1%	
5.5%								

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PRO FORMA
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Retail units sold.....	7,222
Retail revenue.....	\$ 98,992
Retail gross profit.....	6,463
Retail gross margin.....	6.5%
Wholesale unit sales.....	6,639
Wholesale revenue.....	\$ 37,921
Wholesale gross profit.....	2,060
Wholesale gross margin.....	5.4%
Total unit sales.....	13,861
Total revenue.....	\$ 136,913
Total gross profit.....	8,523
Total gross margin.....	6.2%

</TABLE>

SERVICE AND PART SALES

The Company provides service and parts at each of its franchised dealerships. The Company provides maintenance and repair services at its 20 new vehicle dealerships and three used vehicle facilities. The Company utilizes approximately 400 service bays in providing both warranty and non-warranty services. Service and parts sales provide higher gross margins than vehicle sales. In 1996, the Company's service and parts operations generated \$76.8 million in revenues and \$31.2 million in gross profit, representing 8.9% and 30.7% of total revenues and gross profit, respectively.

Historically, the automotive repair industry has been highly fragmented. However, the Company believes the increased use of advanced technology in vehicles has made it difficult for independent repair shops to perform major or technical repairs. Additionally, manufacturers permit warranty work to be performed only at franchised dealerships. Given the increasing technological complexity of motor vehicles and the trend to long term warranties, the Company believes an increasing percentage of repair work will be performed at franchised dealerships.

The Company regards its service operations as an integral part of its overall approach to customer service. Vehicle service provides additional opportunities to build long-term customer relationships. The Company uses customer calling,

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coupon programs and other techniques to attract and retain service customers. Although individual dealerships vary based on markets and brands, many Company dealerships use service "teams" and variable rate or "menu" pricing structures to improve customer satisfaction with repair service.

Sales of factory authorized equipment and parts to wholesale customers are an integral component of parts operations at certain of the Company's dealerships. For example, the Company's Lone Star Ford dealership sold approximately \$9.3 million in wholesale parts in 1996. The Company plans to capitalize on its representation of numerous manufacturers and its experience as a wholesale parts distributor in order to increase sales of factory authorized equipment and parts to wholesale customers.

The following table sets forth information regarding the Company's parts and service sales:

		SONIC DEALERSHIPS					SONIC	
		YEAR ENDED DECEMBER 31,					SIX MONTHS	
							JUNE 30,	
		ACTUAL					ACTUAL	
							FOR THE	
							ACQUISITIONS	
							1996	
							1996	
1997		1992	1993	1994	1995	1996		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
(IN THOUSANDS)								
Sales Revenue.....	\$21,778	\$27,242	\$30,298	\$31,957	\$35,764	\$ 87,168	\$18,603	
\$20,220								
Gross Profit.....	7,307	9,540	10,344	11,003	13,106	32,161	6,317	
6,822								
Gross Profit Margin.....	33.6%	35.0%	34.1%	34.4%	36.7%	36.9%	34.0%	
33.7%								

<CAPTION>

PRO FORMA
FOR THE
ACQUISITIONS
1997

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Sales Revenue.....	\$ 46,582
Gross Profit.....	17,780
Gross Profit Margin.....	38.2%

COLLISION REPAIR

The Company operates collision repair centers, or body shops, at eight of its dealership locations. In 1996, collision repair accounted for \$8.9 million, or 1.0%, of the Company's pro forma revenues and 4.5% of the Company's gross profit. The Company's collision repair business provides favorable margins and, similar to service and parts, is not significantly affected by business cycles or consumer preferences. In addition, because of the higher cost of used vehicles, insurance adjusters are more hesitant to declare a vehicle a total loss, resulting in more significant, and higher cost, repair jobs. The Company believes that, because of the high capital investment required for collision repair shops and the cost of complying with governmental regulations, large volume body shops will be more successful in the future than smaller volume shops. The Company believes the collision repair business will consolidate and that it will be able to capitalize on this consolidation.

The following table sets forth information regarding the Company's collision repair operations:

							SONIC
							SIX MONTHS
DEALERSHIPS	SONIC DEALERSHIPS						
ENDED	YEAR ENDED DECEMBER 31,					JUNE	
30,						PRO FORMA FOR THE ACQUISITIONS	
	1992	1993	ACTUAL 1994	1995	1996	1996	ACTUAL 1996
1997	<C>	<C>	<C>	<C>	<C>	<C>	<C>
(IN THOUSANDS)							
Sales Revenue.....	\$2,765	\$3,093	\$3,685	\$3,903	\$4,942	\$8,930	\$2,398
\$2,687							
Gross Profit.....	1,232	1,516	1,816	1,947	2,452	4,975	1,201
1,284							
Gross Profit Margin.....	44.6%	49.0%	49.3%	49.9%	49.6%	55.7%	50.1%
47.8%							

<CAPTION>

		PRO FORMA FOR THE ACQUISITIONS 1997
<S>	<C>	

Sales Revenue.....	\$6,478
Gross Profit.....	3,371
Gross Profit Margin.....	52.0%

FINANCE AND INSURANCE

The Company offers its customers a wide range of financing and leasing alternatives for the purchase of vehicles. In addition, as part of each sale, the Company offers customers credit life, accident and health and disability insurance to cover the financing cost of their vehicle, as well as warranty or extended service contracts. During the past five years, the Company's pro forma revenue from financing, insurance and extended warranty transactions has grown from \$6.9 million in 1992 to \$18.1 million in 1996.

The Company believes that its customers' ability to obtain financing at its dealerships significantly enhances the Company's ability to sell new and used vehicles. The Company provides a variety of financing and leasing alternatives in order to meet the specific needs of each potential customer. The Company believes its ability to obtain customer-tailored financing on a "same day" basis provides it with an advantage over many of its competitors, particularly smaller competitors which do not generate sufficient volume to attract the diversity of financing sources that are available to the Company. The dealership will then be able to provide a customer with a broader array of lease payment alternatives and, consequently, appeal to a term buyer who is trying to purchase a vehicle of choice at or below a specific monthly payment. During 1996, the Company arranged for financing for approximately 44.7% of its new vehicle sales and 53.6% of its used vehicle sales.

The Company assigns its vehicle financing contracts and leases to other parties, instead of directly financing sales, which reduces the Company's exposure to loss from financing activities. The Company receives a commission from the lender for originating and assigning the loan or lease but is assessed a chargeback fee by the lender if a loan is canceled, in most cases, within 120 days of making the loan. Early cancellation can result from early repayment because of refinancing of the loan, the sale or trade-in of the vehicle, or default on the loan. The Company establishes an allowance to absorb estimated chargebacks and refunds. The Company believes that its high volume of business makes the Company's retail contracts more attractive to lenders, which may enable the Company to negotiate higher commission rates in contrast to lower volume dealerships.

In addition to its financing activities, the Company offers extended service contracts in connection with the sale of new and used vehicles. Extended service contracts on new vehicles supplement the warranties offered by the vehicle manufacturer, and on used vehicles, such contracts supplement any remaining manufacturer warranty or serve as the primary service contract on the vehicle. The extended service contracts sold by the Company are issued by third-party insurers that pay the Company a commission upon sale of the contract. In 1996, the Company sold extended service contracts on 24.0% and 36.1% respectively, of its new and used retail vehicle sales. The Company also offers its customers credit life, health and accident insurance when they finance an automobile purchase, and receives a commission on each policy sold.

SALES AND MARKETING

The Company's marketing and advertising activities vary among its dealerships and among its markets. Generally, the Company advertises primarily through television, newspapers, radio and direct mail and regularly conducts special promotions designed to focus vehicle buyers on its product offerings. The Company intends to continue tailoring its marketing efforts to the relevant marketplace in order to reach the Company's targeted customer base. The Company also has computer technology to aid sales people in prospecting for customers. Under arrangements with manufacturers, the Company receives a subsidy for a portion of its advertising expenses incurred in connection with a manufacturer's vehicles. Because of the Company's leading market presence in certain markets, the Company believes it has been able to realize cost savings on its advertising expenses due to volume discounts and other concessions from media. The Company also believes its consolidated marketing campaigns within particular markets result in enhanced name recognition and sales volume when compared with smaller competitors in the same market.

RELATIONSHIPS WITH MANUFACTURERS

Each of the Company's dealerships operates under a separate franchise or dealer agreement (a "Dealer Agreement") which governs the relationship between the dealership and the Manufacturer. In general, each Dealer Agreement specifies the location of the dealership for the sale of vehicles and for the performance of certain approved services in a specified market area. The designation of such areas generally does not guarantee exclusivity within a specified territory. In addition, most Manufacturers allocate vehicles on a "turn and earn" basis which rewards high volume. A Dealer Agreement requires the dealer to meet specified standards regarding showrooms, the facilities and equipment for servicing vehicles, inventories, minimum net working capital, personnel training, and other aspects of the business. The Dealer Agreement with each dealership also gives each Manufacturer the right to approve the dealership's general manager and any material change in management or ownership of the dealership. Each Manufacturer may terminate a Dealer Agreement under certain circumstances, such as a change in control of the dealership without Manufacturer approval, the impairment of the reputation or financial condition of the dealership, the death, removal or withdrawal of the dealership's general manager, the conviction of the dealership or the dealership's owner or general manager of certain crimes, a failure to adequately operate the dealership or maintain wholesale financing arrangements, insolvency or bankruptcy of the dealership or a material breach of other provisions of the Dealer Agreement. In connection with the Offering, the Company is amending its Dealer Agreements to revise those provisions which would have prohibited the Company from selling its Common Stock to the public. See "Description of Capital Stock -- Delaware Law, Certain Charter and Bylaw Provisions and Certain Franchise Agreement Provisions."

Many automobile manufacturers are still developing their policies regarding public ownership of dealerships. The Company believes that these policies will continue to change as more dealership groups sell their stock to the public, and as the established, publicly-owned dealership groups acquire more franchises. To the extent that new or amended manufacturer policies restrict the number of dealerships which may be owned by a dealership group, or the transferability of the Company's Common Stock, such policies could have a material adverse effect on the Company. See "Risk Factors -- Dependence on Automobile Manufacturers" and " -- Concentration of Voting Power and Anti-Takeover Provisions."

Certain state statutes in Florida and other states limit manufacturers' control over dealerships. Under Florida law, notwithstanding any contrary terms in a dealer agreement, manufacturers may not unreasonably withhold approval for

a dealership. Acceptable grounds for disapproval include material shortcomings in the character, financial condition or business experience of the proposed transferee. In addition, dealerships may challenge manufacturers' attempts to establish new dealerships in the dealer's markets, and state regulators may deny applications to establish new dealerships for a number of reasons, including a determination that the manufacturer is adequately represented in the area. Manufacturers must have "good cause" for any termination or failure to renew a dealer agreement, and automaker's license to distribute vehicles in Florida may be revoked if, among other things, the automaker has forced or attempted to force an automobile dealer to accept delivery of motor vehicles not ordered by that dealer.

Under Texas law, despite the terms of contracts between manufacturers and dealers, manufacturers may not unreasonably withhold approval of a transfer of a dealership. It is unreasonable under Texas law for a manufacturer to reject a prospective transferee of a dealership who is of good moral character and who otherwise meets the manufacturer's written, reasonable and uniformly applied standards or qualifications relating to the prospective transferee's business experience and financial qualifications. In addition, under Texas law and the laws of other states, franchised dealerships may challenge manufacturers' attempts to establish new franchises in the franchised dealers' markets, and state regulators may deny applications to establish new dealerships for a number of reasons, including a determination that the manufacturer is adequately represented in the region. Texas law limits the ability of manufacturers to terminate or fail to renew franchises. In addition, other laws in Texas and elsewhere limit the ability of manufacturers to withhold their approval for the relocation of a franchise or require that disputes be arbitrated. In addition, a manufacturer's license to distribute vehicles in Texas may be revoked if, among other things, the manufacturer has forced or attempted to force an automobile dealer to accept delivery of motor vehicles not ordered by that dealer.

Georgia law provides that no manufacturer may arbitrarily reject a proposed change of control or sale of an automobile dealership, and any manufacturer challenging such a transfer of a dealership must provide written reasons for its rejection to the dealer. Manufacturers bear the burden of proof to show that any disapproval of a proposed transfer of a dealership is not arbitrary. If a manufacturer terminates a franchise agreement due to a proposed transfer of the dealership or for any other reason not considered to constitute good cause under Georgia law, such termination will be ineffective. As an alternative to rejecting or accepting a proposed transfer of a dealership or terminating the franchise agreement, Georgia law provides that a manufacturer may offer to purchase the dealership on the same terms and conditions offered to the prospective transferee.

Under Tennessee law, a manufacturer may not modify, terminate or refuse to renew a franchise agreement with a dealer except for good cause, as defined in the statutes. Further, a manufacturer may be denied a Tennessee license, or have an existing license revoked or suspended if the manufacturer modifies, terminates, or suspends a franchise agreement due to an event not constituting good cause. Good cause includes material shortcomings in the character, financial condition or business experience of the dealer. A manufacturer's Tennessee license may also be revoked if the manufacturer prevents or attempts to prevent the sale or transfer of the dealership by unreasonably withholding consent to the transfer.

COMPETITION

The retail automotive industry is highly competitive. Depending on the geographic market, the Company competes with both dealers offering the same brands and product line as the Company and dealers offering other automakers' vehicles. The Company also competes for vehicle sales with auto brokers and leasing companies. The Company competes with small, local dealerships and with large multi-franchise auto dealerships. Many of the Company's larger competitors are larger and have greater financial and marketing resources and are more widely known than the Company. Some of the Company's competitors also may utilize marketing techniques, such as Internet visibility or "no negotiation" sales methods, not currently used by the Company.

The Company also competes with regional and national car rental companies, which sell their used rental cars, and used automobile "superstores," such as AutoNation and CarMax. In the future, new competitors may enter the automotive retailing market, including automobile manufacturers that may decide to open additional retail outlets or acquire other dealerships. In addition, the used vehicle superstores generally offer a greater and more varied selection of vehicles than the Company's dealerships. As the Company seeks to acquire dealerships in new markets, it may face significant competition (including competition from other publicly-owned dealer groups) as it strives to gain market share. See "Risk Factors -- Competition"

The Company believes that the principal competitive factors in vehicle sales are the marketing campaigns conducted by automakers, the ability of

dealerships to offer a wide selection of the most popular vehicles, the location of dealerships and the quality of customer service. Other competitive factors include customer preference for makes of automobiles, pricing (including manufacturer rebates and other special offers) and warranties.

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In addition to competition for vehicle sales, the Company also competes with other auto dealers, service stores, auto parts retailers and independent mechanics in providing parts and service. The Company believes that the principal competitive factors in parts and service sales are price, the use of factory-approved replacement parts, the familiarity with a dealer's makes and models and the quality of customer service. A number of regional and national chains offer selected parts and service at prices that may be lower than the Company's prices.

In arranging or providing financing for its customers' vehicle purchases, the Company competes with a broad range of financial institutions. The Company believes that the principal competitive factors in offering financing are convenience, interest rates and contract terms.

The Company's success depends, in part, on national and regional automobile-buying trends, local and regional economic factors and other regional competitive pressures. The Company sells its vehicles in the Charlotte, Chattanooga, Nashville, Tampa-Clearwater, Houston and Atlanta markets. Conditions and competitive pressures affecting these markets, such as price-cutting by dealers in these areas, or in any new markets the Company enters, could adversely affect the Company, although the retail automobile industry as a whole might not be affected. See "Risk Factors -- Competition."

GOVERNMENTAL REGULATIONS AND ENVIRONMENTAL MATTERS

A number of regulations affect the Company's business of marketing, selling, financing and servicing automobiles. The Company also is subject to laws and regulations relating to business corporations generally.

Under North Carolina, South Carolina, Tennessee, Florida, Georgia and Texas law as well as the laws of other states into which the Company may expand, the Company must obtain a license in order to establish, operate or relocate a dealership or operate an automotive repair service. These laws also regulate the Company's conduct of business, including its advertising and sales practices. Other states may have similar requirements.

The Company's operations are also subject to laws governing consumer protection. Automobile dealers and manufacturers are subject to so-called "Lemon Laws" that require a manufacturer or the dealer to replace a new vehicle or accept it for a full refund within one year after initial purchase if the vehicle does not conform to the manufacturer's express warranties and the dealer or manufacturer, after a reasonable number of attempts, is unable to correct or repair the defect. Federal laws require certain written disclosures to be provided on new vehicles, including mileage and pricing information.

The imported automobiles purchased by the Company are subject to United States customs duties and, in the ordinary course of its business, the Company may, from time to time, be subject to claims for duties, penalties, liquidated damages, or other charges. Currently, United States customs duties are generally assessed at 2.5% of the customs value of the automobiles imported, as classified pursuant to the Harmonized Tariff Schedule of the United States. See "Risk Factors -- Imported Products."

The Company's financing activities with its customers are subject to federal truth-in-lending, consumer leasing and equal credit opportunity regulations as well as state and local motor vehicle finance laws, installment finance laws, usury laws and other installment sales laws. Some states regulate finance fees that may be paid as a result of vehicle sales. State and federal environmental regulations, including regulations governing air and water quality and the storage and disposal of gasoline, oil and other materials, also apply to the Company.

The Company believes that it complies in all material respects with the laws affecting its business. Possible penalties for violation of any of these laws include revocation of the Company's licenses and fines. In addition, many laws may give customers a private cause of action.

As with automobile dealerships generally, and service parts and body shop operations in particular, the Company's business involves the use, storage, handling and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials such as motor oil, waste motor oil and filters, transmission fluid, antifreeze, freon, waste paint and lacquer thinner, batteries, solvents, lubricants, degreasing agents, gasoline and diesel fuels. The Company's business also involves the past and current operation and/or removal of aboveground and underground storage tanks containing such substances or wastes. Accordingly, the Company is subject to regulation by federal, state and local authorities establishing health and environmental quality standards, and liability related thereto, and providing

penalties for violations of those standards. The Company is also subject to laws, ordinances and regulations governing remediation of contamination at facilities it operates or to which it sends hazardous or toxic substances or wastes for treatment, recycling or disposal.

The Company believes that it does not have any material environmental liabilities and that compliance with environmental laws and regulations will not, individually or in the aggregate, have a material adverse effect on the Company's

results of operations or financial condition. However, soil and groundwater contamination is known to exist at certain properties used by the Company. Furthermore, environmental laws and regulations are complex and subject to frequent change. There can be no assurance that compliance with amended, new or more stringent laws or regulations, stricter interpretations of existing laws or the future discovery of environmental conditions will not require additional expenditures by the Company, or that such expenditures will not be material. See "Risk Factors -- Government Regulation; Environmental Matters."

FACILITIES

The Company's principal executive offices are located at 5401 East Independence Boulevard, Charlotte, North Carolina 28218, and its telephone number is (704) 532-3301. These executive offices are located on the premises owned by Town & Country Ford. The following table identifies, for each of the properties to be utilized by the Company's dealership operations the location, the owner/lessor, and the term and rental rate of the Company's lease for such property, if applicable:

<TABLE>
<CAPTION>

FACILITY	DEALERSHIP	OWNERSHIP STATUS	OWNER/LESSOR	1997 MONTHLY RENT (2)	EXPIRATION DATE	
<S>		<C>	<C>	<C>	<C>	<C>
Town & Country Ford..... Bldg.		Lease	STC Properties (1)	\$ 34,083	2000	Main
						Body
Shop 5401 East Independence Blvd., Charlotte						
Lone Star Ford..... Bldg.		Lease	Viking Investments (1)	\$ 30,000	2005	Main
						Used
Car Bldg. 8477 North Freeway, Houston						Body
Shop						Fleet
Bldg. Fort Mill Ford..... Bldg.		Own	--	--	--	Main
						Body
Shop 788 Gold Hill Rd., Fort Mill, SC						
Fort Mill Chrysler-Plymouth-Dodge.... Bldg.		Lease	Jeffrey Boyd	\$ 16,667	2002	Main
						Used
Car Bldg. 3310 Hwy. 51, Fort Mill, SC						
Town & Country Toyota..... Bldg.		Own	--	--	--	Main
						Body
Shop 9101 South Blvd., Charlotte						
Frontier Oldsmobile-Cadillac..... Bldg.		Lease	Landers Oldsmobile-Cadillac	\$ 17,000	1998(3)	Main
						Body
Shop 2501 Roosevelt Blvd., Monroe, NC						Used
Car Bldg. Ken Marks Ford..... Bldg.		Lease	Marks Holding Company (1)	\$ 95,000	2007(3)	Main
24825 US Hwy. 19 North, Clearwater & 3925 Tampa Rd., Oldsmar, FL						
Dyer Volvo..... Bldg.		Lease	D&R Investments (1)	\$ 50,000	2009(3)	Main
5260 Peachtree Industrial Blvd., Atlanta						
Lake Norman		Lease	Phil M. and Quinton M. Gandy	\$ 40,000 (4)	2007(3)	Main
Bldg.						

Chrysler-Plymouth-Jeep-Eagle..... Chartwell Center Dr., Cornelius, NC		and affiliates			
Lake Norman Dodge..... Bldg.	Lease	Phil M. and Quinton M. Gandy	\$ 40,000	(4)	2007(3) Main
Center		and affiliates			Truck
I-77 & Torrence Chapel Rd., Cornelius, NC					
KIA/VW of Chattanooga..... Bldg.	Lease	KIA Land Development (1)	\$	(5)	2007(3) Main
6015 International Dr., Chattanooga					
European Motors of Nashville..... Bldg.(7)	Lease	Third National Bank,	\$ 21,070		1998(3) Main
630 Murfreesboro Pike, Nashville		David P'Pool, Stella P'Pool			
European Motors..... Bldg.	Lease	Nelson Bowers (1)	\$ 16,846	(4)	2007(3) Main
5949 Brainerd Rd., Chattanooga					
Jaguar of Chattanooga..... Bldg.	Lease	JAG Properties LLC, Thomas	\$ 22,010		2017(3) Main
5915 Brainerd Rd., Chattanooga		Green, Jr. and Nelson Bowers (1)			
Cleveland Bldg.	Lease	Cleveland Properties LLC (1)	\$ 14,000		2011(3) Main
Chrysler-Plymouth-Jeep-Eagle..... 2496 South Lee Hwy., Cleveland, TN					
Nelson Bowers Dodge..... Bldg.	Lease	Edward & Barbara Wright	\$ 16,800		2001(3) Main
402 West Martin Luther King Blvd., Chattanooga					
Cleveland Village Imports..... Bldg.(8)	Lease	Thomas Green, Jr. and Nelson Bowers (1)	\$ 8,398		1997(3) Main
2490 & 2492 South Lee Hwy., Cleveland, TN					
Saturn of Chattanooga..... Bldg.	Lease	Nelson Bowers (1)	\$ 27,054	(4)	2007(3) Main
6025 International Dr., Chattanooga					
Nelson Bowers Ford..... Bldg.	Lease	Robert G. Card, Jr.	\$ 9,000		Month to) Main Month(3
717 South Lee Hwy., Cleveland, TN					
Williams Motors..... Bldg.	Lease	J.T. Williams	\$ 15,000		1998(6) Main
803 North Anderson Rd., Rock Hill, SC					

<CAPTION>

DEALERSHIP	SQ. FT.	ACRES
<S>	<C>	<C>
Town & Country Ford.....	85,013 24,768	12.48
5401 East Independence Blvd., Charlotte		
Lone Star Ford.....	79,725 2,125	24.76
8477 North Freeway, Houston	26,450 1,500	
Fort Mill Ford.....	34,162 11,275	10.00
788 Gold Hill Rd., Fort Mill, SC		
Fort Mill Chrysler-Plymouth-Dodge....	9,809 1,470	5.50
3310 Hwy. 51, Fort Mill, SC		
Town & Country Toyota.....	50,800 17,840	5.70
9101 South Blvd., Charlotte		
Frontier Olsmobile-Cadillac.....	14,825 11,250	7.08
2501 Roosevelt Blvd., Monroe, NC	2,200	
Ken Marks Ford.....	79,100	22.00
24825 US Hwy. 19 North, Clearwater & 3925 Tampa Rd., Oldsmar, FL		
Dyer Volvo.....	60,000	6.00
5260 Peachtree Industrial Blvd., Atlanta		
Lake Norman	26,000	6.00
Chrysler-Plymouth-Jeep-Eagle..... Chartwell Center Dr., Cornelius, NC		
Lake Norman Dodge.....	25,000 5,000	6.00
I-77 & Torrence Chapel Rd., Cornelius, NC		
KIA/VW of Chattanooga.....	8,445	3.75

6015 International Dr., Chattanooga European Motors of Nashville.....	49,385	4.00
630 Murfreesboro Pike, Nashville European Motors.....	40,295	12.24
5949 Brainerd Rd., Chattanooga Jaguar of Chattanooga.....	34,850	3.57
5915 Brainerd Rd., Chattanooga Cleveland	17,750	5.60
Chrysler-Plymouth-Jeep-Eagle..... 2496 South Lee Hwy., Cleveland, TN		
Nelson Bowers Dodge.....	30,000	4.88
402 West Martin Luther King Blvd., Chattanooga		
Cleveland Village Imports..... 2490 & 2492 South Lee Hwy., Cleveland, TN	15,760	2.05
Saturn of Chattanooga..... 6025 International Dr., Chattanooga	20,100	6.22
Nelson Bowers Ford..... 717 South Lee Hwy., Cleveland, TN	19,725	1.40
Williams Motors..... 803 North Anderson Rd., Rock Hill, SC	15,000(9)	3.0(9)

</TABLE>

(FOOTNOTES ON FOLLOWING PAGE)

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- (1) These lessors are affiliates of the Company's stockholders and/or executive officers. See "Risk Factors -- Potential Conflicts of Interest," "Certain Transactions -- Certain Dealership Leases" and "Principal Stockholders."
- (2) All of the Company's leases are "triple net" leases and require the Company to pay all real estate taxes, maintenance and insurance costs for the property.
- (3) Each of these leases provides for two renewal terms of five years each, at the option of the Company.
- (4) Monthly rent expense based on estimate from the purchase agreement relating to the Acquisition.
- (5) Lease rent currently under negotiation.
- (6) This lease provides for four renewal terms of one year each, at the option of the Company.
- (7) European Motors of Nashville has entered into a 20-year lease with H.G. Hill Realty Company, an entity unaffiliated with the Company, regarding a new BMW facility to be constructed at a site separate from its existing facility. The monthly rent payments under this lease are not presently fixed and will depend upon the final construction costs of the new facility. The lease term will begin when the Company occupies these premises.
- (8) Cleveland Village Imports also leases a used-car lot across the street from its main facility from individuals not affiliated with the Company for a term expiring in 2002 and providing for \$3,000 in monthly rent.
- (9) Estimated size.

All of the Company's dealerships are located along major U.S. or interstate highways. One of the principal factors considered by the Company in evaluating an acquisition candidate is its location. The Company prefers to acquire dealerships located along major thoroughfares, primarily interstate highways with ease of access, which can be easily visited by prospective customers.

The Company owns certain of the real estate associated with Town & Country Toyota and Frontier Oldsmobile-Cadillac. The remainder of the properties utilized by the Company's dealership operations are leased as set forth in the foregoing table. The Company believes that its facilities are adequate for its current needs. In connection with its acquisition strategy, the Company intends to lease the real estate associated with a particular dealership whenever practicable.

Under the terms of its franchise agreements, the Company must maintain an appropriate appearance and design of its facilities and is restricted in its ability to relocate its dealerships. See " -- Relationships with Manufacturers."

EMPLOYEES

As of June 30, 1997 the Company employed 1,574 people, of whom approximately 210 were employed in managerial positions, 594 were employed in non-managerial sales positions, 346 were employed in non-managerial parts and service positions and 424 were employed in administrative support positions.

The Company believes that many dealerships in the retail automobile industry have difficulty in attracting and retaining qualified personnel for a number of reasons, including the historical inability of dealerships to provide employees with an equity interest in the profitability of the dealerships. The Company intends, upon completion of the Offering, to provide certain executive officers, managers and other employees with stock options and all employees with a stock purchase plan and believes this type of equity incentive will be attractive to existing and prospective employees of the Company. See "Management -- Stock Option Plan" and " -- Employee Stock Purchase Plan" and "Risk Factors -- Dependence on Key Personal and Limited Management and Personnel Resources."

The Company believes that its relationship with its employees is good. None of the Company's employees is represented by a labor union. Because of its dependence on the Manufacturers, however, the Company may be affected by labor strikes, work slowdowns and walkouts at the Manufacturer's manufacturing facilities. See "Risk Factors -- Dependence on Automobile Manufacturers."

LEGAL PROCEEDINGS AND INSURANCE

From time to time, the Company is named in claims involving the manufacture of automobiles, contractual disputes and other matters arising in the ordinary course of the Company's business. Currently, no legal proceedings are pending against or involve the Company that, in the opinion of management, could reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of the Company.

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Because of their vehicle inventory and nature of business, automobile retail dealerships generally require significant levels of insurance covering a broad variety of risks. The Company's insurance includes an umbrella policy as well as insurance on its real property, comprehensive coverage for its vehicle inventory, general liability insurance, employee dishonesty coverage and errors and omissions insurance in connection with its vehicle sales and financing activities.

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MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS; KEY PERSONNEL

The executive officers, directors and key personnel of the Company, and their ages as of the date of this Prospectus, are as follows:

NAME	AGE	POSITION(S) WITH THE COMPANY
O. Bruton Smith.....	70	Chairman, Chief Executive Officer and Director*
Bryan Scott Smith.....	29	President, Chief Operating Officer and Director*
Nelson E. Bowers, II.....	53	Executive Vice President and Director Nominee*
Theodore M. Wright.....	35	Chief Financial Officer, Vice President-Finance, Secretary and Director*
William R. Brooks.....	47	Director
Jeffrey C. Rachor.....	35	Regional Vice President-Mid South Region
O. Ken Marks, Jr.....	35	Regional Vice President-Florida
Ivan A. Tufty.....	57	Regional Vice President-Texas
William M. Sullivan.....	65	Regional Vice President-North and South Carolina

* Executive Officer

O. BRUTON SMITH has been the Chairman, Chief Executive Officer and a director of the Company since its organization in 1997 and presently is the controlling shareholder of the Company through his direct and indirect ownership of Class B Common Stock. Mr. Smith has been the president and controlling shareholder of Sonic Financial since its formation, which prior to the Reorganization owned a controlling interest in all of the Company's dealerships except Town & Country Toyota and presently owns a controlling interest in the Company's Common Stock. Mr. Smith, prior to the Reorganization, owned a controlling interest in Town & Country Toyota. Mr. Smith currently is, and since their acquisition by Sonic Financial has been, a director and the president of each of the Company's dealerships. Mr. Smith has worked in the retail automobile industry since 1966. Mr. Smith's initial term as a director of the Company will expire at the annual meeting of stockholders of the Company to be held in 2000. Mr. Smith is also the chairman and chief executive officer, a director and controlling shareholder, either directly or through Sonic Financial, of Speedway Motorsports, Inc. ("SMI"). SMI is a public company traded on the NYSE. Among other things, it owns and operates the following NASCAR racetracks: Atlanta Motor Speedway, Bristol Motor Speedway, Charlotte Motor Speedway, Sears Point Raceway and Texas Motor Speedway. He is also the executive officer and a director of each of SMI's operating subsidiaries. Under his employment agreement

with the Company, Mr. Smith is required to devote approximately 50% of his business time to the Company's business.

BRYAN SCOTT SMITH has been the President, Chief Operating Officer and a director of the Company since its organization in 1997. Mr. Smith, who is the son of Bruton Smith, has been the Vice President since 1993 and, prior to the Reorganization, the minority owner of Town & Country Ford. Mr. Smith joined the Company's predecessor in January 1991 on a full-time basis as an assistant used car manager. In August of 1991, Mr. Smith became the used car manager at Town & Country Ford. Mr. Smith was promoted to General Manager of Town & Country Ford in November 1992 where he remained until his appointment to President and Chief Operating Officer of the Company in March of 1997. Mr. Smith's initial term as a director of the Company will expire at the annual meeting of stockholders of the Company to be held in 1998.

NELSON E. BOWERS, II will be appointed the Executive Vice President and a director of the Company upon consummation of the Bowers Acquisition. Mr. Bowers owns a controlling interest in the dealerships that are the subject of the Bowers Acquisition and has worked in the retail automobile industry since 1974. Mr. Bowers has served on national dealer councils for BMW and Volvo and has owned and operated dealerships since 1979. Mr. Bowers' initial term as a director of the Company will expire at the annual meeting of stockholders to be held in 1999.

THEODORE M. WRIGHT has been the Chief Financial Officer, Vice President-Finance, Secretary and a director of the Company since April 1997. Before joining the Company, Mr. Wright was a Senior Manager and in charge of the Columbia, South Carolina office of Deloitte & Touche LLP. Prior to joining the Columbia office, Mr. Wright was a Senior Manager in Deloitte & Touche LLP's National Office Accounting Research and SEC Services Departments from 1994 to 1995. From 1992 to 1994 Mr. Wright was an audit manager with Deloitte & Touche LLP. Mr. Wright's initial term as a director of the Company will expire at the annual meeting of stockholders to be held in 1999.

WILLIAM R. BROOKS has been a director of the Company since its formation. Mr. Brooks also served as the Company's Chief Financial Officer, Vice President-Finance and Secretary from its organization in February 1997 to April 1997 when Mr. Wright was appointed to those positions. Since December 1994, Mr. Brooks has been the Vice President, Treasurer,

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Chief Financial Officer and a director of SMI. Mr. Brooks also serves as an executive officer and a director for various operating subsidiaries of SMI. Before the formation of SMI in December 1994, Mr. Brooks was the Vice President of the Charlotte Motor Speedway and a Vice President and a director of Atlanta Motor Speedway. Mr. Brooks joined Sonic Financial from Price Waterhouse in 1983. At Sonic Financial, he was promoted from Manager to Controller in 1985 and again to Chief Financial Officer in 1989. Mr. Brooks' initial term as a director of the Company will expire at the annual meeting of stockholders to be held in 2000.

JEFFREY C. RACHOR will be appointed Regional Vice President upon consummation of the Bowers Acquisition. Mr. Rachor has over 13 years experience in automobile retailing and has been the chief operating officer at the Bowers Dealerships since 1989. During this period, Mr. Rachor has also served at various times as the general manager of Toyota, Saturn and Chrysler-Plymouth-Jeep-Eagle dealerships. Prior to joining the Bowers organization, Mr. Rachor was an assistant regional manager with American Suzuki Motor Corporation from 1987 to 1989 and a Metro Sales Manager and a District Sales Manager with GM's Buick Motor Division from 1983 to 1987.

O. KEN MARKS, JR. owns a controlling interest in Ken Marks Ford and has operated that dealership as its chief executive since 1992. Mr. Marks is a Chairman's award winner from Ford and has over 13 years experience in auto retailing. Mr. Marks will be appointed a Regional Vice President upon consummation of the Offering.

IVAN A. TUFTY has been Executive Manager of Lone Star Ford since 1990 and will be appointed a Regional Vice President upon consummation of the Offering. Mr. Tufty has over 40 years of experience in auto retailing and was a dealer principal and equity owner for 12 years.

WILLIAM M. SULLIVAN has been Vice-President of Town & Country Ford since prior to 1992 and will be appointed a Regional Vice President upon consummation of the Offering. Mr. Sullivan has over 25 years experience in auto retailing as an Executive Manager, head of F&I and in other roles.

As soon as practicable after the Offering, the Company intends to name two or three individuals not employed by or affiliated with the Company to the Company's Board of Directors.

The Board of Directors of the Company is divided into three classes, each of which, after a transitional period, will serve for three years, with one class being elected each year. The executive officers are elected annually by,

and serve at the discretion of, the Company's Board of Directors.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Since the Company's organization in February 1997, all matters concerning executive officer compensation have been addressed by the entire Board of Directors. Bruton Smith, Scott Smith and Theodore Wright were executive officers of the Company and, together with William R. Brooks, will constitute the entire Board until the consummation of the Offering when Nelson Bowers, an executive officer of the Company, is to be appointed. Bruton Smith serves as Chairman of the Board of SMI. William R. Brooks, an executive officer of SMI, serves on the Board of the Company. As soon as practicable after the Offering, the Company intends to name at least two independent directors who will comprise the Company's compensation committee. See "Management."

LIMITATIONS OF DIRECTORS LIABILITY

The Certificate includes a provision that effectively eliminates the liability of directors to the Company or to the Company's stockholders for monetary damages for breach of the fiduciary duties of a director, except for breaches of the duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, certain actions with respect to unlawful dividends, stock repurchases or redemptions and any transaction from which the director derived an improper personal benefit. This provision does not prevent stockholders from seeking nonmonetary remedies covering any such action, nor does it affect liabilities under the federal securities laws. The Company's Bylaws further provide that the Company shall indemnify each of its directors and officers, to the fullest extent authorized by Delaware Law, with respect to any threatened, pending or completed action, suit or proceeding to which such person may be a party by reason of serving as a director or officer. Delaware Law currently authorized a corporation to indemnify its directors and officers against expenses (including attorney's fees), judgments, fines and amount paid in settlements actually and reasonably incurred by them in connection with any action, suit or proceeding brought by a third party if such officers or directors acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reason to believe their conduct was unlawful. Indemnification is

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permitted in more limited circumstances with respect to derivative actions. The Company believes that these provisions of the Certificate and the Bylaws are necessary to attract and retain qualified persons to serve as directors and officers.

COMMITTEES OF THE BOARD

The Board of Directors will establish a Compensation Committee and an Audit Committee consisting of independent directors upon the election of at least two independent directors. The Compensation Committee will review and approve compensation for the executive officers, and administer, and determine awards under, the Stock Option Plan and any other incentive compensation plans for employees of the Company. See " -- Stock Option Plan" and " -- Employee Stock Purchase Plan." The Audit Committee will recommend the selection of auditors for the Company and will review the results of the audit and other reports and services provided by the Company's independent auditors. The Company has not previously had any of these committees.

DIRECTOR COMPENSATION

Members of the Board of Directors who are not employees of the Company will be compensated for their services in amounts to be determined. The Company will also reimburse all directors for their expenses incurred in connection with their activities as directors of the Company. Directors who are also employees of the Company receive no compensation for serving on the Board of Directors.

EXECUTIVE COMPENSATION

Sonic was incorporated on January 31, 1997 and did not conduct any operations prior to that time. The Company anticipates that during 1997 its most highly compensated executive officers with annual salaries exceeding \$100,000, and their annual base salaries for 1997, will be: Bruton Smith -- \$350,000, Scott Smith -- \$300,000, Nelson Bowers, -- \$400,000, and Theodore Wright -- \$180,000.

EMPLOYMENT AGREEMENTS

The Company has entered into employment agreements with Messrs. Bruton Smith, Scott Smith, Bowers, Wright, Marks and Rachor (the "Employment Agreements"), effective upon consummation of the Offering, which provide for an annual base salary and certain other benefits. Pursuant to the Employment Agreements, the 1997 base salaries of Messrs. Bruton Smith, Scott Smith, Bowers, Wright, Marks and Rachor will be \$350,000, \$300,000, \$400,000, \$180,000, \$48,000, and \$150,000, respectively. The executives will also receive such

additional increases as may be determined by the Compensation Committee. The Employment Agreements, except those of Messrs. Rachor and Marks, provide for the payment of annual performance-based bonuses equal to a percentage of the executive's base salary, upon achievement by the Company (or relevant region) of certain performance objectives, based on the Company's pre-tax income, to be established by the Compensation Committee. The Employment Agreements of Messrs. Rachor and Marks provide for the payment of annual performance-based bonuses, paid in equal installments on a monthly basis, equal to a percentage of the pre-tax earnings, of subsidiaries of the Company located within his regions of responsibility, in the case of Mr. Rachor, and of Ken Marks Ford in the case of Mr. Marks. See " -- Incentive Compensation Plan." Under the terms of the Employment Agreements, the Company will employ Mr. Bruton Smith through September 2000. Under the terms of their respective Employment Agreements, the Company will employ Messrs. Scott, Smith, Bowers, Wright, Marks and Rachor for five years or until their respective Employment Agreements are terminated by the Company or the executive. Messrs. Scott Smith, Bowers, Wright, Marks and Rachor also receive under their Employment Agreements, options pursuant to the Company's Stock Option Plan, for shares, shares, shares, shares and shares, of the Class A Common Stock, respectively, exercisable at the initial public offering price, vesting in three equal annual installments beginning October 1998 and expiring in October 2007.

Each of the Employment Agreements contain similar noncompetition provisions. These provisions (i) prohibit the disclosure or use of confidential Company information, and (ii) for a period of two years following the expiration or termination of an Employment Agreement, prohibit competition with the Company for the Company's employees and its customers, interference with the Company's relationships with its vendors, and employment with any competitor of the Company in specified territories. With respect to Messrs. Bruton Smith, Scott Smith and Wright, the geographic restrictions apply in any Standard Metropolitan Statistical Area ("SMSA") or county in which the Company has a place of business at the time their employment ends. With respect to Messrs. Bowers and Rachor, the restrictions apply only in the SMSA's for Houston, Charlotte, Chattanooga, and Nashville. With respect to Mr. Marks, the territorial restrictions apply only in the SMSA's or counties in which the Company has a place of business and about which Marks had access to confidential information or for which he had operational or managerial involvement.

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Set forth below is information for the years ended December 31, 1996, 1995 and 1994 with respect to compensation for services to the Company's predecessors of the Company's executive officers.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

ALL OTHER NAME AND PRINCIPAL POSITION(S) COMPENSATION (5)	YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS
		SALARY (1)	BONUS (2)	OTHER ANNUAL COMPENSATION	NUMBER OF SHARES UNDERLYING OPTIONS (4)
<S>	<C>	<C>	<C>	<C>	<C>
O. Bruton Smith	1996	\$ 164,750		\$ 33,350 (3)	--
-- Chairman, Chief Executive Officer	1995	142,200		41,350 (3)	--
-- and Director	1994	142,200		41,000 (3)	--
Bryan Scott Smith	1996	\$ 48,000	\$ 230,714	(5)	--
-- President, Chief	1995	48,000	168,670	(5)	--
-- Operating Officer	1994	48,000	134,537	(5)	--
-- and Director					

</TABLE>

- (1) Does not include the dollar value of perquisites and other personal benefits.
- (2) The amounts shown are cash bonuses earned in the specified year and paid in the first quarter of the following year.
- (3) The Company provides Mr. Smith with the use of automobiles for personal use, the annual cost of which is reflected as Other Annual Compensation.
- (4) The Company's Stock Option Plan was adopted in August 1997. Therefore, no options were granted to any of the Company's executive officers in 1996, 1995 or 1994.

(5) The aggregate amount of perquisites and other personal benefits received did not exceed the lesser of \$50,000 or 10% of the total annual salary and bonus reported for such executive officer.

The Compensation Committee is expected to deliberate upon matters concerning executive compensation, including possible changes in the components and amounts of such compensation.

STOCK OPTION PLAN

In August 1997, the Board of Directors and stockholders of the Company adopted the Company's 1997 Stock Option Plan (the "Stock Option Plan") in order to attract and retain key personnel. The following discussion of the material features of the Stock Option Plan is qualified by reference to the text of such Plan filed as an exhibit to the Registration Statement of which this Prospectus is a part.

Under the Stock Option Plan, options to purchase up to an aggregate of shares of Class A Common Stock may be granted to key employees of the Company and its subsidiaries and to officers, directors, consultants and other individuals providing services to the Company. Members of the Board of Directors who serve on the Compensation Committee must qualify as "non-employee directors," as that term is defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and may not participate in the Stock Option Plan.

The Compensation Committee of the Board of Directors of the Company will administer the Stock Option Plan and will determine, among other things, the persons who are to receive options, the number of shares to be subject to each option and, the vesting schedule of options. The Board of Directors of the Company will determine the terms and conditions upon which the Company may make loans to enable an optionee to pay the exercise price of an option. In selecting individuals for options and determining the terms thereof, the Compensation Committee may consider any factors it considers relevant, including present and potential contributions to the success of the Company. Options granted under the Stock Option Plan must be exercised within a period fixed by the Compensation Committee, which period may not exceed ten years from the date of grant of the option or, in the case of incentive stock options ("ISOs") granted to any holder on the date of grant of more than ten percent of the total combined voting power of all classes of stock of the Company, five years from the date of grant of the option. Options may be made exercisable in whole or in installments, as determined by the Compensation Committee.

Options may not be transferred other than by will or the laws of descent and distribution. During the lifetime of an optionee, options may be exercised only by the optionee. The exercise price of options that are not ISOs will be determined at the discretion of the Compensation Committee. The exercise price of ISOs may not be less than the market value of the Class A Common Stock on the date of grant of the option. In the case of ISOs granted to any holder on the date of grant of more

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than ten percent of the total combined voting power of all classes of stock of the Company and its subsidiaries, the exercise price may not be less than 110% of the market value per share of the Class A Common Stock on the date of grant. Unless designated as "incentive stock options" intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), options granted under the Stock Option Plan are intended to be "nonstatutory stock options" ("NSOs"). The exercise price may be paid in cash, in shares of Class A Common Stock owned by the optionee, in NSOs granted under the Stock Option Plan (except that the exercise price of an ISO may not be paid in NSOs) or in any combination of cash, shares and NSOs.

Options granted under the Stock Option Plan will include the right to acquire a "reload" option. In such a case, if a participant pays all or part of the exercise price of an option with shares of Class A Common Stock held by the participant for at least six months, then, upon exercise of the option, the participant is granted a second option to purchase, at the fair market value as of the date of grant of the second option, the number of shares of Class A Common Stock transferred to the Company by the participant in payment of the exercise price of the original option. A reload option is not exercisable until one year after the grant date of such reload option or the expiration date of the original option. If the exercise price of a reload option is paid for with shares of Class A Common Stock that have been held by the optionee for more than six months, then another reload option will be issued. Shares of Class A Common Stock covered by a reload option will not reduce the number of shares of Class A Common Stock available under the Stock Option Plan.

The Stock Option Plan provides that, in the event of changes in the corporate structure of the Company or certain events affecting the shares of the Company, adjustments will automatically be made in the number and kind of shares available for issuance and in the number and kind of shares covered by outstanding options. It further provides that, in connection with any merger or consolidation in which the Company is not the surviving corporation and which

results in the holders of the outstanding voting securities of the Company owning less than a majority of the surviving corporation or any sale or transfer by the Company of all or substantially all its assets or any tender offer or exchange offer for or the acquisition, directly or indirectly, by any person or group of all or a majority of the then-outstanding voting securities of the Company, all outstanding options under the Stock Option Plan will become exercisable in full on and after (i) the 15th day prior to the effective date of such merger, consolidation, sale, transfer or acquisition or (ii) the date of commencement of such tender offer or exchange offer, as the case may be.

The Board of Directors of the Company, on August , 1997, granted NSOs and ISOs to purchase an aggregate of shares of Class A Common Stock under the Stock Option Plan to three executive officers, five regional vice presidents and one dealer manager of the Company. Messrs. Scott Smith, Bowers, and Wright were granted NSOs to purchase shares, shares, and shares, respectively at an exercise equal to the public offering price of the Class A Common Stock sold in the Offering. Messrs. Scott Smith, Bowers and Wright were also granted ISOs to purchase shares, shares and shares, respectively, at an exercise price equal to the public offering price of the Class A Common Stock sold in the Offering. All these options will become exercisable in three equal annual installments beginning in October 1998 with the last installment vesting in October 2000, and all these options will expire in October 2007. Consequently, all executive officers as a group were granted NSOs to purchase an aggregate of shares and ISOs to purchase an aggregate of shares. Non-executive officer employees were granted NSOs and ISOs to purchase an aggregate of shares and shares, respectively. See " -- Employment Agreements."

The issuance of the aforementioned NSO's under the Stock Option Plan is being treated by the Company as a deferred tax asset, valued at \$ as of . See Note to Combined and Consolidated Financial Statements.

While the issuance and exercise of ISOs generally have no ordinary income tax consequences to the holder, upon the exercise of an ISO, the holder will treat the excess of the fair market value on the date of exercise over the exercise price as an item of tax adjustment for alternative minimum tax purposes. The issuance and exercise of ISOs have no federal income tax consequences to the Company. The disposition of Class A Common Stock acquired from the exercise of an ISO will ordinarily result in capital gains or loss to the holder for federal income tax purposes equal to the difference between the amount realized on disposition of the Class A Common Stock and the option exercise price. If the holder of Class A Common Stock acquired upon the exercise of an ISO disposes of such stock before the later of (i) two years following the grant of the ISO and (ii) one year following the exercise of the ISO (a "Disqualifying Disposition"), the holder will recognize ordinary income for federal income tax purposes in an amount equal to the lesser of (i) the excess of the Class A Common Stock's fair market value on the date of exercise over the option exercise price, and (ii) the excess of the amount realized on disposition of the Class A Common Stock over the option exercise price. Any additional gain upon the disposition will be taxed as capital gains. The Company will be entitled to a compensation expense deduction for the Company's taxable year in which the disposition occurs equal to the amount of ordinary income recognized by the holder.

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The issuance of NSOs has no federal income tax consequences to the Company or the holder. Upon the exercise of an NSO, the Company generally will be allowed a federal income tax deduction equal to the amount by which the fair market value of the underlying shares on the date of exercise exceeds the exercise price. NSO holders will recognize ordinary income for federal income tax purposes at the time of option exercise in the same amount. Any gains or losses upon the disposition of shares acquired by exercise of a NSO will be taxed to the holder as capital gains or losses.

Registration of the shares underlying the Stock Option Plan is presently not contemplated. Such shares may be issued upon option exercise in reliance upon the private offering exemption codified in Section 4(2) of the Securities Act. Resale of such shares may be permitted subject to the limitations of Rule 144.

EMPLOYEE STOCK PURCHASE PLAN

In August 1997, the Board of Directors and stockholders of the Company adopted the Sonic Employee Stock Purchase Plan (the "ESPP"). The ESPP is intended to promote the interests of the Company by providing employees of the Company the opportunity to acquire a proprietary interest in the Company through the purchase of Class A Common Stock. The following discussion of the material features of the ESPP is qualified by reference to the text of such Plan filed in an exhibit to the Registration Statement of which this Prospectus is a part.

The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code. The ESPP is administered by the Compensation Committee, which, subject to the terms of the ESPP, has plenary authority in its discretion

to interpret and construe the ESPP. The Compensation Committee will construe the provisions of the ESPP so as to extend and limit participation in a manner consistent with the requirements of that Code section. A total of _____ shares of Class A Common Stock have been reserved for purchase under the ESPP.

On January 1 of each year during the term of the ESPP (the "Grant Date"), all eligible employees electing to participate in the ESPP ("Participating Employees") will be granted an option to purchase shares of Class A Common Stock. Prior to each Grant Date, the Compensation Committee will determine the number of shares of Class A Common Stock available for purchase under each option, with the same number of shares to be available under each option granted on the same Grant Date. No Participating Employee may be granted an option which would permit such employee to purchase stock under the ESPP and all other employee stock purchase plans of the Company at a rate which exceeds \$25,000 of the fair market value of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

A Participating Employee may elect to designate a limited percentage of such employee's compensation (as defined in the ESPP) to be deferred by payroll deduction as a contribution to the ESPP. A Participating Employee instead may elect to make contributions by direct cash payment to the ESPP rather than by payroll deduction. To the extent a Participating Employee has accumulated enough funds, his or her contributions to the ESPP will be used to exercise the option granted under the ESPP through purchases of Class A Common Stock on the last business day of March, June, September and December on which the principal trading market for the Class A Common Stock is open for trading and on any other interim dates during the year which the Compensation Committee designates for such purpose (the "Exercise Date"). Contributions which are not enough to purchase a whole share of Class A Common Stock will be carried forward and applied on the next Exercise Date in that calendar year; provided that contributions remaining after the last Exercise Date of the calendar year may be distributed to the Participating Employee at his election.

The purchase price at which Class A Common Stock will be purchased through the ESPP shall be 85% of the lesser of (i) the fair market value of the Class A Common Stock on the applicable Grant Date, and (ii) the fair market value of the Class A Common Stock on the applicable Exercise Date. Any option granted to a Participating Employee will be exercised automatically on each Exercise Date during the calendar year of the option's Grant Date in whole or in part such that the Participating Employee's accumulated contributions as of such Exercise Date, either through direct cash payment or payroll deduction, will be applied to the purchase of the maximum number of whole shares of Class A Common Stock that such contribution will permit at the applicable option price, limited to the number of shares available for purchase under the option.

Any option granted to a Participating Employee will expire on the last Exercise Date of the calendar year in which granted. However, if a Participating Employee withdraws from the ESPP or terminates employment prior to such Exercise Date, the option may expire earlier.

Upon termination of a Participating Employee's employment for any reason other than cause, death or leave of absence in excess of ninety days, such employee may, at his election, request the return of contributions not yet used to purchase Class A Common Stock or continue participation in the ESPP until the Exercise Date next following the date of termination

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of employment such that any unexpired option held will be exercised automatically such Exercise Date. If a Participating Employee dies while employed by the Company or prior to the Exercise Date next following termination of employment, such employee's estate will have the right to elect to withdraw all contributions not yet used to purchase Class A Common Stock or to exercise the Participating Employee's option for the purchase of Class A Common Stock on the Exercise Date next following the date of such employee's death.

The Board of Directors of the Company may at any time amend, suspend or terminate the ESPP; provided, however, that the ESPP may not be amended to (i) increase the maximum number of shares of Class A Common Stock for which options may be granted under the ESPP, other than in connection with a change in capitalization, (ii) materially modify the requirements as to the class of employees eligible to receive options and purchase Class A Common Stock under the ESPP, or (iii) materially increase the benefits accruing to Participating Employees under the ESPP without in any such case obtaining approval of Sonic stockholders.

The ESPP is intended to meet the requirements of an "employee stock purchase plan" under Code Section 423. No federal taxable income will be recognized by Participating Employees upon the grant of an option to purchase Class A Common Stock under the ESPP. In addition, a Participating Employee will not recognize federal taxable income on the exercise of an option granted under the ESPP.

If the Participating Employee holds shares of Class A Common Stock acquired upon the exercise of an option granted under the ESPP until a date that is more

than two years from the grant date of the relevant option and one year from the date of option exercise (or dies while owning such shares), the employee must report as ordinary income in the year of disposition of the shares (or at death) the lesser of (a) the excess of the fair market value of the shares at the time of disposition (or death) over the option exercise price and (b) the excess of the fair market value of the shares on the date the relevant option was granted over the option exercise price. For this purpose the option exercise price is 85% of the fair market value of the shares on the date the relevant option was granted (assuming the shares are offered at a 15% discount). Any additional income is treated as long-term capital gain. If these holding period requirements are met, the Company is not entitled to any deduction for tax purposes. If the Participating Employee does not meet the holding period requirements, the employee recognizes at the time of disposition of the shares ordinary income equal to the difference between the price paid for the shares and the fair market value on the date of exercise, irrespective of the price at which the employee disposes of the shares, and an amount equal to such ordinary income is generally deductible by the Company. Any gain or loss realized on the disposition of the shares will be capital gain or loss, and will be long-term gain or loss if the shares were held for more than one year.

Because the ESPP is based on voluntary participation, benefits thereunder are not determinable.

Registration of the shares underlying the ESPP is presently not contemplated. Such shares may be issued upon option exercise in reliance upon the private offering exemption codified in Section 4(2) of the Securities Act. Resale of such shares may be permitted subject to the limitations of Rule 144.

CERTAIN TRANSACTIONS

REGISTRATION RIGHTS AGREEMENT

As part of the Reorganization, the Company entered into a Registration Rights Agreement dated as of June 30, 1997 (the "Registration Rights Agreements") with Sonic Financial, Bruton Smith, Scott Smith and William S. Egan. Sonic Financial, Bruton Smith, Scott Smith and Egan Group, LLC, an assignee of Mr. Egan (the "Egan Group") currently are the owners of record of _____, _____ and _____ shares of Class B Common Stock, respectively. Upon the registration of any of their shares or as otherwise provided in the Certificate, such shares will automatically be converted into a like number of shares of Class A Common Stock. Subject to certain limitations, the Registration Rights Agreements provide Sonic Financial, Bruton Smith, Scott Smith and the Egan Group with certain piggyback registration rights that permit them to have their shares of Common Stock, as selling security holders, included in any registration statements pertaining to the registration of Class A Common Stock for issuance by the Company or for resale by other selling security holders, with the exception of registration statements on Forms S-4 and S-8 relating to exchange offers (and certain other transactions) and employee stock compensation plans, respectively. These registration rights will be limited or restricted to the extent an underwriter of an offering, if an underwritten offering, or the Company's Board of Directors, if not an underwritten offering, determines that the amount to be registered by Sonic Financial, Bruton Smith, Scott Smith or the Egan Group would not permit the sale of Class A Common Stock in the quantity and at the price originally sought by the Company or the original selling security holders, as the case may be. The Registration Rights Agreement expires on the tenth anniversary of the closing of the Offering. Sonic Financial is controlled by the Company's Chairman and Chief Executive Officer, Bruton Smith.

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THE SMITH ADVANCE

In connection with the Fort Mill Acquisition, Mr. Smith advanced approximately \$3.5 million to the Company (the "Smith Advance"). The Smith Advance was used by the Company to pay a portion of the cash consideration for the Fort Mill Acquisition at closing. The Smith Advance is evidenced by a demand note bearing interest at the minimum statutory rate of 3.83% per annum. The Company anticipates seeking additional cash advances or credit support in the form of guarantees or collateral from Mr. Smith in order to meet cash payment obligations in the remaining Acquisitions, which close prior to the consummation of the Offering. The Company intends to repay the principal and interest on the Smith Advance and any similar future advances from Mr. Smith used to fund the Acquisitions from the proceeds of this Offering.

CERTAIN DEALERSHIP LEASES

Certain of the properties leased by the Company's dealership subsidiaries are owned by officers, directors or holders of 5% or more of the Common Stock of the Company or their affiliates. Town & Country Ford operates at facilities leased from STC Properties, a North Carolina joint venture ("STC"). Town & Country Ford maintains a 5% undivided interest in STC and Sonic Financial owns the remaining 95% of STC. The STC lease on the Town & Country Ford facilities will expire in October 2000. Annual payments under the STC lease were \$510,085 for each of 1994, 1995 and 1996. Current minimum rent payments are \$409,000

annually (\$34,083 monthly) through 1999, and will be decreased to \$340,833 in 2000, such rents being below market. When this lease expires, the Company anticipates obtaining a long-term lease on the Town & Country Ford facility at fair market rent.

Lone Star Ford operates, in part, at facilities leased from Viking Investments Associates, a Texas association ("Viking"), which is controlled by Mr. Bruton Smith. The Viking lease on the Lone Star Ford property expires in 2005. Annual payments under the Viking lease were \$351,420, \$302,559 and \$360,000 for 1994, 1995 and 1996, respectively. Minimum annual rents under this lease are \$360,000 (\$30,000 monthly), such amount being below market. When this lease expires, the Company anticipates obtaining a long-term lease on the Lone Star Ford facility at fair market rent.

The dealership leases discussed below will be executed and effective as of the consummation of the Acquisitions.

KIA of Chattanooga operates at facilities leased from KIA Land Development, a company in which Nelson Bowers, the Company's Executive Vice President, maintains an ownership interest. The Company negotiated this lease in connection with the Bowers Acquisition. This triple net lease expires in 2007 and monthly rent is currently under negotiation. The Company may renew this lease at its option for two additional five year terms. At each renewal, the lessor may adjust lease rents to reflect fair market rents for the property.

European Motors operates at its Chattanooga facilities under a triple net lease from Mr. Bowers. The Company negotiated this lease in connection with the Bowers Acquisition. The European Motors lease expires in 2007 and provides for monthly rent of \$16,846. This lease also provides for renewals on terms identical to the KIA of Chattanooga lease.

Jaguar of Chattanooga operates at facilities leased from JAG Properties, a company in which Mr. Bowers maintains an ownership interest. The Company negotiated this lease in connection with the Bowers Acquisition. This triple net lease expires in 2017 and provides for monthly rent of \$22,010. The Company may renew this lease on terms identical to the KIA of Chattanooga renewal options.

Cleveland Chrysler-Plymouth-Jeep-Eagle leases its facilities from Cleveland Properties LLC, a limited liability company in which Mr. Bowers maintains an ownership interest. The Company negotiated this lease in connection with the Bowers Acquisition. This triple net lease expires in 2011, provides for monthly rent of \$14,000 and may be renewed on terms identical to the KIA of Chattanooga lease.

Cleveland Village Imports operates at facilities leased from Nelson Bowers and another individual. Nelson Bowers, the Company's President and a director, owns a 75% undivided interest in the land and buildings leased by Cleveland Village Imports, with the remaining interests owned by an unrelated party. Such land and buildings are leased under two leases: one is a triple net fixed lease expiring on October 31, 1997 with rent of \$7,591 per month and the other, pertaining to a used car lot, is a month-to-month lease with rent of \$807 per month. In connection with the Bowers Acquisition, the lessors have agreed to allow the expiration of these leases in October 1997, and to replace them with a triple net lease at a negotiated rental rate for a 15-year initial term and two five-year renewals at the option of the Company.

Saturn of Chattanooga leases its facilities from Mr. Bowers pursuant to a triple net lease. This lease, negotiated by the Company in connection with the Bowers Acquisition, expires in 2007 and provides for monthly rent of \$27,054. The lease may be renewed by the Company for two additional five year terms at the Company's option, with the rent at each renewal being adjusted to fair market rent.

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Dyer Volvo operates at facilities leased from D&R Investments, an entity in which Richard Dyer, the Company's Executive Manager for Dyer Volvo, maintains an ownership interest. This triple net lease, negotiated by the Company in connection with the Dyer Acquisition, expires in 2009 and provides for monthly rent of \$50,000. The Dyer Volvo lease also provides the Company with two optional renewals of five years each with rent at each renewal being adjusted to fair market rent.

Ken Marks Ford ("KMF") operates at facilities leased from Marks Holding Company, a corporation that is owned by Ken Marks, the Company's Regional Vice President-Florida. In connection with the Ken Marks Acquisition, the lessor has agreed to enter into a triple net lease with the Company as lessee at a negotiated rental rate of \$95,000 per month for an initial term expiring 2007 with two five-year renewals at the option of the Company.

CHARTOWN TRANSACTIONS

Chartown is a general partnership engaged in real estate development and management. Before the Reorganization, Town & Country Ford maintained a 49% partnership interest in Chartown (increased to 50% in connection with the Lease)

with the remaining 51% held by SMDA, LLC, a North Carolina limited liability company ("SMDA"). Mr. Smith owns a 80% direct membership interest in SMDA with the remaining 20% owned indirectly through Sonic Financial. In addition, Sonic Financial also held a demand promissory note for \$1.2 million issued by Chartown (the "Chartown Note"), which was uncollectible due to insufficient funds. As part of the Reorganization, the Chartown Note was canceled and Town & Country Ford transferred its partnership interest in Chartown to Sonic Financial for nominal consideration. In connection with that transfer, Sonic Financial agreed to indemnify Town & Country Ford for any and all obligations and liabilities, whether known or unknown, relating to Chartown and Town & Country Ford's ownership thereof.

OTHER TRANSACTIONS

During each of the three years ended December 31, 1996, Town & Country Ford has paid \$48,000 to Sonic Financial as a management fee. Sonic Financial's services to Town & Country Ford have included performance of the following functions, among others: maintenance of lender and creditor relationships; tax planning; preparation of tax returns and representation in tax examinations; record maintenance; internal audits and special audits; assistance to independent public accountants; and litigation support to company counsel. Payments of fees to and receipt of services from Sonic Financial ceased before the Reorganization. Since that time, the Company has been providing these services for itself.

Beginning in early 1997, certain of the Sonic Dealerships have entered into arrangements to sell to their customers credit life insurance policies underwritten by American Heritage Life Insurance Company, an insurer unaffiliated with Sonic ("American Heritage"). American Heritage in turn reinsures all of these policies with Provident American Insurance Company, a Texas insurance company ("Provident American"). Under these arrangements, the Sonic Dealerships paid an aggregate of \$140,000 to American Heritage in premiums for these policies since January 1, 1997. The Company anticipates terminating this arrangement with American Heritage by 1998. Provident American is a wholly-owned subsidiary of Sonic Financial.

Town & Country Ford and Lone Star Ford have each made several non-interest bearing advances to Sonic Financial. As of June 30, 1997, Town & Country Ford had made approximately \$2.1 million of such advances. In preparation for the Reorganization, a demand promissory note by Sonic Financial evidencing certain of Town & Country Ford's advances was canceled in exchange for the redemption of certain shares of the capital stock of Town & Country Ford held by Sonic Financial. As of June 30, 1997, Lone Star Ford had made approximately \$0.5 million of advances to Sonic Financial. In preparation for the Reorganization, a demand promissory note by Sonic Financial evidencing certain of Lone Star Ford's advances was canceled pursuant to a dividend. At years ended December 31, 1996, 1995 and 1994, the aggregate balances of such advances due from Sonic Financial were approximately \$2.5 million, \$2.6 million and \$0, respectively.

Certain subsidiaries of Sonic (such subsidiaries together with Sonic and Sonic Financial being hereinafter referred to as the "Sonic Group") have joined with Sonic Financial in filing consolidated federal income tax returns for several years. Such subsidiaries will join with Sonic Financial in filing for 1996 and for the period ending on June 30, 1997. Under applicable federal tax law, each corporation included in Sonic Financial's consolidated return is jointly and severally liable for any resultant tax. Under a tax allocation agreement dated as of June 30, 1997, however, Sonic agreed to pay to Sonic Financial, in the event that additional federal income tax is determined to be due, an amount equal to Sonic's separate federal income tax liability computed for all periods in which any member of the Sonic Group has been a member of Sonic Financial's consolidated group. Also pursuant to such agreement, Sonic Financial agreed to indemnify Sonic for any additional amount determined to be due from Sonic Financial's consolidated group in excess of the federal income tax liability of the Sonic Group for such periods. The tax allocation agreement establishes procedures with respect to tax adjustments, tax claims, tax refunds, tax credits and other tax attributes relating to periods ending prior to the time that the Sonic Group shall leave Sonic Financial's consolidated group.

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The Company acquired the Sonic Dealerships in the Reorganization pursuant to four separate stock subscription agreements (the "Subscription Agreements"). The Subscription Agreements provide for the acquisition of 100% of the capital stock or membership interests, as the case may be, of each of the Sonic Dealerships from Sonic Financial, Mr. Smith, the Egan Group (an assignee of Mr. Egan) and Bryan Scott Smith in exchange for certain amounts of the Company's issued and outstanding Class B Common Stock. See "Principal Stockholders."

For additional information concerning related party transaction of the businesses being acquired in the Acquisitions, see the notes to the historical financial statements for each respective business acquired included in this Prospectus.

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PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of August 1, 1997 by (i) each stockholder who is known by the Company to own beneficially more than five percent of the outstanding Common Stock, (ii) each director of the Company, (iii) each executive officer of the Company, and (iv) all directors and executive officers of the Company as a group, and as adjusted to reflect the sale by the Company of the shares of Class A Common Stock in this Offering. Prior to this Offering, no shares of Class A Common Stock were issued and outstanding. However, options to acquire _____ shares of Class A Common Stock will be issued on or before the closing of the Offering to certain of the Company's officers and employees. Holders of Class A Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders of the Company. Holders of Class B Common Stock are entitled to ten votes per share on all matters submitted to a vote of the stockholders, except that the Class B Common Stock is entitled to only one vote per share with respect to any transaction proposed or approved by the Board of Directors of the Company or proposed by all the holders of the Class B Common Stock or as to which any member of the Smith Group or any affiliate thereof has a material financial interest other than as a then existing stockholder of the Company constituting a (a) "going private" transaction (as defined herein), (b) disposition of substantially all of the Company's assets, (c) transfer resulting in a change in the nature of the Company's business and (d) merger or consolidation in which current holders of Common Stock would own less than 50% of the Common Stock following such transaction. In the event of any transfer outside of the Smith Group or the Smith Group holds less than 15% of the total number of shares of Common Stock outstanding, such transferred shares or all shares, respectively, of Class B Common Stock will automatically convert into an equal number of shares of Class A Common Stock. See "Description of Capital Stock."

<TABLE>
<CAPTION>

PERCENTAGE OF ALL

OUTSTANDING

		NUMBER OF SHARES	NUMBER OF SHARES
COMMON STOCK		OF CLASS A COMMON	OF CLASS B COMMON
BEFORE OFFERING	AFTER OFFERING (2)	STOCK OWNED	STOCK OWNED
<S>	<S>	<C>	<C>
O. Bruton Smith (3) (4)			
87.62%	%		
Sonic Financial Corporation (3)			
71.05%	%		
Bryan Scott Smith (3) (5)			
7.65%	%		
William R. Brooks (3)			-
-	%		
Theodore M. Wright (3) (5)			-
-	%		
Nelson E. Bowers, II (3) (5)			-
-	%		
All directors and executive officers as a group (10 persons)			
95.27%			

</TABLE>

* Less than one percent.

- (1) Unless otherwise noted, each person has sole voting and investment power over the shares listed opposite his name subject to community property laws where applicable.
- (2) The percentages of total voting power would be as follows: Bruton Smith, %; Sonic Financial, %; Scott Smith, %; William Brooks, less than 1%; Theodore Wright, less than 1%; Nelson E. Bowers, II, less than 1%; and all directors and executive officers as a group, %. Assumes the Underwriters' over-allotment option is not exercised.
- (3) The address of such person is care of the Company at 5401 East Independence Boulevard, Charlotte, North Carolina 28218.
- (4) The shares of Common Stock shown as owned by such person or group include all of the shares owned by Sonic Financial as indicated elsewhere in the table. Mr. Smith owns the substantial majority of Sonic's outstanding capital stock.
- (5) All shares of Class A Common Stock beneficially owned by such person underlie options granted (or, in the case of Mr. Bowers, to be granted upon the closing of the Bowers Acquisition) by the Company at the public offering price. One-third of such options become exercisable on October ,

1998, one-third on October , 1999 and one-third on October , 2000. See "Management -- Stock Option Plan."

DESCRIPTION OF CAPITAL STOCK

The Company's authorized capital stock consists of (i) 50,000,000 shares of Class A Common Stock, \$.01 par value, (ii) 15,000,000 shares of Class B Common Stock, \$.01 par value, and (iii) 3,000,000 shares of preferred stock, \$.10 par value. Upon completion of this Offering, the Company will have outstanding shares of Class A Common Stock and outstanding shares of Class B Common Stock and no outstanding shares of preferred stock.

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The following summary description of the Company's capital stock does not purport to be complete and is qualified in its entirety by reference to the Company's Certificate, which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part, and Delaware Law. Reference is made to such exhibit and Delaware Law for a detailed description of the provisions thereof summarized below.

COMMON STOCK

The Company's Class A Common Stock and Class B Common Stock are equal in all respects except for voting rights, conversion rights of the Class B Common Stock and as required by law, as discussed more fully below.

VOTING RIGHTS; CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK

The voting powers, preferences and relative rights of the Class A Common Stock and the Class B Common Stock are subject to the following provisions. Holders of Class A Common Stock have one vote per share on all matters submitted to a vote of the stockholders of the Company. Holders of Class B Common Stock are entitled to ten votes per share except as described below. Holders of all classes of Common Stock entitled to vote will vote together as a single class on all matters presented to the stockholders for their vote or approval except as otherwise required by Delaware Law. There is no cumulative voting with respect to the election of directors. In the event any shares of Class B Common Stock held by a member of the Smith Group (as defined below) are transferred outside of the Smith Group, such shares will automatically be converted into shares of Class A Common Stock. In addition, if the total number of shares of Common Stock held by members of the Smith Group is less than 15% of the total number of shares of Common Stock outstanding, all of the outstanding shares of Class B Common Stock automatically will be reclassified as Class A Common Stock. In any merger, consolidation or business combination, the consideration to be received per share by holders of Class A Common Stock must be identical to that received by holders of Class B Common Stock, except that in any such transaction in which shares of common stock are distributed, such shares may differ as to voting rights to the extent that voting rights now differ between the classes of Common Stock.

Notwithstanding the foregoing, the holders of Class A Common Stock and Class B Common Stock vote as a single class, with each share of each class entitled to one vote per share, with respect to any transaction proposed or approved by the Board of Directors of the Company or proposed by or on behalf of holders of the Class B Common Stock or as to which any member of the Smith Group (as defined below) or any affiliate thereof has a material financial interest other than as a then existing stockholder of the Company constituting a (a) "going private" transaction, (b) sale or other disposition of all or substantially all of the Company's assets, (c) sale or transfer which would cause the nature of the Company's business to be no longer primarily oriented toward automobile dealership operations and related activities or (d) merger or consolidation of the Company in which the holders of the Common Stock will own less than 50% of the Common Stock following such transaction. A "going private" transaction is defined as any "Rule 13e-3 Transaction," as such term is defined in Rule 13e-3 promulgated under the Securities Exchange Act of 1934. An "affiliate" is defined as (i) any individual or entity who or that, directly or indirectly, controls, is controlled by, or is under common control with any member of the Smith Group, (ii) any corporation or organization (other than the Company or a majority-owned subsidiary of the Company) of which any member of the Smith Group is an officer partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of voting securities, or in which any member of the Smith Group has a substantial beneficial interest, (iii) a voting trust or similar arrangement pursuant to which any member of the Smith Group generally controls the vote of the shares of Common Stock held by or subject to such trust or arrangement, (iv) any other trust or estate in which any member of the Smith Group has a substantial beneficial interest or as to which any member of the Smith Group serves as trustee or in a similar fiduciary capacity, or (v) any relative or spouse of any member of the Smith Group or any relative of such spouse, who has the same residence as any member of the Smith Group.

As used in this Prospectus, the term the "Smith Group" includes the following persons: (i) Mr. Smith and his guardian, conservator, committee, or attorney-in-fact; (ii) William S. Egan and his guardian, conservator, committee,

or attorney-in-fact; (iii) each lineal descendant of Messrs. Smith and Egan (a "Descendant") and their respective guardians, conservators, committees or attorneys-in-fact; and (iv) each "Family Controlled Entity" (as defined below). The term "Family Controlled Entity" means (i) any not-for-profit corporation if at least 80% of its board of directors is composed of Mr. Smith, Mr. Egan and/or Descendants; (ii) any other corporation if at least 80% of the value of its outstanding equity is owned by the Smith Group; (iii) any partnership if at least 80% of the value of the partnership interests are owned by members of the Smith Group; and (iv) any limited liability or similar company if at least 80% of the value of the company is owned by members of the Smith Group. For a discussion of the effects of the disproportionate voting rights of the Common Stock, see "Risk Factors -- Concentration of Voting Power and Antitakeover Provisions."

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Under the Company's Certificate and Delaware Law, the holders of Class A Common Stock and/or Class B Common Stock are each entitled to vote as a separate class, as applicable, with respect to any amendment to the Company's Certificate that would increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of the shares of such class, or modify or change the powers, preferences or special rights of the shares of such class so as to affect such class adversely.

DIVIDENDS

Holders of the Class A Common Stock and the Class B Common Stock are entitled to receive ratably such dividends, if any, as are declared by the Company's Board of Directors out of funds legally available for that purpose, provided, that dividends paid in shares of Class A Common Stock or Class B Common Stock shall be paid only as follows: shares of Class A Common Stock shall be paid only to holders of Class A Common Stock and shares of Class B Common Stock shall be paid only to holders of Class B Common Stock. The Company's Certificate provides that if there is any dividend, subdivision, combination or reclassification of either class of Common Stock, a proportionate dividend, subdivision, combination or reclassification of the other class of Common Stock shall simultaneously be made.

OTHER RIGHTS

Stockholders of the Company have no preemptive or other rights to subscribe for additional shares. In the event of the liquidation, dissolution or winding up of the Company, holders of Class A Common Stock and Class B Common Stock are entitled to share ratably in all assets available for distribution to holders of Common Stock after payment in full of creditors. No shares of any class of Common Stock are subject to a redemption or a sinking fund. All outstanding shares of Common Stock are, and all shares offered by this Prospectus will be, when sold, validly issued, fully paid and nonassessable.

TRANSFER AGENT AND REGISTRAR

The Company has appointed First Union National Bank as the transfer agent and registrar for the Class A Common Stock. The Company has not appointed a transfer agent for the Class B Common Stock.

PREFERRED STOCK

No shares of preferred stock are outstanding. The Company's Certificate authorizes the Board of Directors to issue up to 3,000,000 shares of preferred stock in one or more series and to establish such designations and such relative voting, dividend, liquidation, conversion and other rights, preferences and limitations as the Board of Directors may determine without further approval of the stockholders of the Company. The issuance of preferred stock by the Board of Directors could, among other things, adversely affect the voting power of the holders of Class A Common Stock and, under certain circumstances, make it more difficult for a person or group to gain control of the Company.

The issuance of any series of preferred stock, and the relative designations, rights, preferences and limitations of such series, if and when established, will depend upon, among other things, the future capital needs of the Company, the then-existing market conditions and other factors that, in the judgment of the Board of Directors, might warrant the issuance of preferred stock. At the date of this Prospectus, there are no plans, agreements or understandings for the issuance of any shares of preferred stock.

DELAWARE LAW, CERTAIN CHARTER AND BYLAW PROVISIONS AND CERTAIN FRANCHISE AGREEMENT PROVISIONS

Certain provisions of Delaware Law and of the Company's Amended Certificate and Bylaws, summarized in the following paragraphs, may be considered to have an antitakeover effect and may delay, deter or prevent a tender offer, proxy contest or other takeover attempt that a stockholder might consider to be in such stockholder's best interest, including such an attempt as might result in payment of a premium over the market price for shares held by stockholders.

DELAWARE ANTITAKEOVER LAW. The Company, a Delaware corporation, is subject to the provisions of Delaware Law, including Section 203. In general, Section 203 prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which such person became an interested stockholder unless: (i) prior to such date, the Board of Directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; or (ii) upon becoming an interested stockholder, the stockholder then owned at least 85% of the voting stock, as defined in Section 203; or (iii) subsequent to such date, the business combination is approved by both the Board of Directors and by holders of at least 66 2/3% of the corporation's outstanding voting stock, excluding shares owned by the interested stockholder. For these purposes, the term

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"business combination" includes mergers, asset sales and other similar transactions with an "interested stockholder." An "interested stockholder" is a person who, together with affiliates and associates, owns (or, within the prior three years, did own) 15% or more of the corporation's voting stock. Although Section 203 permits a corporation to elect not to be governed by its provisions, the Company to date has not made this election.

CLASSIFIED BOARD OF DIRECTORS. The Company's Bylaws provide for the Board of Directors to be divided into three classes of directors serving staggered three-year terms. As a result, approximately one-third of the Board of Directors will be elected each year. Classification of the Board of Directors expands the time required to change the composition of a majority of directors and may tend to discourage a takeover bid for the Company. Moreover, under Delaware Law, in the case of a corporation having a classified board of directors, the stockholders may remove a director only for cause. This provision, when coupled with the provision of the Bylaws authorizing only the board of directors to fill vacant directorships, will preclude stockholders of the Company from removing incumbent directors without cause, simultaneously gaining control of the Board of Directors by filing the vacancies with their own nominees.

SPECIAL MEETINGS OF STOCKHOLDERS. The Company's Bylaws provide that special meetings of stockholders may be called only by the Chairman or by the Secretary or any Assistant Secretary at the request in writing of a majority of the Board of Directors of the Company. The Company's Bylaws also provide that no action required to be taken or that may be taken at any annual or special meeting of stockholders may be taken without a meeting; the powers of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied. These provisions may make it more difficult for stockholders to take action opposed by the Board of Directors.

ADVANCE NOTICE REQUIREMENTS FOR STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS. The Company's Bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual or a special meeting of stockholders, must provide timely notice thereof in writing. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive office of the Company, (i) in the case of an annual meeting that is called for a date that is within 30 days before or after the anniversary date of the immediately preceding annual meeting of stockholders, not less than 60 days nor more than 90 days prior to such anniversary date, and, (ii) in the case of an annual meeting that is called for a date that is not within 30 days before or after the anniversary date of the immediately preceding annual meeting, or in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first. The Bylaws also specify certain requirements for a stockholder's notice to be in proper written form. These provisions may preclude some stockholders from bringing matters before the stockholders at an annual or special meeting or from making nominations for directors at an annual or special meeting.

CONFLICT OF INTEREST PROCEDURES. The Company's Certificate contains provisions providing that transactions between the Company and its affiliates must be no less favorable to the Company than would be available in transactions involving arms'-length dealing with unrelated third parties. Moreover, any such transaction involving aggregate payments in excess of \$500,000 must be approved by a majority of the Company's directors and a majority of the Company's independent directors. Otherwise, the Company must obtain an opinion as to the financial fairness of the transactions to be issued by an investment banking or appraisal firm of national standing.

RESTRICTIONS UNDER FRANCHISE AGREEMENTS. The Company's franchise agreements impose restrictions on the transfer of the Common Stock. A number of Manufacturers prohibit transactions which affect changes in management control of the Company. Such restrictions may prevent or deter prospective acquirers from obtaining control of the Company. See "Risk Factors -- Stock Ownership/Issuance Limits" and "Business -- Relationships with Manufacturers."

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SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, the Company will have outstanding shares of Class A Common Stock (assuming no exercise of the Underwriters' over-allotment option). All of such shares will be freely transferable and may be resold without further registration under the Securities Act, except for any shares purchased by an "affiliate" of the Company (as defined below), which shares will be subject to the resale limitations of Rule 144. The shares (the "Restricted Shares") of Class B Common Stock outstanding, which are convertible into Class A Common Stock, are "restricted" securities within the meaning of Rule 144 irrespective of whether the conversion right is exercised. The shares of Class A Common Stock, which underlie options granted under the Company's Stock Option Plan and the Dyer Warrant, may be resold only pursuant to a registration statement under the Securities Act or an applicable exemption from registration thereunder such as an exemption provided by Rule 144.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned "restricted securities" for at least one year may, under certain circumstances, resell within any three-month period, such number of shares as does not exceed the greater of one percent of the then-outstanding shares of Class A Common Stock or the average weekly trading volume of Class A Common Stock during the four calendar weeks prior to such resale. Rule 144 also permits, under certain circumstances, the resale of shares without any quantity limitation by a person who has satisfied a two-year holding period and who is not, and has not been for the preceding three months, an affiliate of the Company. In addition, holding periods of successive non-affiliate owners are aggregated for purposes of determining compliance with these one- and two-year holding period requirements.

Upon completion of this Offering, none of the shares of Class B Common Stock outstanding on the date of this Prospectus and not sold in the Offering will have been held for at least one year. Since all such shares are restricted securities, none of them may be resold pursuant to Rule 144 upon completion of this Offering. Any transfer of shares of the Class B Common Stock to any person other than a member of the Smith Group will result in a conversion of such shares to Class A Common Stock.

The Restricted Shares will not be eligible for sale under Rule 144 until the expiration of the one-year holding period from the date such Restricted Shares were acquired.

The availability of shares for sale or actual sales under Rule 144 and the perception that such shares may be sold may have a material adverse effect on the market price of the Class A Common Stock. Sales under Rule 144 also could impair the Company's ability to market additional equity securities.

Additionally, the Company has entered into the Registration Rights Agreement with Sonic Financial, Bruton Smith, Scott Smith and William Egan. The Registration Rights Agreement provides piggyback registration rights with respect to shares of Common Stock in the aggregate. For further information regarding the Registration Rights Agreement, see "Certain Transactions -- Registration Rights Agreements."

The Company, executive officers of the Company and the holders of Class B Common Stock have agreed, subject to certain exceptions, not, directly or indirectly, to sell, grant an option or otherwise transfer or dispose of any Class A Common Stock or securities convertible into or exchangeable or exercisable for Class A Common Stock, including shares of Class B Common Stock, or file a registration statement under the Securities Act with respect to the foregoing or (ii) enter into any swap or other agreement or transaction that transfers, in whole or part, the economic consequences of ownership of the Class A Common Stock for 180 days from the date of this Prospectus without the prior written consent of Merrill Lynch.

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UNDERWRITING

Subject to the terms and conditions set forth in a purchase agreement (the "Purchase Agreement"), the Company has agreed to sell to each of the Underwriters named below, and each of the Underwriters, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Montgomery Securities and Wheat, First Securities, Inc. are acting as representatives (the "Representatives"), has severally agreed to purchase from the Company, the number of shares of Class A Common Stock set forth opposite its name below. In the Purchase Agreement, the several Underwriters have agreed, subject to the terms and conditions set forth therein, to purchase all the shares of Class A Common Stock offered hereby, if any are purchased. In the event of default by an Underwriter, the Purchase Agreement provides that, in certain circumstances, purchase commitments of the nondefaulting Underwriters may be increased or the Purchase Agreement may be terminated.

<TABLE>

<CAPTION>

NUMBER OF

UNDERWRITERS

SHARES

<S>

<C>

Merrill Lynch, Pierce, Fenner & Smith

Incorporated.....

Montgomery Securities.....

Wheat, First Securities, Inc.....

Total.....

</TABLE>

The Underwriters have advised the Company that they propose initially to offer the shares of Class A Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of \$ per share of Class A Common Stock. The Underwriters may allow, and such dealers may reallow, a discount not in excess of \$ per share of Class A Common Stock to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

At the request of the Company, the Underwriters have reserved up to shares of Class A Common Stock for sale at the initial public offering price to directors, officers, employees, business associates and related persons of the Company. The number of shares of Class A Common Stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the Underwriters to the general public on the same basis as the other shares offered hereby.

The Company, all of the executive officers of the Company and all the holders of Class B Common Stock have agreed, subject to certain exceptions, not to, directly or indirectly, (i) sell, grant any option to purchase or otherwise transfer or dispose of any Class A Common Stock or securities convertible into or exchangeable or exercisable for Class A Common Stock, including shares of Class B Common Stock, or file a registration statement under the Securities Act with respect to the foregoing or (ii) enter into any swap or other agreement or transaction that transfers, in whole or part, the economic consequence of ownership of the Class A Common Stock, without the prior written consent of Merrill Lynch, for a period of 180 days after the date of this Prospectus.

The Company has granted an option to the Underwriters, exercisable within 30 days after the date of this Prospectus, to purchase up to an aggregate of additional shares of Class A Common Stock at the initial public offering price set forth on the cover page of this Prospectus, less the underwriting discount. The Underwriters may exercise this option only to cover over-allotments, if any, made on the sale of the Class A Common Stock offered hereby. To the extent that the Underwriters exercise this option, each Underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares of Class A Common Stock proportionate to such Underwriter's initial amount reflected in the foregoing table.

Prior to the Offering, there has been no public market for the Class A Common Stock. The initial public offering price for the Class A Common Stock will be determined by negotiation between the Company and the Representatives. The factors considered in determining the initial public offering price, in addition to prevailing market conditions, are price-earnings ratios of publicly traded companies that the Representatives believe to be comparable to the Company, certain financial information of the Company, the history of, and the prospects for, the Company and the industry in which it competes, and an assessment of the Company's management, its past and present operations, the prospects for and the timing of future revenues of the Company, the present state of the Company's development, and the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to the Company. There can be no assurance that an active trading market will develop for the Class A Common Stock or that the Class A Common Stock will trade in the public market subsequent to the Offering made hereby at or above the initial public offering price.

The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the Underwriters may be required to make in respect thereof.

The Company intends to apply for listing of the Class A Common Stock on the NYSE under the symbol "DLR." In order to meet the requirements for listing of the Class A Common Stock on that exchange, the Underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial holders.

The Representatives have advised the Company that the Underwriters do not

intend to confirm sales of Class A Common Stock offered hereby to any accounts over which they exercise discretionary authority.

Until the distribution of the Class A Common Stock is completed, rules of the Securities and Exchange Commission may limit the ability of the Underwriters and certain selling group members to bid for and purchase the Class A Common Stock. As an exception to these rules, the Representatives are permitted to engage in certain transactions that stabilize the price of Class A Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Class A Common Stock.

If the Underwriters create a short position in the Class A Common Stock in connection with the Offering, I.E., if they sell more shares of Class A Common Stock than are set forth on the cover page of this Prospectus, the Representatives may reduce that short position by purchasing Class A Common Stock in the open market. The Representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

The Representatives may also impose a penalty bid on certain Underwriters and selling group members. This means that if the Representatives purchase shares of Class A Common Stock in the open market to reduce the Underwriters' short position or to stabilize the price of the Class A Common Stock, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of the Offering.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Class A Common Stock. In addition, neither the Company nor any of the Underwriters makes any representation that the Representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

LEGAL MATTERS

Parker, Poe, Adams & Bernstein L.L.P., Charlotte, North Carolina, counsel to the Company, will render an opinion that the shares of Class A Common Stock offered hereby, when issued and paid for in accordance with the terms of the Underwriting Agreement, will be duly authorized, validly issued, fully paid and nonassessable. Fried, Frank, Harris, Shriver & Jacobson (a partnership including professional corporations), New York, New York, has served as counsel to the Underwriters in connection with this Offering.

EXPERTS

The combined and consolidated financial statements of Sonic Automotive, Inc. and Affiliated Companies as of and for the year ended December 31, 1996, the balance sheet of Sonic Automotive, Inc. as of May 31, 1997, the financial statements

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of Dyer & Dyer, Inc., the combined and consolidated financial statements of Bowers Automotive Group, and the combined and consolidated financial statements of Lake Norman Dodge, Inc. and Affiliated Companies included in this Prospectus and the related financial statement schedule of Sonic Automotive, Inc. have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports appearing herein, and are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The combined and consolidated financial statements of Sonic Automotive, Inc. and Affiliated Companies as of December 31, 1995 and for the years ended December 31, 1994 and 1995 have been audited by Dixon, Odom & Co., L.L.P., independent auditors, as stated in their report appearing herein, and is included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "SEC") a Registration Statement on Form S-1 under the Securities Act with respect to the shares of Class A Common Stock offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and the shares of Class A Common Stock offered hereby, reference is made to the Registration Statement, including the exhibits and schedules filed as part thereof. Statements contained in this Prospectus as to the contents of any contract or any other documents are not necessarily complete, and, in each such instance, reference is made to the copy of the contract or document filed as an exhibit to the Registration Statement, each such statement being qualified

in all respects by such reference thereto. The Registration Statement, together with its exhibits and schedules, may be inspected at the Public Reference Section of the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the SEC located at 7 World Trade Center, Suite 1300, New York, New York 10048 and at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of all or any part of such materials may be obtained from any such office upon payment of the fees prescribed by the SEC. Such information may also be inspected and copied at the office of the NYSE at 20 Broad Street, New York, New York 10005. The Commission also maintains a Website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
SONIC AUTOMOTIVE, INC.
Charlotte, North Carolina

We have audited the accompanying combined balance sheet of Sonic Automotive, Inc. and Affiliated Companies (the "Company"), which are under common ownership and management, as of December 31, 1996, and the related combined statements of income, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Sonic Automotive, Inc. and Affiliated Companies as of December 31, 1996, and the combined results of their operations and their combined cash flows for the year then ended in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Charlotte, North Carolina

August 7, 1997

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS
SONIC AUTOMOTIVE, INC.
Charlotte, North Carolina

We have audited the accompanying combined balance sheets of Sonic Automotive, Inc. and Affiliated Companies (the "Company") as of December 31, 1995, and the related combined statements of income, stockholders' equity, and cash flows for the years ended December 31, 1994 and 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain

reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Sonic Automotive, Inc. and Affiliated Companies as of December 31, 1995, and the combined results of their operations and their combined cash flows for the years ended December 31, 1994 and 1995 in conformity with generally accepted accounting principles.

DIXON, ODOM & CO., L.L.P.
Winston-Salem, North Carolina

April 30, 1997

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

COMBINED AND CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1995 AND 1996 AND JUNE 30, 1997

<TABLE>
<CAPTION>

JUNE 30, 1997 <S>	DECEMBER 31,		<C>
	1995 <C>	1996 <C>	
(UNAUDITED)			
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 8,993,887	\$ 6,679,490	\$
9,237,585			
Marketable equity securities.....	706,126	638,500	
769,123			
Receivables (Note 5) (net of allowance for doubtful accounts of \$160,031 and \$224,789 at December 31, 1995 and 1996, respectively).....	9,085,376	11,907,786	
12,897,264			
Inventories (Notes 3 and 5).....	39,128,041	57,970,020	
59,884,909			
Deferred income taxes (Note 6).....	117,500	279,896	
256,032			
Other current assets.....	311,019	332,561	
818,171			
Total current assets.....	58,341,949	77,808,253	
83,863,084			
PROPERTY AND EQUIPMENT, NET (Notes 4 and 5).....	8,527,338	12,466,713	
13,269,789			
GOODWILL, NET (Note 1).....	--	4,266,084	
9,463,179			
OTHER ASSETS.....	372,610	389,277	
263,374			
TOTAL ASSETS.....	\$67,241,897	\$94,930,327	
\$106,859,426			
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Notes payable -- floor plan (Note 3).....	\$45,151,111	\$63,893,356	\$
67,855,408			
Trade accounts payable.....	3,043,180	3,642,572	
3,847,922			
Accrued interest.....	503,391	521,190	
491,341			
Other accrued liabilities.....	1,554,713	3,031,473	
3,394,178			
Payable to affiliated companies (Note 7).....	2,000,000	--	
--			
Payable to Company's Chairman (Note 2).....	--	--	
3,500,000			
Current maturities of long-term debt.....	169,932	518,979	
487,242			
Total current liabilities.....	52,422,327	71,607,570	
79,576,091			
LONG-TERM DEBT (Note 5).....	3,560,766	5,285,862	
5,137,210			
PAYABLE TO AFFILIATED COMPANIES (Note 7).....	1,219,204	914,339	
854,984			
DEFERRED INCOME TAXES (Note 6).....	777,600	1,059,380	

930,923		
MINORITY INTEREST (Note 1).....	199,522	313,912
--		
COMMITMENTS AND CONTINGENCIES (Notes 7 and 10)		
STOCKHOLDERS' EQUITY (Notes 8 and 9):		
Preferred stock \$.10 par 3,000,000 shares authorized and unissued.....	--	--
--		
Class A Common Stock, \$.01 par, 50,000,000 shares authorized and unissued....	--	--
--		
Class B Common Stock, \$.01 par, 50,000,000 shares authorized, 10,000 shares issued and outstanding.....	100	100
100		
Paid-in capital.....	6,331,446	13,395,560
16,604,070		
Retained earnings.....	2,766,420	4,913,095
6,486,412		
Unrealized loss on marketable equity securities.....	(35,488)	(93,562)
(97,433)		
Due from affiliates (Note 7).....	--	(2,465,929)
(2,632,931)		
Total stockholders' equity.....	9,062,478	15,749,264
20,360,218		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$67,241,897	\$94,930,327
\$106,859,426		

See notes to combined and consolidated financial statements.

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

COMBINED AND CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996
AND THE SIX MONTHS ENDED JUNE 30, 1996 AND 1997

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE
	1994	1995	1996	1996
	<C>	<C>	<C>	<C>
				(UNAUDITED)
30,				
1997				
<S>				
REVENUES:				
Vehicle sales.....	\$227,959,827	\$267,307,949	\$326,841,772	\$164,332,724
\$185,077,493				
Parts, service and collision repair.....	33,984,096	35,859,960	42,643,812	21,005,202
22,906,377				
Finance and insurance.....	5,180,998	7,813,408	7,118,217	4,277,094
4,763,248				
Total revenues.....	267,124,921	310,981,317	376,603,801	189,615,020
212,747,118				
COST OF SALES.....	234,461,089	272,178,737	332,406,803	167,191,296
188,367,591				
GROSS PROFIT.....	32,663,832	38,802,580	44,196,998	22,423,724
24,379,527				
SELLING, GENERAL AND ADMINISTRATIVE				
EXPENSES.....	24,631,532	29,343,430	33,677,530	16,590,480
18,413,226				
DEPRECIATION AND AMORTIZATION.....	838,011	832,261	1,075,617	359,628
395,573				
OPERATING INCOME.....	7,194,289	8,626,889	9,443,851	5,473,616
5,570,728				
OTHER INCOME AND EXPENSE:				
Interest expense, floor plan.....	3,000,622	4,504,526	5,968,430	2,800,778
3,017,903				
Interest expense, other.....	443,409	436,435	433,250	183,898
269,145				
Gain on sale of marketable equity securities.....	--	107,007	354,922	--
--				
Other income.....	609,088	342,047	263,676	369,412
273,842				
Total other expense.....	2,834,943	4,491,907	5,783,082	2,615,264
3,013,206				
INCOME BEFORE INCOME TAXES AND				
MINORITY INTEREST.....	4,359,346	4,134,982	3,660,769	2,858,352
2,557,522				
PROVISION FOR INCOME TAXES				
(Note 6).....	1,559,750	1,674,900	1,399,704	1,093,034
937,212				
INCOME BEFORE MINORITY				

INTEREST.....	2,799,596	2,460,082	2,261,065	1,765,318	
1,620,310					
MINORITY INTEREST IN EARNINGS					
OF SUBSIDIARY.....	15,564	22,167	114,390	40,612	
46,993					
NET INCOME.....	\$ 2,784,032	\$ 2,437,915	\$ 2,146,675	\$ 1,724,706	\$
1,573,317					
PRO FORMA NET INCOME PER SHARE					
(Note 1) (unaudited).....			\$ 215		\$
157					
PRO FORMA NUMBER OF SHARES					
USED TO COMPUTE PER SHARE					
DATA (Note 1) (unaudited).....			10,000		
10,000					

See notes to combined and consolidated financial statements.

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

COMBINED AND CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996 AND
THE SIX MONTHS ENDED JUNE 30, 1997

<TABLE>
<CAPTION>

DUE FROM	CLASS B		PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	UNREALIZED LOSS ON MARKETABLE EQUITY SECURITIES
	COMMON STOCK				
	SHARES	AMOUNT			
AFFILIATES					
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
BALANCE AT DECEMBER 31, 1993.....	10,000	\$ 100	\$ 4,837,100	\$ (2,455,527)	\$ --
\$ --					
Net income.....	--	--	--	2,784,032	--
--					
BALANCE AT DECEMBER 31, 1994.....	10,000	\$ 100	4,837,100	328,505	--
--					
Capital contribution.....	--	--	1,494,346	--	--
--					
Change in net unrealized loss on marketable equity securities.....	--	--	--	--	(35,488)
--					
Net income.....	--	--	--	2,437,915	--
--					
BALANCE AT DECEMBER 31, 1995.....	10,000	100	6,331,446	2,766,420	(35,488)
--					
Capital contribution	--	--	7,064,114	--	--
Advance to affiliates.....	--	--	--	--	--
(2,465,929)					
Change in net unrealized loss on marketable equity securities.....	--	--	--	--	(58,074)
--					
Net income.....	--	--	--	2,146,675	--
--					
BALANCE AT DECEMBER 31, 1996.....	10,000	100	13,395,560	4,913,095	(93,562)
(2,465,929)					
Capital contribution (unaudited)....	--	--	3,208,510	--	--
--					
Advance to affiliates.....	--	--	--	--	--
(167,002)					
Change in net unrealized loss on marketable equity securities.....	--	--	--	--	(3,871)
--					
Net income (unaudited).....	--	--	--	1,573,317	--
--					
BALANCE AT JUNE 30, 1997 (UNAUDITED)...	10,000	\$ 100	\$ 16,604,070	\$ 6,486,412	\$ (97,433)
\$(2,632,931)					

<CAPTION>

	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>
BALANCE AT DECEMBER 31, 1993.....	\$ 2,381,673
Net income.....	2,784,032
BALANCE AT DECEMBER 31, 1994.....	5,165,705
Capital contribution.....	1,494,346
Change in net unrealized loss on	

marketable equity securities.....	(35,488)
Net income.....	2,437,915
BALANCE AT DECEMBER 31, 1995.....	9,062,478
Capital contribution	7,064,114
Advance to affiliates.....	(2,465,929)
Change in net unrealized loss on marketable equity securities.....	(58,074)
Net income.....	2,146,675
BALANCE AT DECEMBER 31, 1996.....	15,749,264
Capital contribution (unaudited).....	3,208,510
Advance to affiliates.....	(167,002)
Change in net unrealized loss on marketable equity securities.....	(3,871)
Net income (unaudited).....	1,573,317
BALANCE AT JUNE 30, 1997 (UNAUDITED)...	\$ 20,360,218

</TABLE>

See notes to combined and consolidated financial statements.

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996 AND
THE SIX MONTHS ENDED JUNE 30, 1996 AND 1997

<TABLE>
<CAPTION>

ENDED JUNE 30, 1997	YEAR ENDED DECEMBER 31,			SIX MONTHS
	1994	1995	1996	1996
<S>	<C>	<C>	<C>	<C>
<C>				
(UNAUDITED)				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income.....	\$ 2,784,032	\$ 2,437,915	\$ 2,146,675	\$ 1,724,706
\$ 1,573,317				
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization.....	838,011	832,261	1,075,618	359,630
395,573				
Minority interest.....	15,564	22,167	114,390	40,612
46,993				
Loss (gain) on disposal of property and equipment	--	(38,721)	79,660	
Gain on sale of marketable equity securities.....	--	(107,007)	(354,922)	(278,917)
(134,496)				
Deferred income taxes.....	258,400	450,400	(240,548)	(62,002)
23,864				
Changes in assets and liabilities that relate to operations:				
(Increase) decrease in receivables.....	(2,091,063)	(228,084)	(2,420,651)	287,459
(989,478)				
(Increase) decrease in inventories.....	(8,942,669)	(3,724,725)	(12,653,222)	(3,511,263)
2,745,061				
(Increase) decrease in other current assets.....	(66,945)	21,173	(10,455)	(189,391)
(483,564)				
Increase (decrease) in other non-current assets...	(679)	(14,104)	(69,883)	2,851
113,403				
Increase in notes payable-floor plan.....	9,489,146	3,431,241	12,984,772	4,117,088
290,190				
Increase (decrease) in accounts payable and accrued expenses.....	676,526	(42,224)	1,439,486	1,285,875
396,972				
Total adjustments.....	176,291	602,377	(55,755)	2,051,942
2,404,579				
Net cash provided by operating activities.....	2,960,323	3,040,292	2,090,920	3,776,648
3,977,835				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of business, net of cash received.....	--	--	(5,126,595)	
(1,307,402) (3,627,347)				
Purchases of property and equipment.....	(1,386,877)	(1,508,848)	(1,906,739)	--
(886,149)				
Proceeds from sale of property and equipment.....	32,162	556,789	4,036	--
--				
Purchase of marketable equity securities.....	(82,801)	(1,622,845)	(207,400)	--
--				
Proceeds from sales of marketable equity securities...	--	1,073,539	514,700	88,900
--				

Net (advances to) receipts from affiliate companies... 3,273,643	(295,578)	1,772,022	(4,770,794)	(3,251,199)
Net cash provided by (used in) investing activities.....	(1,733,094)	270,657	(11,492,792)	(4,469,701)
(1,239,853)				
CASH FLOWS FROM FINANCING ACTIVITIES:				
Capital contributions.....	--	1,494,346	7,064,114	1,000,000
500				
Proceeds from long-term debt.....	107,284	2,899	599,206	--
(180,387)				
Payments of long-term debt.....	(441,500)	(269,254)	(575,845)	(468,970)
--				
Net cash provided by (used in) financing activities.....	(334,216)	1,227,991	7,087,475	531,030
(179,887)				
NET INCREASE (DECREASE) IN CASH.....	893,013	4,538,940	(2,314,397)	(162,023)
2,558,095				
CASH AND CASH EQUIVALENTS, BEGINNING				
OF PERIOD.....	3,561,934	4,454,947	8,993,887	9,608,406
6,679,490				
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 4,454,947	\$ 8,993,887	\$ 6,679,490	\$ 9,446,383
\$ 9,237,585				
SUPPLEMENTAL DISCLOSURES OF CASH FLOW				
INFORMATION -- Cash paid during the period for:				
Interest.....	\$ 3,324,678	\$ 4,776,504	\$ 6,488,657	\$ 2,839,031
\$ 3,320,996				
Income taxes.....	\$ 998,850	\$ 1,522,100	\$ 2,042,268	\$ 834,000
\$ 930,000				

</TABLE>

See notes to combined and consolidated financial statements.

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS -- Sonic Automotive, Inc ("Sonic") was incorporated in the State of Delaware in February, 1997 in order to effect a reorganization of certain affiliated companies (the "Reorganization") and to undertake an initial public offering of Sonic's common stock (the "Offering"). Sonic and affiliated companies (collectively, the "Company") operate automobile dealerships in the Houston, Texas and Charlotte, North Carolina metropolitan areas. The Company sells new and used cars and light trucks, sells replacement parts, provides vehicle maintenance, warranty, paint and repair services and arranges related financing and insurance. The financial statements for the periods through June 30, 1997 represent the combined data for the entities under common interest and control which became subsidiaries of Sonic pursuant to the Reorganization on June 30, 1997, including the following entities:

<TABLE>

<S>

Town and Country Ford, Inc.....	Charlotte
Lone Star Ford, Inc.....	Houston
FMF Management, Inc. (d/b/a Fort Mill Ford).....	Charlotte
Town and Country Toyota, Inc.....	Charlotte
Frontier Oldsmobile-Cadillac, Inc.....	Charlotte

</TABLE>

All material intercompany transactions have been eliminated in the combined financial statements. Effective June 30, 1997, these five entities became wholly-owned subsidiaries of Sonic through the exchange of their common stock or membership interests for 10,000 shares of Sonic's Class B common stock having a \$.01 par value per share. On June 2, 1997 Sonic, through its wholly-owned subsidiary, Fort Mill Chrysler-Plymouth-Dodge, acquired certain dealership assets and liabilities of Jeff Boyd Chrysler-Plymouth-Dodge, Inc. (a previously unrelated entity) for a total purchase price of approximately \$3.7 million. The unaudited consolidated financial statements as of and for the six months ended June 30, 1997, which give effect to the Reorganization, include the accounts of the above five entities and also include the accounts and results of operations of Fort Mill Chrysler-Plymouth-Dodge from the date of its acquisition.

The Reorganization was accounted for at historical cost in a manner similar to a pooling-of-interests as the entities were under the common management and control of Mr. O. Bruton Smith. The acquisition of Jeff Boyd Chrysler-Plymouth-Dodge was accounted for as a purchase.

Prior to the Reorganization, Town and Country Toyota, Inc. was 69% owned by Mr. O. Bruton Smith, the Company's Chairman and Chief Executive Officer, Lone Star Ford, Inc. and Frontier Oldsmobile -- Cadillac, Inc. were 100% owned by Sonic Financial Corporation ("SFC"), which in turn is 100% owned by Mr. Smith

and related family trusts. Town and Country Ford, Inc. was owned 80% by SFC and 20% by Mr. Scott Smith (O. Bruton Smith's son). FMF Management, Inc. was owned 50% by SFC and 50% by Mr. O. Bruton Smith.

In connection with the Reorganization, the Company purchased the 31% minority interest in Town and Country Toyota, Inc. for \$3.2 million in a transaction accounted for using purchase accounting.

In connection with the anticipated Offering, Sonic expects to issue shares of its Class A common stock. The Class B common stock entitles the holder to ten votes per share, except in certain circumstances, while the Class A common stock entitles its holder to one vote per share.

PRO FORMA NET INCOME PER SHARE -- Pro forma net income per share in the accompanying financial statements has been prepared based upon the shares outstanding after the Reorganization and without giving effect to the issuance of common stock related to the Offering.

REVENUE RECOGNITION -- The Company records revenue when vehicles are delivered to customers, and when vehicle service work is performed. Finance and insurance commission revenue is recognized principally at the time the contract is placed with the financial institution.

DEALER AGREEMENTS -- The Company purchases substantially all of its new vehicles from manufacturers at the prevailing prices charged by the manufacturer to its franchised dealers. The Company's sales could be unfavorably impacted by the manufacturer's unwillingness or inability to supply the dealership with an adequate supply of new car inventory.

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING

POLICIES -- Continued

Each dealership operates under a dealer agreement with the manufacturer which generally restricts the location, management and ownership of the respective dealership. The ability of the Company to acquire additional franchises from a particular manufacturer may be limited due to certain restrictions imposed by manufacturers. Additionally, the Company's ability to enter into other significant acquisitions may be restricted and the acquisition of the Company's stock by third parties may be limited by the terms of the franchise agreement.

CASH AND CASH EQUIVALENTS -- The Company considers contracts in transit and all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. Contracts in transit represent cash in transit to the Company from finance companies related to vehicle purchases, and was \$2,644,804 and \$5,222,589 at December 31, 1995 and 1996, respectively.

INVENTORIES -- Inventories of new vehicles, including demonstrators, are valued at the lower of last-in, first-out ("LIFO") cost or market. Inventories of used vehicles are stated at the lower of specific cost or market, and parts and accessories are stated at the lower first-in, first-out ("FIFO") cost or market.

PROPERTY AND EQUIPMENT -- Property and equipment are stated at cost. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets. The range of estimated useful lives is as follows:

<TABLE>
<CAPTION>

	USEFUL LIVES
<S>	<C>
Building.....	40
Office equipment and fixtures.....	5-7
Parts and service equipment.....	5
Company vehicles.....	5

</TABLE>

Leasehold improvements are amortized over the lesser of the terms of their respective leases or the estimated useful lives of the related assets.

Expenditures for maintenance and repairs are expensed as incurred. Significant betterments are capitalized.

GOODWILL -- Goodwill represents the excess of purchase price over the estimated fair value of the net assets acquired and is being amortized over a 40 year period. The cumulative amount of goodwill amortization at December 31, 1996 was approximately \$98,000.

The Company periodically reviews goodwill to assess recoverability. The Company's policy is to compare the carrying value of goodwill with the expected undiscounted cash flows from operations of the acquired business.

MARKETABLE EQUITY SECURITIES -- The Company's marketable equity securities are classified as "available for sale" and are not bought and held principally for the purpose of selling them in the near term. As such, these securities are reported at fair value, with unrealized gains and losses, net of tax, excluded from earnings and reported as a separate component of stockholders' equity. Realized gains and losses on sales of marketable equity securities are determined using the specific identification method.

INCOME TAXES -- Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to the capitalization of additional inventory costs for income tax purposes, the recording of chargebacks and repossession losses on the direct write-off method for income tax purposes, the direct write-off of uncollectible accounts for income tax purposes, and the accelerated depreciation method used for income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. In addition, deferred tax assets are recognized for state operating losses that are available to offset future taxable income.

CONCENTRATIONS OF CREDIT RISK -- Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash on deposit with financial institutions. At times, amounts invested with financial institutions may exceed FDIC insurance limits.

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

Concentrations of credit risk with respect to receivables are limited primarily to automobile manufacturers and financial institutions. Credit risk arising from trade receivables from commercial customers is reduced by the large number of customers comprising the trade receivables balances. Trade receivables are concentrated in the Company's two market areas of Houston, Texas and Charlotte, North Carolina metropolitan areas.

FAIR VALUE OF FINANCIAL INSTRUMENTS -- As of December 31, 1995 and 1996 the fair values of the Company's financial instruments including: receivables, due from affiliates, notes payable-floor plan, trade accounts payable, payables to affiliated companies and Company Chairman and long-term debt approximate their carrying values.

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADVERTISING -- The Company expenses advertising costs in the period incurred. Advertising expense amounted to \$3,765,363, \$4,525,670 and \$4,989,283 for 1994, 1995 and 1996, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS -- Effective January 1, 1996, the Company adopted the provisions of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Adoption of SFAS No. 121 did not have a material impact on the Company's results of operations, financial position, and cash flows.

NEW ACCOUNTING STANDARDS -- In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share." This Statement specifies the computation, presentation and disclosure requirements for earnings per share. The Company believes that the adoption of such statement would not result in earnings per share materially different than pro forma earnings per share presented in the accompanying statements of income.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." This standard establishes standards of reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. This Statement will be effective for the Company's fiscal year ending December 31, 1998, and the Company does not intend to adopt this statement prior to the

effective date. Had the Company early adopted this Statement, it would have reported comprehensive income of \$2,784,032, \$2,402,427 and \$2,088,601 for the years ended December 31, 1994, 1995 and 1996, respectively.

INTERIM FINANCIAL INFORMATION -- The accompanying unaudited financial information for the six months ended June 30, 1996 and 1997 has been prepared on substantially the same basis as the audited financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information set forth therein. The results for interim periods are not necessarily indicative of the results to be expected for the entire fiscal year.

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

2. BUSINESS ACQUISITIONS

In June 1997, the Company through its wholly-owned subsidiary, Fort Mill Chrysler-Plymouth-Dodge, acquired certain dealership assets and liabilities of Jeff Boyd Chrysler-Plymouth-Dodge for a total purchase price of \$3.7 million. Of the total purchase price of \$3.7 million, \$3.5 million was advanced to the Company by Mr. O. Bruton Smith, with interest charged at 3.83%. It is anticipated that this advance will be repaid in full with proceeds from the Offering. This transaction was accounted for using purchase accounting and the results of the operations of this dealership have been included from the date of acquisition through June 30, 1997 in the accompanying Unaudited Combined and Consolidated Statement of Income. The purchase price has been allocated to the assets and liabilities acquired at their estimated fair market value at the acquisition date as follows:

<TABLE>	
<S>	
Working capital.....	\$ 977,000
Property and equipment.....	250,000
Goodwill.....	2,473,000
Totals.....	\$3,700,000
</TABLE>	

In June, July and August the Company entered into definitive agreements to purchase six additional dealership groups for an aggregate purchase price of \$100.7 million as follows:

<TABLE>	
<S>	
Bowers Dealerships.....	Chattanooga, Tennessee
Lake Norman Dodge and Affiliates.....	Cornelius, North Carolina
Ken Marks Ford.....	Clearwater, Florida
Dyer Volvo.....	Atlanta, Georgia
Jeff Boyd Chrysler-Plymouth-Dodge.....	Fort Mill, South Carolina
Williams Motors, Inc.....	Rock Hill, South Carolina
</TABLE>	

The Jeff Boyd Chrysler-Plymouth-Dodge acquisition has been consummated. The completion of the remaining acquisitions may be dependent upon the successful completion of the Offering.

On February 1, 1996, the Company acquired Fort Mill Ford for a total purchase price of \$5,741,114. The acquisition has been accounted for as a purchase and the results of operations of Fort Mill Ford have been included in the accompanying combined financial statements from the date of acquisition. The purchase price has been allocated to the assets and liabilities acquired at their estimated fair market value at the acquisition date as follows:

<TABLE>	
<S>	
Working capital.....	\$7,234,000
Property and equipment.....	3,022,000
Goodwill.....	4,294,000
Non-current liabilities assumed.....	(8,809,000)
Total.....	\$5,741,000
</TABLE>	

The following unaudited pro forma financial data is presented as if Fort Mill Ford had been acquired at January 1, 1994. Fort Mill Ford results of operations for 1994 and 1995 are based on application of the first-in, first-out method of accounting for inventories for all classes of inventory. Pro forma results of operations for 1996 are not presented because the acquisition occurred in February 1996, and the pro forma results would not be materially different from the historical results presented.

<TABLE>

<CAPTION>

	1994	
1995		
<S>	<C>	<C>
Revenues.....	\$300,558,662	
\$345,198,523		
Net income.....	\$ 2,939,561	\$
2,874,909		
Earnings per share.....	\$ 294	\$
287		

The pro forma information presented above is not necessarily indicative of the operating results that would have occurred had Fort Mill Ford been acquired on January 1, 1994. These results are also not necessarily indicative of the results of future operations.

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

3. INVENTORIES AND RELATED NOTES PAYABLE -- FLOOR PLAN

Inventories at December 31, 1995 and 1996 and June 30, 1997 consist of the following:

<TABLE>
<CAPTION>

JUNE 30,	DECEMBER 31,	
	1995	1996
1997	<C>	<C>
<S>		
<C>		
(UNAUDITED)		
New vehicles.....	\$25,675,122	\$38,218,187
\$42,601,014		
Used vehicles.....	8,913,145	14,372,285
11,826,874		
Parts and accessories.....	4,185,547	4,939,724
4,997,869		
Other.....	354,227	439,824
459,152		
Total.....	\$39,128,041	\$57,970,020
\$59,884,909		

At December 31, 1995 and 1996 and at June 30, 1997, the excess of current replacement cost over the stated LIFO valuation of new vehicles amounted to \$12,219,953, \$13,579,696 and \$13,525,047 (unaudited), respectively.

Had the Company used the FIFO method of valuing new vehicle inventory, pretax earnings would have been \$5,809,357, \$5,435,709 and \$5,020,512 in 1994, 1995 and 1996, respectively.

All new and certain used vehicles are pledged to collateralize floor plan notes payable to financial institutions in the amount of \$45,151,111 and \$63,893,356 at December 31, 1996. The floor plan notes bear interest, payable monthly on the outstanding balance, at the prime rate plus 1% (9 1/4% at December 31, 1995 and 1996). Total floor plan interest expense amounted to \$3,000,622, \$4,504,526 and \$5,968,430 in 1994, 1995 and 1996, respectively. The notes payable are due when the related vehicle is sold. As such, these floor plan notes payable are shown as a current liability in the accompanying combined and consolidated balance sheets.

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1995 and 1996 and June 30, 1997 is comprised of the following:

<TABLE>
<CAPTION>

JUNE 30,	DECEMBER 31,	
	1995	1996
1997	<C>	<C>
<S>		
<C>		
(UNAUDITED)		
Land.....	\$ 1,477,795	\$ 2,677,795

2,677,795		
Buildings and improvements.....	7,085,878	10,080,659
10,381,145		
Office equipment and fixtures.....	2,442,965	2,036,980
2,360,424		
Parts and service equipment.....	2,955,729	2,866,291
2,941,456		
Company vehicles.....	373,683	437,261
512,113		
Construction in progress.....	265,677	--
--		
Total, at cost.....	14,601,727	18,098,986
18,872,933		
Less accumulated depreciation.....	(6,074,389)	(5,632,273)
(5,603,144)		
Property and equipment, net.....	\$ 8,527,338	\$12,466,713
\$13,269,789		

</TABLE>

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

5. LONG-TERM DEBT

Long-term debt at December 31, 1995 and 1996 and June 30, 1997 consists of the following:

<TABLE>
<CAPTION>

	DECEMBER	
	1995	
	1996	
	<C>	
Note payable in monthly installments of \$8,333 plus interest at the prime rate plus 1 1/2%, through July 2001, collateralized by accounts receivable, inventory and equipment.....	\$	--
458,335		\$
Mortgage payable in monthly installments of \$12,222 plus interest at prime plus 3/4%, through May 2004, collateralized by building.....		--
1,087,778		
Unsecured note payable in monthly installments of \$9,100, including interest at 8%, through March 2004.....		--
599,238		
Mortgage note payable in monthly installments of \$4,203, including interest at 7%, through November 2008, collateralized by land and building.....		425,751
405,700		
Mortgage note payable in monthly installments of \$27,415 including interest at prime plus 1/2%, through April 2001, at which time remaining outstanding principal balance is due, collateralized by building.....		3,135,379
3,062,926		
Other notes payable.....		169,568
190,864		
		3,730,698
5,804,841		
Less current maturities.....		(169,932)
(518,979)		
Long-term debt.....		\$3,560,766
\$5,285,862		

</TABLE>

Future maturities of debt at December 31, 1996 are as follows:

	<C>	
	<S>	
Year ending December 31:		
1997.....	\$	518,979
1998.....		455,505
1999.....		434,609
2000.....		446,374
2001.....		3,096,525
Thereafter.....		852,849
Total.....		\$5,804,841

</TABLE>

6. INCOME TAXES

The provision (benefit) for income taxes consists of the following components:

<TABLE>

<CAPTION>

	1994	1995
1996		
<S>	<C>	<C>
<C>		
Current:		
Federal.....	\$1,301,350	\$1,147,700
\$1,374,280		
State.....	--	76,800
265,972		
	1,301,350	1,224,500
1,640,252		
Deferred.....	244,900	427,200
(189,179)		
Change in valuation allowance.....	13,500	23,200
(51,369)		
	258,400	450,400
(240,548)		
Total.....	\$1,559,750	\$1,674,900
\$1,399,704		

</TABLE>

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

6. INCOME TAXES -- Continued

The reconciliation of the statutory federal income tax rate with the Company's federal and state overall effective income tax rate is as follows:

<TABLE>
<CAPTION>

1995	1996	1994
<S>		<C>
<C>	<C>	
Statutory federal rate.....		34.00%
34.00%	34.00%	
State income taxes.....		--
3.84	3.60	
Miscellaneous.....		1.78
2.67	.64	
Effective tax rates.....		35.78%
40.51%	38.24%	

</TABLE>

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31 are as follows:

<TABLE>
<CAPTION>

1996	1995
<S>	<C>
<C>	
Deferred tax assets:	
Allowance for bad debts.....	\$ 62,300
85,992	
Inventory reserves.....	126,400
160,820	
Net operating loss carryforwards.....	183,800
74,931	
Other.....	1,300
75,656	
Total deferred tax assets.....	373,800
397,399	
Valuation allowance.....	(126,300)
(75,000)	
Deferred tax assets, net.....	247,500
322,399	
Deferred tax liabilities:	
Basis difference in fixed assets.....	(155,200)
(556,384)	
Basis difference in equity investment.....	(644,400)
(478,876)	
Other.....	(108,000)
(66,623)	
Total deferred tax liability.....	(907,600)
(1,101,883)	

Net deferred tax liability..... \$ (660,100) \$
(779,484)
</TABLE>

The net changes in the valuation allowance against deferred tax assets were an increase of \$23,200 for the year ended December 31, 1995 and a decrease of (\$51,300) for the year ended December 31, 1996. The increase (decrease) was related primarily to the generation (expiration) of state net operating loss carryforwards. At December 31, 1996, the Company had state net operating loss carryforwards of \$1,259,000 which will expire between 1998 and 2002.

The Company expects to convert its method of valuing inventories from the LIFO method to the FIFO method in 1997 for financial reporting and income tax reporting purposes. The Company estimates that it will incur a tax liability of approximately \$5.5 million in connection with this conversion.

7. RELATED PARTIES

Due from affiliates represents non-interest bearing advances to SFC. Since there are no specified repayment terms, the entire amount has been reflected as a reduction in stockholders' equity at December 31, 1996 and June 30, 1997.

The Company had amounts payable to affiliated companies of \$3,219,204 and \$914,339, at December 31, 1995 and 1996, respectively. The balance, consisting of non-interest bearing loans from affiliates, is classified as noncurrent based upon its expected repayment date.

The Company operates certain dealerships at facilities leased from affiliated companies. As of December 31, 1996, future commitments under these operating leases are \$769,200 annually through 1999, \$701,000 in 2000, and \$360,000 from 2001 through 2005. Rent expense in 1994, 1995 and 1996 for these leases amounted to \$756,668, \$737,076 and \$767,200, respectively.

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SONIC AUTOMOTIVE, INC.
AND AFFILIATED COMPANIES

NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

8. PREFERRED STOCK

In 1997, the Company authorized 3,000,000 shares of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by the Board of Directors. No preferred shares were issued and outstanding at June 30, 1997

9. EMPLOYEE BENEFIT PLANS

Substantially all of the employees of the company are eligible to participate in a 401(k) plan maintained by SFC. Contributions by the Company to the plan were not significant in any period presented.

In August 1997, the Company intends to adopt the 1997 Stock Option Plan (the "Plan"). Under the provisions of the Plan, options to purchase shares of Class A Common Stock may be granted to key employees of the Company and its subsidiaries and to officers, directors, consultants and other individuals providing services to the Company. The exercise price of the options may not be less than the market value of the Class A Common Stock on the date of grant. Vesting periods will range from 5 to 10 years.

In August 1997 the Company intends to adopt the Sonic Employee Stock Purchase Plan (the "ESPP"). The ESPP provides employees of the Company the opportunity to purchase Class A Common Stock after completion of the Offering. Under the terms of the ESPP, on January 1 of each year all eligible employees electing to participate will be granted an option to purchase shares of Class A Common Stock. The Company's Compensation Committee will annually determine the number of shares of Class A Common Stock available for purchase under each option. The purchase price at which Class A Common Stock will be purchased through the ESPP will be 90% of the lesser of (i) the fair market value of the Class A Common Stock on the applicable Grant Date and (ii) the fair market value of the Class A Common Stock on the applicable Exercise Date. Options will expire on the last exercise date of the calendar year in which granted.

10. CONTINGENCIES

The Company is contingently liable for customer contracts placed with financial institutions of approximately \$741,000 at December 31, 1996. However, the Company's potential loss is limited to the difference between the present value of the installment contract at the date of the repossession and the market value of the vehicle at the date of sale. Other accrued liabilities include a provision for repossession losses. The Company provides a reserve for repossession losses based on the ratio that historical loss experience bears to the amount of outstanding customer contracts.

The Company has available \$1,500,000 under draft-clearing credit lines with a bank in order to immediately fund the Company's checking account for sold vehicle contracts from other financial institutions. The Company is contingently liable to the bank until the contracts are approved by the financial institutions. At December 31, 1996, \$151,227 was outstanding under these lines.

In the event that the Company fails to close the acquisitions of Lake Norman Dodge and Affiliates, Dyer Volvo, Ken Marks Ford, and the Bowers Dealerships by certain dates, the Company will be required to pay termination fees which total approximately \$5.5 million.

The Company is involved in various legal proceedings. Management believes that the outcome of such proceedings will not have a materially adverse effect on the Company's financial position or future results of operations and cash flows.

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDER OF
DYER & DYER, INC.
Atlanta, Georgia

We have audited the accompanying balance sheets of Dyer & Dyer, Inc. (the "Company") as of December 31, 1995 and 1996, and the related statements of income, stockholder's equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dyer & Dyer, Inc. as of December 31, 1995 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Charlotte, North Carolina

August 7, 1997

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DYER & DYER, INC.

BALANCE SHEETS

DECEMBER 31, 1995 AND 1996 AND JUNE 30, 1997

<TABLE>
<CAPTION>

JUNE 30, 1997	DECEMBER 31,	
	1995	1996
<S>	<C>	<C>
<C>		
(UNAUDITED)		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 1,522,546	\$ 941,280
172,937		
Receivables.....	432,779	1,213,846
2,535,230		
Inventories (Notes 1 and 2).....	9,043,156	15,071,313
11,128,333		
Prepaid expenses.....	274,998	103,958
32,267		
Total current assets.....	11,273,479	17,330,397
13,868,767		
PROPERTY AND EQUIPMENT, NET (Notes 1 and 3).....	774,909	1,279,774
1,156,207		
OTHER ASSETS.....	287,628	292,250
297,424		

TOTAL ASSETS.....	\$12,336,016	\$18,902,421
\$15,322,398		
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable, floor plan (Note 2).....	\$ 2,610,935	\$ 7,146,245
5,533,925		
Trade accounts payable.....	511,292	1,131,472
--		
Income taxes payable (Notes 1 and 5).....	--	238,712
238,712		
Accrued payroll and bonuses.....	82,183	229,297
277,377		
Other accrued liabilities.....	196,537	261,932
235,360		
Total current liabilities.....	3,400,947	9,007,658
6,285,374		
INCOME TAXES PAYABLE (Note 5).....	21,012	477,423
238,711		
COMMITMENTS (Note 4)		
STOCKHOLDER'S EQUITY:		
Common stock, \$100 par value -- 3,000 shares authorized; 1,531 shares issued; 781 shares outstanding.....	153,100	153,100
153,100		
Paid-in capital.....	27,623	27,623
27,623		
Retained earnings.....	13,709,477	14,212,760
13,593,733		
Total.....	13,890,200	14,393,483
13,774,456		
Less treasury stock (750 shares at cost).....	(4,976,143)	(4,976,143)
(4,976,143)		
Total stockholder's equity.....	8,914,057	9,417,340
8,798,313		
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY.....	\$12,336,016	\$18,902,421
\$15,322,398		

</TABLE>

See notes to financial statements.

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DYER & DYER, INC.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996
AND THE SIX MONTHS ENDED JUNE 30, 1996 AND 1997

<TABLE>
<CAPTION>

JUNE 30, 1997 <S>	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED	
	1994	1995	1996	1996	<C>
	<C>	<C>	<C>	<C>	(UNAUDITED)
REVENUES:					
Vehicle sales.....	\$52,245,947	\$52,613,480	\$60,870,919	\$30,767,026	
\$31,373,513					
Parts, service and collision repair.....	8,680,440	9,097,763	11,163,230	5,481,708	
5,960,212					
Finance and insurance.....	203,198	404,505	542,474	213,711	
128,911					
Total.....	61,129,585	62,115,748	72,576,623	36,462,445	
37,462,636					
COST OF SALES.....	54,121,066	55,776,668	62,547,497	31,969,022	
32,377,247					
GROSS PROFIT.....	7,008,519	6,339,080	10,029,126	4,493,423	
5,085,389					
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	6,160,564	5,621,343	6,921,428	3,353,559	
3,498,432					
DEPRECIATION AND AMORTIZATION.....	123,228	90,538	202,214	45,451	
150,621					
OPERATING INCOME.....	724,727	627,199	2,905,484	1,094,413	
1,436,336					
OTHER INCOME AND EXPENSE:					
Interest expense, floor plan.....	56,944	171,690	372,590	178,970	
276,393					
Other income.....	609,684	314,788	452,063	234,834	
247,213					
Total other income (expense).....	552,740	143,098	79,473	55,864	
(29,180)					
INCOME BEFORE INCOME TAXES.....	1,277,467	770,297	2,984,957	1,150,277	
1,407,156					
PROVISION FOR INCOME TAXES (Notes 1					

and 5).....	491,365	295,850	954,846	954,846	
--					
NET INCOME.....	\$ 786,102	\$ 474,447	\$ 2,030,111	\$ 195,431	\$
1,407,156					

See notes to financial statements

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DYER & DYER, INC.

STATEMENTS OF STOCKHOLDER'S EQUITY

YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996
AND THE SIX MONTHS ENDED JUNE 30, 1997

<TABLE>
<CAPTION>

TOTAL	COMMON	PAID-IN	TREASURY	RETAINED	
STOCKHOLDER'S	STOCK	CAPITAL	STOCK	EARNINGS	
EQUITY					
<S>	<C>	<C>	<C>	<C>	
<C>					
BALANCE					
DECEMBER 31, 1993.....	\$153,100	\$27,623	\$(4,976,143)	\$12,448,928	\$
7,653,508					
Net income.....	--	--	--	786,102	
786,102					
BALANCE					
DECEMBER 31, 1994.....	153,100	27,623	(4,976,143)	13,235,030	
8,439,610					
Net income.....	--	--	--	474,447	
474,447					
BALANCE					
DECEMBER 31, 1995.....	153,100	27,623	(4,976,143)	13,709,477	
8,914,057					
Dividends.....	--	--	--	(1,526,828)	
(1,526,828)					
Net income.....	--	--	--	2,030,111	
2,030,111					
BALANCE					
DECEMBER 31, 1996.....	153,100	27,623	(4,976,143)	14,212,760	
9,417,340					
Dividends (unaudited).....	--	--	--	(2,026,183)	
(2,026,183)					
Net income (unaudited).....	--	--	--	1,407,156	
1,407,156					
BALANCE					
JUNE 30, 1997 (unaudited).....	\$153,100	\$27,623	\$(4,976,143)	\$13,593,733	\$
8,798,313					

See notes to financial statements.

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DYER & DYER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996
AND THE SIX MONTHS ENDED JUNE 30, 1996 AND 1997

<TABLE>
<CAPTION>

ENDED JUNE	YEAR ENDED DECEMBER 31,			SIX MONTHS
	1994	1995	1996	1996
				30,
<S>	<C>	<C>	<C>	<C>
<C>				
(UNAUDITED)				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income.....	\$ 786,102	\$ 474,447	\$2,030,111	\$ 195,431
\$1,407,156				
Adjustments to reconcile net income to net cash				
provided by operating activities:				
(Gain) Loss on disposal of fixed assets.....	8,011	11,757	10,890	--
(116)				

Depreciation and amortization.....	123,228	90,538	202,214	45,451	
150,621					
Changes in assets and liabilities that relate to operations:					
(Increase) decrease in accounts receivable.....	(390,834)	191,714	(768,730)	(39,751)	
(1,355,959)					
(Increase) decrease in inventories.....	11,184	(4,213,189)	(6,028,157)	(1,566,226)	
3,942,980					
(Increase) decrease in prepaid expenses.....	79,966	(177,992)	171,040	218,576	
71,691					
Increase (decrease) in notes payable, floor plan.....	(127,470)	2,581,585	4,535,310	290,990	
(1,612,320)					
Increase (decrease) in accounts payable.....	7,048	498,092	620,180	(376,134)	
(1,131,472)					
Increase (decrease) in other accrued liabilities.....	105,201	(187,726)	147,106	170,944	
25,008					
Increase (decrease) in income taxes payable.....	(20,682)	8,484	760,526	760,526	
(242,212)					
Total adjustments.....	(204,348)	(1,196,737)	(349,621)	(495,624)	
(151,779)					
Net cash provided by (used) in operating activities.....	581,754	(722,290)	1,680,490	(300,193)	
1,255,377					
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment.....	(18,485)	(181,259)	(717,969)	(14,013)	
(26,938)					
Increase in cash value of life insurance.....	(15,398)	(26,316)	(4,622)	(2,311)	
(5,174)					
Deposits held by financial institutions.....	13,001	10,849	(12,337)	22,238	
34,575					
Net cash provided by (used) in investing activities.....	(20,882)	(196,726)	(734,928)	5,914	
2,463					
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividends paid.....	--	--	(1,526,828)	(759,810)	
(2,026,183)					
INCREASE (DECREASE) IN CASH.....	560,872	(919,016)	(581,266)	(1,054,089)	
(768,343)					
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	1,880,690	2,441,562	1,522,546	1,522,546	
941,280					
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$2,441,562	\$1,522,546	\$ 941,280	\$ 468,457	\$
172,937					
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:					
Cash paid during the period for:					
Interest.....	\$ 57,766	\$ 176,464	\$ 509,621	\$ 247,970	\$
279,460					
Income taxes.....	\$ 399,605	\$ 438,810	\$ 31,826	\$ 31,826	\$
242,237					

</TABLE>

See notes to financial statements.

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DYER & DYER, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS -- Dyer & Dyer, Inc. (the "Company") was incorporated in South Carolina in 1978, and operates a Volvo automobile dealership in Atlanta, Georgia. The Company sells new and used cars, sells replacement parts, provides vehicle maintenance, warranty, paint and repair services and arranges related financing and insurance.

In August 1997, the Company signed a definitive purchase agreement whereby its net assets would be acquired by Sonic Automotive, Inc. for \$18 million. This acquisition is to be effective prior to the completion of an anticipated public offering of common stock by Sonic Automotive in 1997.

REVENUE RECOGNITION -- The Company records revenue when vehicles are delivered to customers, and when vehicle service work is performed. Finance and insurance commission revenue is recognized principally at the time the contract is placed with the financial institution.

DEALER AGREEMENTS -- The Company purchases substantially all of its new vehicles from the manufacturer at the prevailing prices charged by the manufacturer to its franchised dealers. The Company's sales could be unfavorably impacted by the manufacturer's unwillingness or inability to supply the dealership with an adequate supply of new car inventory.

The dealership operates under a dealer agreement with the manufacturer

which generally restricts the location, management and ownership of the dealership. The ability of the Company to acquire additional franchises may be limited due to certain restrictions imposed by the manufacturer. Additionally, the Company's ability to enter into significant acquisitions may be restricted and the acquisition of the Company's stock by third parties may be limited by the terms of the franchise agreement.

The manufacturer has implemented various incentive programs for its dealers that provide for specified payments to the dealers based on the results of customer satisfaction surveys and the implementation of certain standardized policies and procedures. These programs are for a limited duration and remain subject to cancellation by the manufacturer at any time. Incentive payments credited to cost of sales amounted to approximately \$210,000, \$267,000 and \$1,326,000 during 1994, 1995 and 1996, respectively, and \$290,000 and \$912,000 for the six months ended June 30, 1996 and 1997, respectively.

CASH AND CASH EQUIVALENTS -- The Company considers contracts in transit and all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. Contracts in transit represent cash in transit to the Company from finance companies related to vehicle purchases, and was approximately \$1,522,000 and \$934,000 at December 31, 1995 and 1996, respectively, and \$167,000 at June 30, 1997.

INVENTORIES -- Inventories of new vehicles, including demonstrators, are valued at the lower of last-in, first-out ("LIFO") cost or market. Inventories of used vehicles are stated at the lower of first-in, first-out ("FIFO") cost or market, and parts and accessories are stated at the lower of specific cost or market.

PROPERTY AND EQUIPMENT -- Property and equipment are stated at cost. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets. The range of estimated useful lives are as follows:

<TABLE> <CAPTION>	USEFUL LIVES <C>
<S>	
Office equipment and fixtures.....	5-7
Parts and service equipment.....	5
Company vehicles.....	5
</TABLE>	

Leasehold improvements are amortized over the lesser of the terms of their respective leases or the estimated useful lives of the related assets. Expenditures for maintenance and repairs are expensed as incurred. Significant betterments are capitalized.

INCOME TAXES -- For the years ended December 31, 1994 and 1995, the Company was a C Corporation and, therefore, provided for income taxes using the balance sheet method. There were no significant deferred tax assets and liabilities as of December 31, 1995. Effective January 1, 1996, the Company elected to be treated as an S Corporation for federal and state income tax purposes. As such the Company's taxable income is included in the stockholder's annual income tax return. Accordingly, no provision for federal or state income taxes has been included in the Company's statements of income for the periods beginning after December 31, 1995.

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DYER & DYER, INC.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

CONCENTRATIONS OF CREDIT RISK -- Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash on deposit with financial institutions. At times, amounts invested with financial institutions may exceed FDIC insurance limits.

Concentrations of credit risk with respect to receivables are limited primarily to automobile manufacturers and financial institutions. Credit risk arising from trade receivables from commercial customers is reduced by the large number of customers comprising the trade receivables balances. Trade receivables are concentrated in the Atlanta, Georgia area.

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADVERTISING -- The Company expenses advertising costs in the period incurred. Advertising expense approximated \$709,000, \$525,000 and \$765,000

during 1994, 1995 and 1996, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS -- Effective January 1, 1996, the Company adopted the provisions of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Adoption of SFAS No. 121 did not have a material impact on the Company's results of operations or financial position.

INTERIM FINANCIAL INFORMATION -- The accompanying unaudited financial information for the six months ended June 30, 1996 and 1997 has been prepared on substantially the same basis as the audited financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information set forth therein. The results of interim periods are not necessarily indicative of results to be expected for the entire fiscal year.

2. INVENTORIES AND RELATED NOTES PAYABLE -- FLOOR PLAN

Inventories consist of the following:

JUNE 30,	DECEMBER 31,	
	1995	1996
1997	<C>	<C>
<S>		
<C>		
 (UNAUDITED)		
New vehicles.....	\$ 5,692,043	\$ 7,980,256
5,017,765		
Used vehicles.....	2,768,230	6,362,410
5,542,979		
Parts and accessories.....	503,490	586,129
420,959		
Other.....	79,393	142,518
146,630		
Total.....	\$ 9,043,156	\$15,071,313
\$11,128,333		

At December 31, 1995 and 1996 and at June 30, 1997, the excess of current replacement cost over the stated LIFO valuation of new vehicles, parts and accessories amount to \$2,387,114, \$2,503,330 and \$2,503,330 (unaudited), respectively.

Had the Company used the FIFO method of valuing new vehicle, parts and accessories inventory, pretax earnings would have been \$1,335,380, \$1,200,776 and \$3,101,173 in 1994, 1995 and 1996, respectively.

All new and certain used vehicles are pledged to collateralize floor plan notes payable to financial institutions in the amount of \$2,610,935 and \$7,146,245 at December 31, 1995 and 1996, respectively. The floor plan notes bear interest, payable monthly on the outstanding balance, at the prime rate plus 1/2% to 1 1/2% (prime rate was 8.25% at December 31, 1996). Total floor plan interest expense amounted to \$56,944, \$171,690 and \$372,590 in 1994, 1995 and 1996, respectively. The notes payable are due when the related vehicle is sold. As such, these floor plan notes payable are shown as a current liability in the accompanying balance sheets.

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DYER & DYER, INC.

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

3. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

JUNE 30,	DECEMBER 31,	
	1995	1996
1997	<C>	<C>
<S>		
<C>		
 (UNAUDITED)		
Leasehold improvements.....	\$1,479,385	\$1,885,415
\$1,885,415		

Furniture and fixtures.....	1,372,801	1,546,987
1,550,022		
Other equipment.....	565,398	571,778
571,778		
Computer equipment.....	188,851	195,598
198,428		
Service vehicles.....	117,535	122,916
143,989		
	3,723,970	4,322,694
4,349,632		
Less accumulated depreciation and amortization.....	(2,949,061)	(3,042,920)
(3,193,425)		
Property and equipment, net.....	\$ 774,909	\$1,279,774
\$1,156,207		

4. LEASES

The Company leases its business premises under noncancelable operating leases for five to twenty-five year terms from a partnership partially owned by the sole stockholder of the Company. Future minimum rental payments required under noncancelable leases at December 31, 1996 are as follows:

<TABLE>	
<CAPTION>	
YEAR ENDING:	
<S>	
1997.....	\$ 754,162
1998.....	756,956
1999.....	759,832
2000.....	762,800
2001.....	765,856
Thereafter.....	5,551,504
Total.....	\$9,351,110
</TABLE>	

Rent expense approximated \$711,000, \$708,000 and \$715,000 during 1994, 1995 and 1996, respectively.

5. INCOME TAXES

The provision for income taxes consists of the following:

<TABLE>	
<CAPTION>	
	DECEMBER 31,
	1994 1995
<S>	
<C>	
Current:	
Federal.....	\$439,714 \$231,720
\$811,620	
State.....	47,463 40,864
143,226	
	487,177 272,584
954,846	
Deferred.....	4,188 23,266
--	
Total.....	\$491,365 \$295,850
\$954,846	
</TABLE>	

Effective with the Company's S Corporation election, it was required to recapture its December 31, 1995 LIFO reserve of approximately \$2,400,000 and pay tax on that amount for both Federal and State income tax purposes. The taxes are payable in four equal annual installments beginning March 15, 1996. This conversion to S Corporation status resulted in the recognition of approximately \$955,000 in income tax expense.

As a result of the Company's change to S Corporation status on January 1, 1996 (see Note 1), it is exposed to potential future taxes on built-in gains which were present on the date of the conversion. If the planned acquisition of the net assets of

5. INCOME TAXES -- Continued

the Company described in Note 1 is consummated, the disposal of tangible and intangible property which appreciated prior to the election of S Corporation status will result in the assessment of the built-in gains tax.

6. RETIREMENT PLAN

The Company has a contributory 401(k) plan covering substantially all employees. Company contributions to the Plan are equal to 25% of the first 4% of participant contributions. Company contributions amounted to \$1,000, \$18,000 and \$18,000 in 1994, 1995 and 1996, respectively.

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INDEPENDENT AUDITORS' REPORT

TO THE BOARDS OF DIRECTORS AND STOCKHOLDERS OF
BOWERS DEALERSHIPS AND AFFILIATED COMPANIES
Chattanooga, Tennessee

We have audited the accompanying combined balance sheets of Bowers Dealerships and Affiliated Companies (the "Company"), which are under common ownership and management, as of December 31, 1995 and 1996, and the related combined statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Bowers Dealerships and Affiliated Companies as of December 31, 1995 and 1996, and the combined results of their operations and their combined cash flows for the years then ended in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Charlotte, North Carolina
August 7, 1997

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BOWERS DEALERSHIPS
AND AFFILIATED COMPANIES

COMBINED BALANCE SHEETS

DECEMBER 31, 1995 AND 1996 AND JUNE 30, 1997

<TABLE>
<CAPTION>

JUNE 30,	DECEMBER 31,		
1997	1995	1996	
<S>	<C>	<C>	
<C>			
(UNAUDITED)			
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 2,331,136	\$ 3,422,140	\$
5,797,307			
Receivables.....	2,972,607	3,840,311	
3,398,335			
Inventories (Note 3).....	13,003,266	23,147,852	
34,070,935			
Other current assets (Note 6).....	1,182,860	2,119,974	
2,452,831			
Total current assets.....	19,489,869	32,530,277	
45,719,408			
PROPERTY AND EQUIPMENT, NET (Note 4).....	2,889,753	7,254,793	
8,744,225			
GOODWILL, NET (Note 1).....	978,735	4,374,573	
8,285,460			
OTHER ASSETS.....	183,822	161,845	
257,464			
TOTAL ASSETS.....	\$23,542,179	\$44,321,488	
\$63,006,557			
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Notes payable -- floor plan (Note 3).....	\$11,620,942	\$19,731,323	

\$29,070,838		
Notes payable -- other (Note 6).....	2,015,025	3,792,610
4,589,869		
Trade accounts payable.....	278,001	1,196,660
1,424,997		
Accrued interest.....	69,164	105,505
178,143		
Other accrued liabilities.....	897,893	1,742,119
1,738,928		
Current maturities of long-term debt (including amounts due to related parties of \$104,189, \$104,189 and \$172,072 at December 31, 1995 and 1996 and June 30, 1997, respectively).....	468,040	389,658
558,332		
Total current liabilities.....	15,349,065	26,957,875
37,561,107		
LONG-TERM DEBT (Note 6) (including amounts due to related parties of \$2,109,815, \$2,005,626 and \$1,953,531 at December 31, 1995 and 1996 and June 30, 1997, respectively).....	2,110,016	3,562,249
4,364,746		
COMMITMENTS AND CONTINGENCIES (Notes 5 and 10)		
EQUITY		
Common stock of combined companies (Note 8):.....	1,000,000	1,000,000
1,000,000		
Retained earnings and members' and partners' equity.....	5,543,728	13,661,994
20,941,334		
Due from affiliates (Note 7).....	(460,630)	(860,630)
(860,630)		
Total equity.....	6,083,098	13,801,364
21,080,704		
TOTAL LIABILITIES AND EQUITY.....	\$23,542,179	\$44,321,488
\$63,006,557		

</TABLE>

See notes to combined financial statements

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BOWERS DEALERSHIPS
AND AFFILIATED COMPANIES

COMBINED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1995 AND 1996
AND THE SIX MONTHS ENDED JUNE 30, 1996 AND 1997

<TABLE>					
<CAPTION>					
	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,		
	1995	1996	1996	1997	
<S>	<C>	<C>	<C>	<C>	<C>
			(UNAUDITED)		
REVENUES:					
Vehicle sales.....	\$ 91,774,886	\$113,362,495	\$48,251,281	\$72,605,727	
Parts, service and collision repair.....	5,813,582	10,405,031	4,472,267	11,596,873	
Finance and insurance.....	2,768,358	3,348,273	1,639,878	1,867,781	
Total revenues.....	100,356,826	127,115,799	54,363,426	86,070,381	
COST OF SALES.....	86,772,544	109,372,977	46,129,292	73,095,919	
GROSS PROFIT.....	13,584,282	17,742,822	8,234,134	12,974,462	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	10,748,891	14,886,611	6,486,017	9,908,039	
DEPRECIATION AND AMORTIZATION.....	321,170	514,915	193,486	415,899	
OPERATING INCOME.....	2,514,221	2,341,296	1,554,631	2,650,524	
OTHER INCOME AND EXPENSE:					
Interest expense, floor plan.....	1,098,757	1,288,021	610,784	965,350	
Interest expense, other.....	270,771	380,060	157,388	211,250	
Other income.....	19,174	157,443	63,539	451,796	
Total other expense.....	1,350,354	1,510,638	704,633	724,804	
INCOME BEFORE INCOME TAXES (Note 1).....	1,163,867	830,658	849,998	1,925,720	
PROVISION FOR INCOME TAXES.....	41,879	60,850	60,215	30,927	
NET INCOME.....	\$ 1,121,988	\$ 769,808	\$ 789,783	\$ 1,894,793	

</TABLE>

See notes to combined financial statements

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BOWERS DEALERSHIPS
AND AFFILIATED COMPANIES

COMBINED STATEMENTS OF EQUITY

YEARS ENDED DECEMBER 31, 1995 AND 1996
AND THE SIX MONTHS ENDED JUNE 30, 1997

<TABLE>

<CAPTION>

TOTAL	COMMON STOCK OF COMBINED COMPANIES	RETAINED EARNINGS AND MEMBERS' AND PARTNERS' EQUITY	DUE FROM AFFILIATE
<S>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1994.....	\$1,000,000	\$ 3,089,208	\$ --
4,089,208			\$
Capital contribution.....	--	1,753,736	--
1,753,736			
Distributions.....	--	(421,204)	--
(421,204)			
Net income.....	--	1,121,988	--
1,121,988			
Advances to affiliates.....	--	--	(460,630)
(460,630)			
BALANCE AT DECEMBER 31, 1995.....	1,000,000	5,543,728	(460,630)
6,083,098			
Capital contribution.....	--	7,700,000	--
7,700,000			
Distributions.....	--	(351,542)	--
(351,542)			
Net income.....	--	769,808	--
769,808			
Advances to affiliates.....	--	--	(400,000)
(400,000)			
BALANCE AT DECEMBER 31, 1996.....	1,000,000	13,661,994	(860,630)
13,801,364			
Capital contribution (unaudited).....	--	5,500,000	--
5,500,000			
Distributions (unaudited).....	--	(115,453)	--
(115,453)			
Net income (unaudited).....	--	1,894,793	--
1,894,793			
BALANCE AT JUNE 30, 1997 (unaudited).....	\$1,000,000	\$20,941,334	\$ (860,630)
\$21,080,704			

See notes to combined financial statements.

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BOWERS DEALERSHIPS
AND AFFILIATED COMPANIES

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1995 AND 1996 AND
THE SIX MONTHS ENDED JUNE 30, 1997

<TABLE>

<CAPTION>

ENDED JUNE	YEAR ENDED DECEMBER 31, 1995	DECEMBER 31, 1996	SIX MONTHS 30, 1996
<S>	<C>	<C>	<C>
(UNAUDITED)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$1,121,988	\$ 769,808	\$ 789,783
\$1,894,793			
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	321,170	514,915	193,486
415,899			
Changes in assets and liabilities that relate to operations:			
(Increase) decrease in receivables.....	909,934	(867,704)	639,758
441,976			
Increase in inventories.....	(602,704)	(4,300,530)	(258,272)
(8,205,796)			
Increase in other current assets.....	(324,499)	(937,114)	(966,156)
(332,857)			
(Increase) decrease in other non-current assets.....	(67,652)	37,947	(110,984)
(94,441)			
Increase in notes payable -- floor plan.....	274,484	8,110,381	2,140,955
9,339,515			

Increase (decrease) in accounts payable and accrued expenses.....	(1,427,260)	1,799,226	1,146,612
297,784			
Total adjustments.....	(916,527)	4,357,121	2,785,399
1,862,080			
Net cash provided by operating activities.....	205,461	5,126,929	3,575,182
3,756,873			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of business, net of cash received.....	--	(9,840,438)	(4,790,970)
(6,718,465)			
Additions to property and equipment.....	(333,741)	(4,295,381)	(2,570,979)
(1,816,218)			
Net cash used in investing activities.....	(333,741)	(14,135,819)	(7,361,949)
(8,534,683)			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Capital contributions.....	1,378,208	7,700,000	2,700,000
5,500,000			
Due from affiliate.....	(460,630)	(400,000)	--
--			
Distributions to stockholders.....	(421,204)	(351,542)	(351,542)
(115,453)			
Proceeds from long-term debt.....	272,084	1,872,169	1,872,169
1,280,000			
Payments of long-term debt.....	(764,933)	(498,318)	(192,370)
(308,829)			
Proceeds from notes payable -- other.....	1,410,025	1,981,197	1,600,994
1,059,797			
Payments of notes payable -- other.....	(220,000)	(203,612)	(260,000)
(262,538)			
Net cash provided by financing activities.....	1,193,550	10,099,894	5,369,251
7,152,977			
NET INCREASE IN CASH.....	1,065,270	1,091,004	1,582,484
2,375,167			
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	1,265,866	2,331,136	2,331,136
3,422,140			
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$2,331,136	\$ 3,422,140	\$3,913,620
\$5,797,307			
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION --			
Cash paid during the period for:			
Interest.....	\$1,366,071	\$ 1,631,740	\$ 737,955
877,730			
Income taxes.....	\$ 96,391	\$ 76,081	\$ 35,636
27,620			
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:			
Net liabilities recorded from combining affiliated companies.....	\$ 372,533	\$ --	\$ --
--			

</TABLE>

See notes to combined financial statements.

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BOWERS DEALERSHIPS
AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS -- Bowers Dealerships and Affiliated Companies (the "Company") operates automobile dealerships in the Chattanooga and Nashville, Tennessee areas. The Company sells new and used cars and light trucks, sells replacement parts, provides vehicle maintenance, warranty, paint and repair services and arranges financing and insurance. As of December 31, 1996, the Company had nine dealership locations selling new vehicles manufactured by BMW, Chrysler, Ford, Honda, Infiniti, Jaguar, Saturn and Volkswagen. Subsequent to December 31, 1996 the Company acquired a Dodge dealership. (see Note 2).

The accompanying combined financial statements include the accounts of the following entities:

<TABLE>

<CAPTION>

NAME	LOCATION	STRUCTURE
<S>	<C>	<C>
Cleveland Village Imports, Inc.....	Chattanooga	C Corporation
Saturn of Chattanooga, Inc.....	Chattanooga	S Corporation
Nelson Bowers Ford, L.P.....	Chattanooga	Limited Partnership
Infiniti of Chattanooga, Inc.....	Chattanooga	C Corporation
Cleveland Chrysler Plymouth Jeep Eagle, LLC.....	Chattanooga	Limited Liability Company
Jaguar of Chattanooga, LLC.....	Chattanooga	Limited Liability Company
KIA of Chattanooga.....	Chattanooga	Limited Liability Company
European Motors of Nashville LLC.....	Nashville	Limited Liability Company
European Motors LLC.....	Chattanooga	Limited Liability Company

</TABLE>

The combined financial statements have been prepared in connection with a planned acquisition of the net assets of these entities and the aforementioned Dodge dealership by Sonic Automotive ("Sonic"). In June 1997, the Company signed a definitive purchase agreement whereby substantially all of its net assets would be acquired by Sonic for \$33,500,000, including \$28,500,000 in cash and a \$5,000,000 note payable. Net assets not being acquired are primarily land, building and the net assets related to a body shop operation. This acquisition is to be effective prior to the completion of an anticipated public offering of common stock by Sonic in 1997. The accompanying combined financial statements reflect the financial position, results of operations, and cash flows of each of the above listed dealerships. The combination of these entities has been accounted for at historical cost in a manner similar to a pooling-of-interest because the entities are under common management and control. All material intercompany transactions have been eliminated.

REVENUE RECOGNITION -- The Company records revenue when vehicles are delivered to customers, and when vehicle service work is performed. Finance and insurance commission revenue is recognized principally at the time the contract is placed with the financial institution.

DEALER AGREEMENTS -- The Company purchases substantially all of its new vehicles from manufacturers at the prevailing prices charged by the manufacturer to its franchised dealers. The Company's sales could be unfavorably impacted by the manufacturer's unwillingness or inability to supply the dealership with an adequate supply of new car inventory.

Each dealership operates under a dealer agreement with the manufacturer except Volkswagen of Nashville which operates under a management agreement which generally restricts the location, management and ownership of the respective dealership. The ability of the Company to acquire additional franchises from a particular manufacturer may be limited due to certain restrictions imposed by manufacturers. Additionally, the Company's ability to enter into significant acquisitions may be restricted and the acquisition of the Company's stock by third parties may be limited by the terms of the franchise agreement.

CASH AND CASH EQUIVALENTS -- The Company considers contracts in transit and all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. Contracts in transit represent cash in transit to the Company from finance companies related to a vehicle purchase, and was \$1,019,950 and \$2,029,314 at December 31, 1995 and 1996, respectively.

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BOWERS DEALERSHIPS
AND AFFILIATED COMPANIES

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING

POLICIES -- Continued

INVENTORIES -- Inventories of new and used vehicles, including demonstrators, are valued at the lower of first-in, first-out ("FIFO") cost or market, and parts and accessories are stated at the lower of specific cost or market.

PROPERTY AND EQUIPMENT -- Property and equipment are stated at cost. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets. The range of estimated useful lives is as follows:

<TABLE>	
<CAPTION>	
<S>	USEFUL LIVES
	<C>
Building.....	31.5-39
Office equipment and fixtures.....	5-7
Parts, service equipment and vehicles.....	7
</TABLE>	

Leasehold improvements are amortized over the lesser of the terms of their respective leases or the estimated useful lives of the related assets.

Expenditures for maintenance and repairs are expensed as incurred. Significant betterments are capitalized.

GOODWILL -- Goodwill represents the excess of purchase price over the estimated fair value of the net assets acquired and is being amortized over a 40 year period. The cumulative amount of goodwill amortization at December 31, 1995 and 1996 was \$33,561 and \$87,723, respectively.

The Company periodically reviews goodwill for impairment by comparing the carrying amount of goodwill with the estimated undiscounted future cash flows from operations of the acquired business.

INCOME TAXES -- With the exception of Infiniti of Chattanooga, Inc. and Cleveland Village Imports, Inc., all entities included in the accompanying combined financial statements are either S Corporations, Limited Partnerships or Limited Liability Companies (LLC). As such, these entities do not pay Federal corporate income taxes on their taxable income. In addition, the Limited Partnerships and LLC's are not subject to state income taxes. The stockholders or partners are liable for individual income taxes on their respective shares of the Company's taxable income.

Because Infiniti of Chattanooga, Inc. and Cleveland Village Imports, Inc. is a C Corporation, federal and state income taxes are provided for in the financial statements and consist of taxes currently due plus deferred taxes. In addition, the S Corporations are subject to Tennessee income taxes which are provided for in the financial statements. Income taxes are provided for income taxes using the balance sheet method. Deferred taxes result primarily from warranty accruals and the accelerated depreciation method used for income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. In addition, deferred tax assets are recognized for state operating losses that are available to offset future taxable income.

CONCENTRATIONS OF CREDIT RISK -- Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash deposits. At times, amounts invested with financial institutions may exceed FDIC insurance limits.

Concentrations of credit risk with respect to receivables are limited primarily to automobile manufacturers and financial institutions. Credit risk arising from trade receivables from commercial customers is reduced by the large number of customers comprising the trade receivables balances. Trade receivables are concentrated in the Company's two market areas of Chattanooga and Nashville, Tennessee.

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADVERTISING -- The Company expenses advertising costs in the period incurred. Advertising expense amounted to \$992,839 and \$1,372,775 for 1995 and 1996, respectively.

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BOWERS DEALERSHIPS
AND AFFILIATED COMPANIES

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

IMPAIRMENT OF LONG-LIVED ASSETS -- Effective January 1, 1996, the Company adopted the provisions of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired. Adoption of SFAS No. 121 did not have a material impact on the Company's results of operations or financial position.

INTERIM FINANCIAL INFORMATION -- The accompanying unaudited financial information for the six months ended June 30, 1997 has been prepared on substantially the same basis as the audited financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information set forth therein. The results of interim periods are not necessarily indicative of results to be expected for the entire fiscal year.

2. BUSINESS ACQUISITIONS

EUROPEAN MOTORS OF NASHVILLE, INC. AND EUROPEAN MOTORS LLC -- In October 1996, the Company acquired European Motors of Nashville, Inc. and European Motors LLC. The total purchase price was \$9,840,438. These acquisitions have been accounted for using purchase accounting and the results of operations of these dealerships have been included in the accompanying combined financial statements from the date of acquisition. The total purchase price has been allocated to the assets and liabilities acquired at their estimated fair market value at acquisition date as follows:

<TABLE>	
<S>	<C>
Inventory.....	\$5,862,555

Property and equipment.....	527,883
Goodwill.....	3,450,000
Total.....	\$9,840,438

DODGE OF CHATTANOOGA -- On March 1, 1997, the Company acquired Dodge of Chattanooga for a total purchase price of \$6,718,465. The acquisition has been accounted for as a purchase and the results of operations of Dodge of Chattanooga have been included in the accompanying unaudited combined financial statements from the date of acquisition through June 30, 1997. The purchase price has been allocated to the assets and liabilities acquired at their estimated fair market value at acquisition date as follows:

Inventory.....	\$2,718,465
Goodwill.....	4,000,000
Total.....	\$6,718,465

3. INVENTORIES AND RELATED NOTES PAYABLE -- FLOOR PLAN

Inventories at December 31, 1995 and 1996 and June 30, 1997 consist of the following:

JUNE 30, 1997	DECEMBER 31,	
	1995	1996
	<C>	<C>
(UNAUDITED)		
New vehicles.....	\$ 9,929,971	\$16,319,295
\$21,837,310		
Used vehicles.....	2,369,023	4,821,689
9,870,280		
Parts and accessories.....	685,012	1,900,962
2,040,757		
Other.....	19,260	105,906
322,588		
Total.....	\$13,003,266	\$23,147,852
\$34,070,935		

All new and certain used vehicles are pledged to collateralize floor plan notes payable to financial institutions in the amount of \$11,620,942 and \$19,731,323 at December 31, 1995 and 1996, respectively. The floor plan notes bear interest, that fluctuates with prime and are payable monthly on the outstanding balance, ranging from 6.25% to 9.75% at December 31,

BOWERS DEALERSHIPS
AND AFFILIATED COMPANIES

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

3. INVENTORIES AND RELATED NOTES PAYABLE -- FLOOR PLAN -- Continued
1996. Total floor plan interest expense amounted to \$1,098,757 and \$1,288,021 in 1995 and 1996, respectively. The notes payable are due when the related vehicle is sold. As such, these floor plan notes payable are shown as a current liability in the accompanying combined balance sheets.

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1995 and 1996 and June 30, 1997 is comprised of the following:

JUNE 30, 1997	DECEMBER 31,	
	1995	1996
	<C>	<C>
(UNAUDITED)		
Land.....	\$ 846,265	\$ 1,455,297
1,831,514		
Buildings and improvements.....	1,114,984	3,962,427
4,868,637		

Office equipment and fixtures.....	1,228,579	1,697,617	
1,938,612			
Parts and service equipment.....	900,005	1,775,271	
2,102,199			
Leasehold improvements.....	254,694	262,261	
262,261			
Total, at cost.....	4,344,527	9,152,873	
11,003,223			
Less accumulated depreciation.....	(1,454,774)	(1,898,080)	
(2,258,998)			
Property and equipment, net.....	\$ 2,889,753	\$ 7,254,793	\$
8,744,225			

5. OPERATING LEASES

The Company leases its business premises under nonconcealable operating leases for one to twenty-six year terms. Future minimum rental payments required under nonconcealable leases at December 31, 1996 are as follows:

<TABLE>		
<S>		<C>
Year ending		
1997.....	\$ 656,237	
1998.....	413,903	
1999.....	387,120	
2000.....	387,120	
2001.....	387,120	
Thereafter.....	4,994,184	
Total.....	\$7,225,684	

Rent expense amounted to \$458,999 and \$762,725 during 1995 and 1996, respectively.

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BOWERS DEALERSHIPS
AND AFFILIATED COMPANIES

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

6. FINANCING ARRANGEMENTS

Notes payable-other consists of a demand note to a bank and advances principally from a stockholder. The stockholder advances are restricted to investment in a cash management fund sponsored by finance companies. Other current assets at December 31, 1995 and 1996 include \$797,000 and \$1,326,000, respectively, of restricted cash in the cash management fund.

Notes payable-other consist of the following:

<TABLE>			
<CAPTION>			
		DECEMBER 31,	JUNE 30,
		1995	1996
<S>	<C>	<C>	<C>
			(UNAUDITED)
Unsecured demand note payable to bank, interest at			
at December 31, 1996.....	\$ --	\$ 251,203	\$ 600,000
Unsecured stockholder advances restricted for investment -- due on			
demand.....	797,000	1,326,000	1,885,000
Other unsecured stockholder advances due to demand.....	1,218,025	2,215,407	2,104,869
Notes payable -- other.....	\$2,015,025	\$3,792,610	\$ 4,589,869

Long-term debt at December 31, 1995 and 1996 and June 30, 1997 consists of the following:

<TABLE>			
<CAPTION>			
		DECEMBER 31,	JUNE 30,
		1995	1996
<S>	<C>	<C>	<C>
			(UNAUDITED)
Mortgage note payable on land and building with a carrying value of			
\$2,302,487, interest payable at 8.9%, due June 1, 2001.....	\$ --	\$1,799,152	\$ 1,767,753
Mortgage note payable to stockholder on land and building with a			
carrying value of \$1,535,585, interest payable at 12%, due December			
1, 2010.....	1,545,815	1,441,626	1,389,531
Note payable due to stockholder, interest payable at 9.5%, due			
December 31, 2001.....	564,000	564,000	564,000
Note payable related to purchase of dealership, due February 28,			
1999.....	--	--	333,333
Note payable on land and building with a carrying value of \$1,813,502,			

interest payable at 8.9%, due March 31, 2002.....	--	--	773,714
Notes payable for equipment with a carrying value of \$76,608, interest payable ranging from 9.6% to 11.18%, payable in full November 15, 1997.....	109,380	76,199	45,332
Note payable on company owned vehicles, with a carrying value of approximately \$20,253, bearing interest at 9.5%.....	298,861	20,253	--
Note payable to an unrelated car dealership, due December 3, 1999.....	60,000	45,000	45,000
Note payable -- other.....	--	5,677	4,415
	2,578,056	3,951,907	4,923,078
Less current maturities.....	(468,040)	(389,658)	(558,332)
Long-term debt.....	\$2,110,016	\$3,562,249	\$ 4,364,476

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BOWERS DEALERSHIPS
AND AFFILIATED COMPANIES

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

6. FINANCING ARRANGEMENTS -- Continued

Future maturities of the above debt at December 31, 1996 are as follows:

<TABLE>	
<S>	
Year ending December 31:	<C>
1997.....	\$ 389,658
1998.....	363,839
1999.....	477,119
2000.....	194,018
2001.....	1,606,592
Thereafter.....	920,681
Total.....	\$3,951,907
</TABLE>	

7. RELATED PARTIES

The Company operates certain dealerships at facilities leased from affiliated companies. The leases are classified as operating leases. Future minimum rent payments are \$387,120 annually through 2001. Rent expense in 1995 and 1996 for these leases amounted to \$315,120 and \$441,120, respectively.

The Company has accounts receivable from stockholders arising from various costs paid by the Company for the stockholders totaling \$460,630, \$860,630 and \$860,630 as of December 31, 1995 and 1996 and June 30, 1997, respectively.

The Company's related party transactions are summarized as follows:

<TABLE>	
<CAPTION>	
	YEAR
ENDED	
DECEMBER 31	
1996	1995
<S>	
<C>	
Extended warranty premiums.....	\$477,327
\$602,270	
Advertising.....	600,161
530,057	
Auction Fees.....	--
39,000	
Auto etching.....	28,200
32,861	
Automobile packs.....	91,830
107,246	
</TABLE>	

8. EQUITY

During 1997, an affiliated company began paying the salaries of certain executive officers and other selling, general and administrative expenses. The affiliated company charged the Company management fees during the six months ended June 30, 1997 totaling \$864,000 for the services performed by the executive officers.

The capital structure of the entities included in the combined financial statements of the Company at December 31, 1995 is as follows:

<TABLE>
<CAPTION>

COMMON STOCK
SHARES

RETAINED EARNINGS	PAR	SHARES	ISSUED AND	AND
MEMBERS' AND	VALUE	AUTHORIZED	OUTSTANDING	AMOUNT
PARTNERS' EQUITY				
<S>	<C>	<C>	<C>	<C>
Cleveland Village Imports, Inc.....	No par	2,000	2,000	\$ 300,000
552,817				
Saturn of Chattanooga, Inc.....	\$ 700	2,000	1,000	700,000
2,470,654				
Nelson Bowers Ford, L.P.....				
759,039				
Cleveland Chrysler Plymouth Jeep Eagle, LLC.....				
596,434				
Jaguar of Chattanooga, LLC.....				
1,164,784				
				\$1,000,000
\$ 5,543,728				

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BOWERS DEALERSHIPS
AND AFFILIATED COMPANIES

NOTES TO FINANCIAL STATEMENTS -- CONTINUED

8. EQUITY -- Continued

The capital structure of the entities included in the combined financial statements of the Company at December 31, 1996 is as follows:

<TABLE>
<CAPTION>

RETAINED EARNINGS	COMMON STOCK			
AND	SHARES			
PARTNERS'	PAR	SHARES	ISSUED AND	
AND MEMBERS'	VALUE	AUTHORIZED	OUTSTANDING	AMOUNT
EQUITY				
<S>	<C>	<C>	<C>	<C>
Cleveland Village Imports, Inc.....	No par	2,000	2,000	\$ 300,000
563,672				
Saturn of Chattanooga, Inc.....	\$ 700	2,000	1,000	700,000
2,675,993				
Nelson Bowers Ford, L.P.....				--
699,958				
Cleveland Chrysler Plymouth Jeep Eagle, LLC.....				--
417,300				
Jaguar of Chattanooga, LLC.....				--
1,141,782				
European Motors of Nashville, LLC.....				--
5,014,936				
European Motors LLC.....				--
3,148,353				
				\$1,000,000
\$13,661,994				

9. EMPLOYEE BENEFIT PLANS

In April 1997, the Company established a 401(k) plan, whereby substantially all of the employees of the company meeting certain service requirements are eligible to participate. Contributions by the Company to the plan were not significant in any period presented.

10. CONTINGENCIES

The Company is involved in various legal proceedings. Management believes that the outcome of such proceedings will not have a materially adverse effect on the Company's financial position or future results of operations and cash flows.

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
LAKE NORMAN DODGE, INC.
Cornelius, North Carolina

We have audited the accompanying combined balance sheet of Lake Norman

Dodge, Inc. and Affiliated Companies (the "Company"), which are under common ownership and management, as of December 31, 1996, and the related combined statements of income, stockholders' equity, and cash flows for the year then ended. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Lake Norman Dodge, Inc. and Affiliated Companies as of December 31, 1996, and the combined results of their operations and their combined cash flows for the year then ended in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Charlotte, North Carolina

August 7, 1997

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LAKE NORMAN DODGE, INC. AND AFFILIATED COMPANIES

COMBINED BALANCE SHEETS

DECEMBER 31, 1996 AND JUNE 30, 1997

<TABLE>
<CAPTION>

	DECEMBER 31, 1996	<C>
JUNE 30, 1997		
<S>		
<C>		
 (UNAUDITED)		
ASSETS (NOTE 4)		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 3,491,358	\$
3,466,789		
Receivables.....	1,998,315	
2,535,247		
Inventories (Note 2).....	23,603,843	
22,778,488		
Prepaid expenses.....	--	
243,870		
Total current assets.....	29,093,516	
29,024,394		
PROPERTY AND EQUIPMENT, NET (Note 3).....	485,880	
566,875		
OTHER ASSETS (NOTE 6):		
Due from employees.....	281,497	
302,628		
Due from related partnership.....	159,554	
159,554		
Total other assets.....	441,051	
462,182		
TOTAL ASSETS.....	\$30,020,447	
\$30,053,451		
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable-floor plan (Note 2).....	\$25,957,314	
\$25,865,010		
Trade accounts payable.....	1,364,121	
1,351,664		
Note payable to bank (Note 4).....	68,168	
27,644		
Other accrued liabilities.....	765,620	
472,485		
Current maturities of long-term debt.....	142,857	
71,429		
Total current liabilities.....	28,298,080	
27,788,232		
LONG-TERM DEBT (Note 4).....	785,715	

785,714	
COMMITMENTS (Note 5)	
STOCKHOLDERS' EQUITY:	
Common stock of combined companies.....	75,000
75,000	
Paid-in capital.....	600,009
600,009	
Retained earnings.....	261,643
804,496	
Total stockholders' equity.....	936,652
1,479,505	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$30,020,447
\$30,053,451	
</TABLE>	

See notes to combined financial statements.

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LAKE NORMAN DODGE, INC. AND AFFILIATED COMPANIES

COMBINED STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31, 1996 AND SIX MONTHS ENDED JUNE 30, 1996 AND 1997

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1996	JUNE 30, 1996	
1997			
<S>	<C>	<C>	
<C>			
(UNAUDITED)			
REVENUES:			
Vehicle sales.....	\$124,538,878	\$55,071,168	
\$69,798,274			
Finance and insurance.....	3,617,296	1,773,355	
1,949,987			
Parts and service.....	9,543,187	4,371,529	
5,321,329			
Total revenues.....	137,699,361	61,216,052	
77,069,590			
COST OF SALES.....	121,806,212	53,845,015	
68,272,355			
GROSS PROFIT.....	15,893,149	7,371,037	
8,797,235			
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	14,215,002	6,736,729	
6,937,071			
DEPRECIATION AND AMORTIZATION.....	88,987	37,414	
46,900			
OPERATING INCOME.....	1,589,160	596,894	
1,813,264			
OTHER INCOME AND EXPENSE:			
Interest expense, floor plan.....	1,552,250	588,951	
1,185,518			
Interest expense, other.....	49,540	2,880	
67,647			
Other income.....	257,747	113,277	
176,322			
Total other expense.....	1,344,043	478,554	
1,076,843			
NET INCOME.....	\$ 245,117	\$ 118,340	\$
736,421			
</TABLE>			

See notes to combined financial statements.

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LAKE NORMAN DODGE, INC. AND AFFILIATED COMPANIES

COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 1996 AND SIX MONTHS ENDED JUNE 30, 1997

<TABLE>
<CAPTION>

TOTAL	COMMON STOCK		PAID-IN	RETAINED
STOCKHOLDERS'	SHARES	AMOUNT	CAPITAL	EARNINGS
EQUITY				

	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1995.....	75	\$75,000	\$475,009	\$728,963
\$1,278,972				
Capital contribution.....	--	--	125,000	--
125,000				
Net income.....	--	--	--	245,117
245,117				
Distributions to owners.....	--	--	--	(712,437)
(712,437)				
BALANCE AT DECEMBER 31, 1996.....	75	75,000	600,009	261,643
936,652				
Net income (unaudited).....	--	--	--	736,421
736,421				
Distributions to owners (unaudited).....	--	--	--	(193,568)
(193,568)				
BALANCE AT JUNE 30, 1997 (unaudited).....	75	\$75,000	\$600,009	\$804,496
\$1,479,505				

</TABLE>

See notes to combined financial statements.

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LAKE NORMAN DODGE, INC. AND AFFILIATED COMPANIES

COMBINED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 1996 AND THE SIX MONTHS ENDED JUNE 30, 1997

ENDED JUNE 30,	YEAR ENDED		SIX MONTHS	
	DECEMBER 31, 1996		1996	
1997	<C>	<C>	<C>	<C>
(UNAUDITED)				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income.....	\$	245,117	\$	118,340
736,421				\$
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Bad debts and repossessions.....		44,523		--
9,910				
Depreciation and amortization expense.....		88,987		37,414
46,900				
Increase in LIFO reserve.....		169,316		177,898
324,486				
Changes in assets and liabilities that relate to operations:				
Increase in receivable.....		(533,128)		(417,366)
(546,842)				
Increase (decrease) in inventories.....		(10,887,995)		1,039,475
500,867				
Increase (decrease) in prepaid expenses.....		15,895		(271,689)
(243,870)				
(Increase) decrease in accounts payable.....		109,802		(240,517)
(12,456)				
(Increase) decrease in notes payable floor plan.....		13,226,616		547,291
(92,304)				
(Increase) decrease in other accrued liabilities.....		488,012		1,281,747
(293,135)				
Total adjustments.....		2,722,028		2,154,253
(306,444)				
Net cash provided by (used in) operating activities.....		2,967,145		2,272,593
429,977				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment.....		(282,711)		(141,084)
(127,895)				
Advances to employees -- net.....		(86,179)		(87,558)
(21,131)				
Advances to related partnership -- net.....		(159,553)		--
--				
Net cash used in investing activities.....		(528,443)		(228,642)
(149,026)				
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from bank note.....		100,000		100,000
--				
Payments on bank note.....		(69,331)		(30,214)
(40,524)				
Proceeds from long-term debt.....		1,000,000		1,000,000
--				
Payments on long-term debt.....		(71,429)		--

(71,428)			
Capital contribution.....	125,000	--	
--			
Distributions to owners.....	(712,437)	(540,205)	
(193,568)			
Net cash provided by financing activities.....	371,803	529,581	
(305,520)			
NET INCREASE (DECREASE) IN CASH.....	2,810,505	2,573,532	
(24,569)			
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	680,853	680,853	
3,491,358			
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 3,491,358	\$ 3,254,385	\$
3,466,789			
SUPPLEMENTAL DISCLOSURES OF CASH FLOW:			
Cash paid during the period for interest.....	\$ 1,601,790	\$ 591,831	\$
1,253,165			

</TABLE>

See notes to combined financial statements.

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LAKE NORMAN DODGE, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS -- Lake Norman Dodge, Inc. and Affiliated Companies' (the "Company") operates two automobile dealerships in the Charlotte, North Carolina area. The Company sells new and used cars and light trucks, sells replacement parts, provides vehicle maintenance, warranty, paint and repair services and arranges related financing and insurance.

The combined financial statements include the accounts of Lake Norman Dodge, Inc. ("LND") and its subsidiary, Lake Norman Chrysler-Plymouth-Jeep-Eagle, LLC ("LNCPJE") and certain proprietorships of Phil Gandy and Quinton Gandy. LND is 100% owned by Phil Gandy and Quinton Gandy. All significant intercompany balances and planned transactions have been eliminated in combination.

The combined financial statements have been prepared in connection with a planned acquisition of the net assets of these entities by Sonic Automotive, Inc. ("Sonic"). In May 1997, the Company signed a definitive purchase agreement whereby its outstanding capital stock would be acquired by Sonic for \$18,200,000. This acquisition is to be effective prior to the completion of an anticipated public offering of common stock by Sonic in 1997.

The accompanying combined financial statements reflect the financial position, results of operations, and cash flows of each of the above listed entities. The combination of these entities has been accounted for at historical cost in a manner similar to a pooling-of-interest because the entities are under common management and control. All material intercompany transactions have been eliminated.

LNCPJE was organized on March 18, 1996, as a North Carolina limited liability company and commenced operations on July 1, 1996. The certain proprietorships of Phil Gandy and Quinton Gandy include commissions earned related to sales of extended warranty contracts through LND and LNCPJE, which were paid directly to Phil Gandy and Quinton Gandy at the option of LND and LNCPJE. Earned commissions relating to the sales of these contracts reflect a recurring transaction relating to the dealerships and therefore these proprietorships have been included in the accompanying combined financial statements.

REVENUE RECOGNITION -- The Company records revenue when vehicles are delivered to customers, and when vehicle service work is performed. Finance and insurance commission revenue is recognized principally at the time the contract is placed with the financial institutions.

DEALER AGREEMENTS -- The Company purchases substantially all of its new vehicles from manufacturers at the prevailing prices charged by the manufacturer to its franchised dealers. The Company's sales could be unfavorably impacted by the manufacturers' unwillingness or inability to supply the dealership with an adequate supply of new car inventory.

Each dealership operates under a dealer agreement with the manufacturer which generally restricts the location, management and ownership of the respective dealership. The ability of the Company to acquire additional franchises from a particular manufacturer may be limited due to certain restrictions imposed by manufacturers. Additionally, the Company's ability to enter into significant acquisitions may be restricted and the acquisition of the Company's stock by third parties may be limited by the terms of the franchise agreement.

CASH AND CASH EQUIVALENTS -- The Company considers contracts in transit and all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. Contracts in transit represent cash in transit to the Company from finance companies related to vehicle purchases, and was \$2,110,467 at December 31, 1996.

INVENTORIES -- Inventories of new vehicles, including demonstrators, are valued at the lower of last-in, first-out ("LIFO") cost or market. Inventories of used vehicles are stated at the lower of first-in, first-out ("FIFO") cost or market, and parts and accessories are stated at the lower of specific cost or market.

PROPERTY AND EQUIPMENT -- Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets using primarily accelerated methods. The range of estimated useful lives is as follows:

<TABLE>
<CAPTION>

	USEFUL LIVES
<S>	<C>
Parts and service equipment.....	5 years
Office equipment and fixtures.....	5-7 years
Company vehicles.....	5 years

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LAKE NORMAN DODGE, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS -- CONTINUED

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING

POLICIES -- Continued

Leasehold improvements are amortized over the lesser of the terms of their respective leases or the estimated useful lives of the related assets.

Expenditures for maintenance and repairs are expensed as incurred. Significant betterments are capitalized.

INCOME TAXES -- LND has elected to be treated as an S Corporation for federal and state income tax purposes, and LNCPJE is a limited liability company (LLC). As such the stockholders and members, respectively, include their pro rata share of the Company's taxable income for the year in their individual income tax returns. The proprietorship income of Phil and Quinton Gandy combined herein is also included in their personal income tax returns. Accordingly, no provision for federal or state income taxes has been included in the accompanying combined statement of income.

CONCENTRATIONS OF CREDIT RISK -- Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash deposits. At times, amounts invested with financial institutions may exceed FDIC insurance limits.

Concentrations of credit risk with respect to receivables are limited primarily to automobile manufacturers and financial institutions. Credit risk arising from trade receivables from commercial customers is reduced by the large number of customers comprising the trade receivables balances. Trade receivables are concentrated in the Charlotte, North Carolina metropolitan area.

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADVERTISING COSTS -- The Company expenses all costs of advertising when incurred. Advertising costs of \$1,828,534 are included in operating expenses for 1996.

INTERIM FINANCIAL INFORMATION -- The accompanying unaudited financial information for the six months ended June 30, 1997 has been prepared on substantially the same basis as the audited financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information set forth therein. The results for interim periods are not necessarily indicative of the results to be expected for the entire fiscal year.

The combined statement of income for the year ended December 31, 1996 includes expenses approximating \$1,200,000 for discretionary bonuses to stockholders determined at year end. Of this amount approximately \$565,000 was incurred through June 30, 1996. Given the planned acquisition by Sonic, it is uncertain if a similar discretionary bonus will be awarded in 1997. As such, no bonus has been accrued through June 30, 1997.

2. INVENTORIES AND RELATED NOTES PAYABLE -- FLOORPLAN

Inventories at December 31, 1996 and June 30, 1997 consist of the following:

<TABLE> <CAPTION>		DECEMBER 31,
JUNE 30,		1996
1997		
<S>		<C>
<C>		
(UNAUDITED)		
New vehicles.....	\$ 16,617,268	
\$18,626,219		
Used vehicles.....	6,437,598	
3,720,437		
Parts and accessories.....	548,977	
431,832		
Total.....	\$ 23,603,843	
\$22,778,488		

Had the Company used the FIFO method of valuing new vehicle inventory, inventories would have been \$1,564,142 higher and pre-tax income would have been \$414,432 as of and for the year ended December 31, 1996.

All new and certain used vehicles are pledged to collateralize floor plan notes payable to financial institutions in the amount of \$25,957,314 at December 31, 1996. The floor plan notes bear interest, payable monthly on the outstanding balance, at the prime rate plus 0.5% (8.75% at December 31, 1996). Total floor plan interest expense amounted to \$1,552,250 in

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LAKE NORMAN DODGE, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS -- CONTINUED

2. INVENTORIES AND RELATED NOTES PAYABLE -- FLOORPLAN -- Continued

1996. The notes payable are due when the related vehicle is sold. As such, these floor plan notes payable are shown as a current liability in the accompanying balance sheet.

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1996 and June 30, 1997 is comprised of the following:

<TABLE> <CAPTION>		DECEMBER 31,	JUNE 30,
		1996	1997
<S>		<C>	<C>
			(UNAUDITED)
Service equipment.....	\$ 309,944	\$ 373,652	
Parts and accessory equipment.....	35,480	38,876	
Vehicles.....	11,809	53,898	
Furniture and fixtures.....	212,155	278,479	
Leasehold improvements.....	460,097	497,345	
Total at cost.....	1,029,485	1,242,250	
Less accumulated depreciation.....	(543,605)	(675,375)	
Property and equipment, net.....	\$ 485,880	\$ 566,875	

4. NOTE PAYABLE TO BANK AND LONG-TERM DEBT

The note payable with a balance of \$68,168 at December 31, 1996 is due in monthly installments of \$7,172, including interest at 8.25%, through October, 1997. The note is collateralized by modular buildings used in Company operations.

In July, 1996, the Company borrowed \$1,000,000 from Chrysler Financial Corporation. Payments of \$11,905 plus interest at prime plus .5% (8.75% at December 31, 1996) are due monthly, through July, 2003. The loan is collateralized by a security interest in all assets of LNCPJE. Principal is due as follows:

<TABLE> <S>		<C>
1998.....	\$142,857	
1999.....	142,857	

2000.....	142,857
2001.....	142,857
2002.....	142,857
Thereafter.....	71,430
Total.....	785,715
Current maturities.....	142,857
Long-term debt.....	\$928,572

5. OPERATING LEASES

The Company leases its operating facilities from its shareholders under three separate leases expiring March, 2000 and June, 2001. Monthly payments under these leases at December 31, 1996, total \$83,000. One of these leases has an option for renewal for two additional five year terms. The Company pays all operating costs such as utilities, repairs, maintenance and insurance relating to these facilities. Total payments made to related parties under these leases in 1996 were \$786,000 exclusive of operating costs.

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LAKE NORMAN DODGE, INC. AND AFFILIATED COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS -- CONTINUED

5. OPERATING LEASES -- Continued

At December 31, 1996 future minimum rental payments under these operating leases are as follows:

<TABLE>	
<CAPTION>	
YEAR	
<S>	<C>
1997.....	\$ 996,000
1998.....	996,000
1999.....	996,000
2000.....	564,000
2001.....	210,000
Total.....	\$3,762,000

The Company leases automobiles through Chrysler Finance under twenty-four and thirty-six month agreements expiring at various dates. The Company pays monthly rental of varying amounts. In addition, the Company pays all operating costs, including insurance, repairs, and maintenance. Payments under automobile leases were \$170,800 in 1996.

At December 31, 1996, minimum future lease payments under these leases are as follows:

<TABLE>	
<S>	
1997.....	\$216,000
1998.....	81,000
Total.....	\$297,000

6. RELATED PARTIES

DUE FROM RELATED PARTIES -- Due from employees includes \$219,878 due from shareholders. These amounts bear interest at the prevailing U. S. Treasury rates for short-term debt, are noncollateralized and have no specific repayment terms.

Amounts due from related partnership are noninterest bearing, noncollateralized and have no specific repayment terms.

7. EMPLOYEE SAVINGS PLAN

The Company operates a savings plan under Section 401(k) of the Internal Revenue Code. This plan allows employees to defer a portion of their income on a pre-tax basis through plan contributions. The Company makes matching contributions up to 2% of employee salary. Company contributions to the plan in 1996 totaled \$56,800. The Company also paid plan expenses of \$1,312.

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KEN MARKS FORD, INC.
 UNAUDITED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED
 APRIL 30, 1997

(NOT COVERED BY REPORT OF INDEPENDENT AUDITORS)

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KEN MARKS FORD, INC.

BALANCE SHEET

APRIL 30, 1997
(UNAUDITED)

<TABLE>	
<S>	
<C>	
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents.....	\$
3,898,793	
Receivables.....	
1,056,650	
Inventories (Note 2).....	
11,216,499	
Prepaid expenses.....	
259,633	
Deferred income taxes (Note 5).....	
96,500	
TOTAL CURRENT ASSETS.....	
16,528,075	
PROPERTY AND EQUIPMENT (Note 3).....	
470,738	
OTHER ASSETS.....	
14,000	
TOTAL ASSETS.....	
\$17,012,813	
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Notes payable -- floor plan (Note 2).....	
\$12,557,574	
Trade accounts payable.....	
542,092	
Other accrued liabilities (Note 7).....	
1,556,830	
Allowance for insurance, service contract and finance income chargebacks.....	
224,544	
Income tax payable (Note 5).....	
23,948	
TOTAL CURRENT LIABILITIES.....	
14,904,988	
DEFERRED INCOME TAXES (Note 5).....	
18,500	
COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)	
STOCKHOLDERS' EQUITY:	
Common stock, \$1.00 par value, 500 shares authorized and issued.....	
500	
Paid-in capital.....	
423,800	
Retained earnings.....	
1,665,025	
Total stockholders' equity.....	
2,089,325	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	
\$17,012,813	
</TABLE>	

See notes to unaudited financial statements.

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KEN MARKS FORD, INC.

STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED APRIL 30, 1997
(UNAUDITED)

<TABLE>	
<S>	
<C>	
REVENUES:	
Vehicle sales.....	
\$129,162,872	
Parts, service and collision repairs.....	
13,116,124	
Finance and insurance.....	
2,188,071	
Total revenues.....	
144,467,067	
COST OF SALES.....	

126,870,910	
GROSS PROFIT.....	
17,596,157	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 7).....	
15,743,940	
DEPRECIATION AND AMORTIZATION.....	
100,771	
OPERATING INCOME.....	
1,751,446	
OTHER INCOME AND EXPENSE:	
Interest expense, floor plan.....	
2,008,408	
Other income.....	
1,023,289	
Total other income and expense.....	
985,119	
INCOME BEFORE INCOME TAXES.....	
766,327	
PROVISION FOR INCOME TAXES (Note 5).....	
300,730	
NET INCOME.....	
465,597	
RETAINED EARNINGS, April 30, 1996.....	
1,219,428	
DIVIDENDS PAID TO STOCKHOLDERS (\$40 per share).....	
(20,000)	
RETAINED EARNINGS, April 30, 1997.....	\$
1,665,025	
</TABLE>	

See notes to unaudited financial statements.

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KEN MARKS FORD, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 1997

(UNAUDITED)

<TABLE>	
<S>	
<C>	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income.....	\$
465,597	
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization.....	
100,771	
Deferred income taxes.....	
16,400	
Loss on disposal of property and equipment.....	
45,192	
Change in operating assets and liabilities:	
Increase in accounts receivable.....	
(153,935)	
Decrease in inventories.....	
5,197,289	
Decrease in prepaid expenses.....	
29,467	
Decrease in due from related parties.....	
134,141	
Decrease in notes payable, floor plan.....	
(3,401,972)	
Increase in trade accounts payable.....	
186,159	
Decrease in accrued expenses and other payables.....	
(1,022,066)	
Decrease in allowance for insurance, service contract and finance income chargebacks.....	
(85,104)	
Decrease in income tax payable.....	
(37,794)	
Total adjustments.....	
1,008,548	
Net cash provided by operating activities.....	
1,474,145	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment.....	
(183,674)	
Net cash used in investing activities.....	
(183,674)	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Dividends paid to stockholders.....	
(20,000)	

Net cash used in financing activities.....	
(20,000)	
NET INCREASE IN CASH.....	
1,270,471	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	
2,628,322	
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$
3,898,793	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest.....	\$
2,008,408	
Income taxes.....	\$
322,064	

</TABLE>

See notes to unaudited financial statements.

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KEN MARKS FORD, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 1997

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS -- Ken Marks Ford, Inc. (the Company) operates an automobile dealership in the Tampa-Clearwater areas in Florida. The Company's products and services include retail sales of new and used automobiles and light trucks, wholesale sales of used automobiles and trucks, vehicle financing and insurance and replacement parts and service.

In July 1997, the Company signed a definitive purchase agreement whereby its outstanding capital stock would be acquired by Sonic Automotive, Inc. for \$24,982,500. This acquisition is to be effective prior to the completion of an anticipated public offering of common stock by Sonic Automotive, Inc. in 1997.

REVENUE RECOGNITION -- The Company records revenue when vehicles are delivered to customers, and when vehicle service work is performed. Finance and insurance commission revenue is recognized principally at the time the contract is placed with the financial institution.

DEALER AGREEMENTS -- The Company purchases substantially all of its new vehicles from manufacturers at the prevailing prices charged by the manufacturer to its franchised dealers. The Company's sales could be unfavorably impacted by the manufacturer's unwillingness or inability to supply the dealership with an adequate supply of new car inventory. Each dealership operates under a dealer agreement with the manufacturer. These agreements generally restrict the location, management and ownership of the respective dealership.

CASH AND CASH EQUIVALENTS -- The Company considers contracts in transit and all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. Contracts in transit represent cash in transit to the Company from finance companies related to vehicle purchases, and was \$1,752,720 at April 30, 1997.

INVENTORIES -- New vehicle inventory is stated at the lower of cost or market determined on a last-in, first-out basis (LIFO). The parts inventory is determined using Ford's replacement cost and then adjusted on a LIFO basis using the current year parts price index. Used vehicle inventory is valued on a specific identification basis.

PROPERTY AND EQUIPMENT -- These assets are carried at cost. Major additions are capitalized while maintenance and repairs which do not improve or extend the useful life of the respective assets are expensed currently. When property is retired or otherwise disposed of, the cost of the property is eliminated from the asset account, accumulated depreciation is charged with an amount equal to the depreciation provided and the difference, if any, is charged or credited to income.

Depreciation is provided on both the straight-line and declining balance methods over the estimated useful lives as follows:

<TABLE>	
<S>	<C>
Leasehold improvements.....	18-31 years
Machinery and equipment.....	5-7 years
Furniture and fixtures.....	5-7 years
</TABLE>	

INCOME TAXES -- Deferred income tax assets and liabilities are determined based on the difference between financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates and laws that will be

in effect when the differences are expected to reverse.

CONCENTRATIONS OF CREDIT RISK -- Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash deposits. At times, amounts invested with financial institutions may exceed FDIC insurance limits.

Concentrations of credit risk with respect to receivables are limited primarily to automobile manufacturers and financial institutions. Credit risk arising from trade receivables from commercial customers is reduced by the large number of customers comprising the trade receivables balance. Trade receivables are concentrated in the Tampa metropolitan area.

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KEN MARKS FORD, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS -- CONTINUED

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Advertising -- Advertising costs are charged to operations in the year incurred and totaled approximately \$487,000 for the year ended April 30, 1997.

2. INVENTORIES AND RELATED NOTES PAYABLE -- FLOOR PLAN

Inventories at April 30, 1997 consisted of the following:

<TABLE>	<C>
<S>	
New vehicles.....	\$ 8,431,786
Used vehicles.....	2,341,929
Parts and accessories.....	442,784
Total.....	\$11,216,499
</TABLE>	

All new and certain used vehicles are pledged to collateralize floor plan notes payable to financial institutions in the amount of \$12,557,574 at April 30, 1997. The floor plan notes bear interest, payable monthly on the outstanding balance, at the prime rate plus 1% (9.5% at April 30, 1997). Total floor plan interest expense amounted to \$2,008,408 during the year ended April 30, 1997. The notes payable become due when the related vehicle is sold. As such, these floor plan notes payable are shown as a current liability in the accompanying balance sheet.

Certain inventory items collateralize the demand notes payable described in Note 4. All new vehicles and demonstrators and substantially all parts and accessories are purchased from Ford Motor Company.

3. PROPERTY AND EQUIPMENT

Property and equipment as of April 30, 1997 consisted of the following:

<TABLE>	<C>
<S>	
Parts and service equipment.....	\$ 333,063
Furniture and fixtures.....	400,152
Leasehold improvements.....	481,815
	1,215,030
Less accumulated depreciation.....	(744,292)
Property and equipment, net.....	\$ 470,738
</TABLE>	

4. DEMAND NOTES PAYABLE

The Company has a revolving line of credit with Ford Motor Credit Corporation in the amount of \$2,500,000. At April 30, 1997, no amount was outstanding relating to this line of credit. The line of credit is collateralized by a blanket lien on inventory and all assets of the Company.

5. INCOME TAXES

The provision for income taxes consists of the following:

<TABLE>	<C>
<S>	
Current taxes.....	\$ 290,930
Deferred taxes.....	9,800

Provision for income taxes..... \$ 300,730
 </TABLE>

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KEN MARKS FORD, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS -- CONTINUED

5. INCOME TAXES -- Continued

Amounts for deferred income tax assets and liabilities as of April 30, 1997 are as follows:

<TABLE> <S>	<C>
Deferred tax asset -- current, primarily from differences relating to finance and insurance reserves and allowance for bad debts.....	\$ 96,500
Deferred tax liability -- long-term, primarily from differences relating to depreciation.....	(18,500)
Net deferred tax asset.....	\$ 78,000

</TABLE>

The effective tax rate of the Company for federal and state tax purposes does not materially vary from the federal and state statutory rates of 34% and 5.5%, respectively.

6. CONTINGENCIES

The Company has an agreement with certain financial institutions whereby the Company receives a portion of the finance income on contracts financed with those institutions. Should the financial institution suffer a loss on the contract through early pay-off, repossession or other related circumstances, the Company would be contingently liable for a percentage of finance income previously received. The accompanying financial statements include a liability for estimated finance income chargebacks of \$160,447 at April 30, 1997 for this contingency.

Ford Motor Company (FMC) owns vehicles which are used as short-term rentals for which the Company pays FMC monthly fees. A portion of the fees are applied against the purchase price the Company must pay for the vehicles when they are no longer used for rental. The contingent liability to FMC to purchase the vehicles under this program was \$1,771,151 at April 30, 1997.

7. COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Company leases its operating facility from a corporation which is owned by the Company's stockholders. The lease is currently on a month-to-month basis. Rent charged to expense under this lease was \$359,630 for the year ended April 30, 1997. In addition, management fees of \$675,000 for the year ended April 30, 1997 were paid by the Company to the above corporation and are included in selling, general and administrative expenses. In addition, related party payables of \$270,000 were included in other accrued liabilities at April 30, 1997.

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NO DEALER, SALESPERSON, OR ANY OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE CLASS A COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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UNTIL , 1997 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE CLASS A COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

SHARES
SONIC AUTOMOTIVE, INC.
CLASS A COMMON STOCK

PROSPECTUS

MERRILL LYNCH & CO.

MONTGOMERY SECURITIES

WHEAT FIRST BUTCHER SINGER

, 1997

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the expenses to be borne by the Registrant in connection with the issuance and distribution of the securities being registered hereby other than underwriting discounts and commissions. All the amounts shown are estimates, except for the registration fee with the Securities and Exchange Commission, the NASD filing fee and the NYSE fees.

<TABLE>	
<S>	<C>
SEC Registration fee.....	\$ 31,516
NASD filing fee.....	10,900
NYSE fees.....	
Transfer agent and registrar fees.....	
Accounting fees and expenses.....	
Legal fees and expenses.....	
"Blue Sky" fees and expenses (including legal fees).....	
Costs of printing and engraving.....	
Miscellaneous.....	
Total.....	\$
</TABLE>	

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Registrant's Bylaws effectively provide that the Registrant shall, to the full extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as amended from time to time ("Section 145"), indemnify all persons whom it may indemnify pursuant thereto. In addition, the Registrant's Amended and Restated Certificate of Incorporation eliminates personal liability of its directors to the full extent permitted by Section 102(b)(7) of the General Corporation Law of the State of Delaware, as amended from time to time ("Section 102(b)(7)").

Section 145 permits a corporation to indemnify its directors and officers against expenses (including attorney's fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by them in connection with any action, suit or proceeding brought by a third party if such directors or officers acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reason to believe their conduct was unlawful. In a derivative action, indemnification may be made only for expenses actually and reasonably incurred by directors and officers in connection with the defense or settlement of an action or suit and only with respect to matter as to which they shall have acted in good faith and in a manner they reasonably

believed to be in or not opposed to the best interest of the corporation, except that no indemnification shall be made if such person shall have been adjudged liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine upon application that the defendant officers or directors are reasonably entitled to indemnify for such expenses despite such adjudication of liability.

Section 102(b)(7) provides that a corporation may eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for reach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for willful or negligent conduct in paying dividends or repurchasing stock out of other than lawfully available funds or (iv) for any transaction from which the director derived an improper personal benefit. No such provisions shall eliminate or limit the liability of a director for any act or omission occurring prior to the date when such provision becomes effective.

The Company intends to obtain, prior to the effective date of the Registration Statement, insurance against liabilities under the Securities Act of 1933 for the benefit of its officers and directors.

Section 7 of the Underwriting Agreement (to be filed as Exhibit 1.1 to this Registration Statement) provides that the Underwriters severally and not jointly will indemnify and hold harmless the Registrant and each director, officer or controlling person of the Registrant from and against any liability caused by any statement or omission in the Registration Statement or Prospectus based upon information furnished to the Registrant by the Underwriters for use therein.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Except as hereinafter set forth, there have been no sales of unregistered securities by the Registrant within the past three years.

As of January 30, 1997, as part of the original organization of the Company, the Registrant issued to Sonic Financial Corporation 100 shares of Common Stock of the Company (the "Original Shares") in exchange for \$500 in cash.

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As of June 30, 1997, as part of the Reorganization, the Registrant issued to (i) its Chief Executive Officer, Bruton Smith, 1,657 shares of the Registrant's Class B Common Stock in exchange for all his interests in Town & Country Toyota and Fort Mill Ford, (ii) Sonic Financial Corporation 7,105 shares of its Class B Common Stock in exchange for all its interests in the Original Shares, Town & Country Ford, Fort Mill Ford, Lone Star Ford and Frontier Plymouth-Oldsmobile-Cadillac, (iii) William S. Egan 473 shares of its Class B Common Stock in exchange for all his interest in Town & Country Toyota, and (iv) Bryan Scott Smith 765 shares of its Class B Common Stock in exchange for all his interests in Town & Country Ford and Fort Mill Ford. In each such transaction, the securities were not registered under the Securities Act, in reliance upon the exemption from registration provided by Section 4(2) of said Act in view of the sophistication of the foregoing purchasers, their access to material information, the disclosures actually made to them by the Registrant and the absence of any general solicitation or advertising.

On August , 1997, the Registrant issued to nine of its officers and employees, pursuant to the Registrant's Stock Option Plan, options to purchase shares of Class A Common Stock in the aggregate. Such securities were not registered under the Securities Act because such grants were made without consideration to the Registrant and, consequently, do not constitute offers or sales within the meaning of Section 5 of the Securities Act.

ITEM 16. EXHIBITS.

<TABLE> <CAPTION> EXHIBIT NO. <C>	<S> DESCRIPTION
1.1*	Form of Underwriting Agreement
3.1	Amended and Restated Certificate of Incorporation of the Company
3.2	Bylaws of the Company
4.1*	Form of Class A Common Stock Certificate
4.2	Registration Rights Agreement dated as of June 30, 1997 among the Company, O. Bruton Smith, Bryan Scott Smith, William S. Egan and Sonic Financial Corporation
5.1*	Opinion letter of Parker, Poe, Adams & Bernstein, L.L.P. regarding the legality of the securities to be registered
10.1 Bowers,	Form of Lease Agreement to be entered into between the Company (or its subsidiaries) and Nelson E. II or his affiliates
10.2*	Form of Lease Agreement to be entered into between the Company (or its subsidiaries) and Marks Holding Company, Inc.

10.3*	Lease Agreement dated as of January 1, 1995 between Lone Star Ford, Inc. and Viking Investment Associates
10.4*	Lease Agreement dated as of October 23, 1979 between O. Bruton Smith, Bonnie Smith and Town and Country Ford, Inc.
10.5*	North Carolina Warranty Deed dated as of April 24, 1987 between O. Bruton Smith and Bonnie Smith, as Grantors and STC Properties, as Grantee
10.6*	Lease dated January 13, 1995 between JAG Properties LLC and Jaguar of Chattanooga LLC
10.7*	Lease dated October 18, 1991 by and between Nelson E. Bowers II, Thomas M. Green, Jr., and Infiniti of Chattanooga, Inc.
10.8*	Amendment to Lease Agreement dated as of January 13, 1995 among Nelson E. Bowers II, Thomas M. Green, Jr., JAG Properties LLC and Infiniti of Chattanooga, Inc.
10.9*	Lease dated March 15, 1996 between Cleveland Properties LLC and Cleveland Chrysler-Plymouth-Jeep-Eagle LLC
10.10*	Lease Agreement dated January 2, 1993 among Nelson E. Bowers II, Thomas M. Green, Jr. and Cleveland Village Imports, Inc.
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10.12*	Ford Motor Credit Company Automotive Wholesale Plan Application for Wholesale Financing and Security Agreement dated August 22, 1984 by Town and Country Ford, Inc.
10.13*	Long Term Debt Agreement dated October 5, 1990 between Marcus David Corporation and World Omni Financial Corp.
10.14*	Demand Promissory Note dated October 5, 1990 of Marcus David Corporation in favor of World Omni Financial Corp.
10.15*	Security Agreement & Master Credit Agreement dated April 24, 1995 between Cleveland Chrysler-Plymouth-Jeep-Eagle LLC and Chrysler Credit Corporation
10.16*	Security Agreement & Master Credit Agreement dated April 24, 1995 between Saturn of Chattanooga and Chrysler Credit Corporation

</TABLE>

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<TABLE> <CAPTION> EXHIBIT NO. <C>	DESCRIPTION
10.17*	Security Agreement & Master Credit Agreement dated April 24, 1995 between Nelson Bowers Ford, L.P. and Chrysler Credit Corporation
10.18*	Floor Plan Agreement dated May 6, 1996 between European Motors, LLC and NationsBank, N.A.
10.19*	Floor Plan Agreement dated April 11, 1996 between KIA of Chattanooga, LLC and NationsBank, N.A.
10.20*	Floor Plan Agreement dated October 17, 1996 between European Motors of Nashville, LLC and NationsBank, N.A.
10.21*	Floor Plan Agreement dated March 5, 1997 between Nelson Bowers Dodge, LLC and NationsBank, N.A.
10.22*	Dealer Agreement dated August 22, 1996 between Lake Norman Chrysler-Plymouth-Jeep-Eagle, LLC and Barnett Bank
10.23*	Security Agreement & Capital Loan Agreement dated May 15, 1996 between Lake Norman Dodge, Inc and Chrysler Financial Corp.
10.24*	Security Agreement-Guaranty dated May 15, 1996 between Lake Norman Chrysler-Plymouth-Jeep-Eagle, LLC and Chrysler Financial Corp.
10.25*	Floor Plan Agreement dated September 1, 1996 between NationsBank, N.A. and Dyer & Dyer, Inc.
10.26*	Security Agreement and Master Credit Agreement dated April 21, 1995 between Cleveland Village Imports, Inc. and Chrysler Credit Corporation
10.27*	Jaguar Credit Corporation Automotive Wholesale Plan Application for Wholesale Financing and Security Agreement dated March 14, 1995 by Jaguar of Chattanooga LLC
10.28*	Assignment of Joint Venture Interest in Chartown dated as of June 30, 1997 among Town and Country Ford, Inc. SMDA LLC and Sonic Financial Corporation
10.29*	Form of Employment Agreement between the Company and O. Bruton Smith
10.30	Form of Employment Agreement between the Company and Bryan Scott Smith
10.31	Form of Employment Agreement between the Company and Theodore M. Wright
10.32	Form of Employment Agreement between the Company and Nelson E. Bowers, II
10.33	Tax Allocation Agreement dated as of June 30, 1997 between the Company and Sonic Financial Corporation
10.34	Form of Sonic Automotive, Inc. Stock Option Plan
10.35	Form of Sonic Automotive, Inc. Employee Stock Purchase Plan
10.36	Subscription Agreement dated as of June 30, 1997 between O. Bruton Smith and the Company
10.37	Subscription Agreement dated as of June 30, 1997 between Sonic Financial Corporation and the Company
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21.1	Subsidiaries of the Company
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of Dixon Odom & Co.
23.3	Consent of Parker, Poe, Adams & Bernstein L.L.P. (included in Exhibit 5.1 to this Registration Statement)
24	Power of Attorney (included on the signature page to this Registration Statement)
27	Financial Data Schedule
99.1	Consent of Nelson E. Bowers, II

</TABLE>

* To be furnished by Amendment.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the Underwriters, at the closing or closings specified in the Underwriting Agreement, certificates in such denominations and registered in such names as may be required by the Underwriters in order to permit prompt delivery to each purchaser.

The undersigned Registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed part of this Registration Statement as of the time it was declared effective.

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(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Charlotte, North Carolina on August 8, 1997.

SONIC AUTOMOTIVE, INC.

By:

O. BRUTON SMITH
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY

We, the undersigned directors and officers of Sonic Automotive, Inc., do hereby constitute and appoint each of Messrs. O. Bruton Smith, Bryan Scott Smith, and Theodore M. Wright, each with full power of substitution, our true and lawful attorney-in-fact and agent to do any and all acts and things in our names and in our behalf in our capacities stated below, which acts and things either of them may deem necessary or advisable to enable Sonic Automotive, Inc. to comply with the Securities Act of 1933, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Registration Statement, including specifically, but not limited to, power and authority to sign for any or all of us in our names, in the capacities stated below, any and all amendments (including post-effective amendments) hereto and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission; and we do hereby ratify and confirm all that they shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the date indicated:

<TABLE> <CAPTION>	SIGNATURE	TITLE	DATE
<S>	/s/	<C> Chairman and Chief Executive Officer	<C> August 8, 1997

	O. BRUTON SMITH	(principal executive officer)	
	/s/ BRYAN SCOTT SMITH	President, Chief Operating Officer and Director	August 8, 1997
	/s/ THEODORE M. WRIGHT	Vice President, Treasurer, Chief Financial Officer (principal financial and accounting officer) and Director	August 8, 1997
1997	/s/ WILLIAM R. BROOKS	Director	August 8,

</TABLE>

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EXHIBIT INDEX

<TABLE>
<CAPTION>

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27	Financial Data Schedule
99.1	Consent of Nelson E. Bowers, II

</TABLE>

* To be furnished by Amendment.

</TEXT>
</DOCUMENT>
<DOCUMENT>
<TYPE>EX-3
<SEQUENCE>2
<DESCRIPTION>EXHIBIT 3.1
<TEXT>

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
SONIC AUTO WORLD, INC.

Sonic Auto World, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Sonic Auto World, Inc. The date of filing of its original Certificate of Incorporation with the Secretary of State was January 30, 1997.

2. This Amended and Restated Certificate of Incorporation amends and restates the Certificate of Incorporation of this corporation in its entirety as follows:

ARTICLE I

NAME

The name of the corporation is Sonic Automotive, Inc. (the "Corporation").

ARTICLE II

REGISTERED OFFICE AND AGENT

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

ARTICLE III

PURPOSE

The purpose of the Corporation is to engage in any lawful act or

activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE IV

CAPITAL STOCK

SECTION 4.01. AUTHORIZED CAPITAL STOCK. The aggregate number of shares of capital stock which the Corporation shall have authority to issue is sixty-eight million (68,000,000) shares divided into the following classes:

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(a) Fifty million (50,000,000) shares of Class A Common Stock with a par value of one cent (\$0.01) per share (the "Class A Common Stock");

(b) Fifteen million (15,000,000) shares of Class B Common Stock with a par value of one cent (\$0.01) per share (the "Class B Common Stock"); and

(c) Three million (3,000,000) shares of Preferred Stock with a par value of ten cents (\$0.10) per share (the "Preferred Stock").

Each share of Class A Common Stock and each share of Class B Common Stock (collectively, the "Common Stock") shall be identical in all respects and shall have equal voting powers, preferences and relative rights, except as otherwise provided in this Article IV.

SECTION 4.02. VOTING.

(a) Each holder of Class A Common Stock shall have one (1) vote for each share of Class A Common Stock standing in such holder's name on the stock transfer records of the Corporation with respect to each matter submitted to a vote of the stockholders. Except as otherwise provided in subparagraph (b) below, each holder of Class B Common Stock shall have ten (10) votes for each share of Class B Common Stock standing in such holder's name on the stock transfer records of the Corporation with respect to each matter submitted to a vote of the stockholders. Except as otherwise required by law, the holders of the Class A Common Stock and the holders of the Class B Common Stock shall in all matters vote together as a single class; provided, however, that the affirmative vote of the holders of a majority of the shares of the Class A Common Stock and/or the holders of a majority of the shares of the Class B Common Stock, each voting separately as a class, as applicable, is required in order to increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of the shares of such class, or modify or change the powers, preferences or special rights of the shares of such class so as to affect such class adversely.

(b) Each holder of Class A Common Stock and Class B Common Stock shall have one (1) vote for each share of Class A Common Stock or Class B Common Stock, as the case may be, standing in such holder's name on the stock transfer records of the Corporation on the following matters proposed or approved by the Board of Directors of the Corporation or proposed by or on behalf of the holders of Class B Common Stock or as to which any member of the Smith Group (as hereinafter defined) or any affiliate thereof has a material financial interest other than as a then-existing stockholder of the Corporation:

(i) Any vote by the stockholders of the Corporation on any Rule 13e-3 transaction as such term is defined in Rule 13e-3 promulgated under the Securities Exchange Act of 1934;

(ii) Any vote by the stockholders of the Corporation on any sale or other disposition of all or substantially all of the assets of the Corporation to any other Person;

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(iii) Any vote by the stockholders of the Corporation on any sale or transfer of assets which would cause the Corporation's business to no longer be primarily oriented toward automobile dealership operations and related activities; and

(iv) Any vote by the stockholders of the Corporation on any merger or consolidation of the Corporation in which the holders of the Corporation's Common Stock will own less than 50% of the Common Stock following such transaction.

An "affiliate" is defined as (1) any individual or entity who or that, directly or indirectly, controls, is controlled by, or is under common control with any member of the Smith Group, (2) any corporation or organization (other than the Corporation or a majority-owned subsidiary of the Corporation) of which any member of the Smith Group is an officer, partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of voting securities, or in which any member of the Smith Group has a substantial beneficial interest, (3) a voting trust or similar arrangement pursuant to which any member of the Smith Group generally controls the vote of the shares of Common Stock held by or subject to such trust or arrangement, (4) any other trust or estate in which any member of the Smith Group has a substantial beneficial interest or as to which any member of the Smith Group serves as trustee or a similar fiduciary capacity, or (5) any relative or spouse of any member of the Smith Group or any relative of such spouse, who has the same residence as any member of the Smith Group.

SECTION 4.03. CONVERSION OF CLASS B COMMON STOCK. Each share of Class B Common Stock shall be convertible, at the option of the holder thereof, into one fully paid and nonassessable share of Class A Common Stock. Any such conversion may be effected by any holder of Class B Common Stock at any time, and from time to time, by surrendering such holder's certificate or certificates representing the Class B Common Stock to be converted, duly endorsed, at the office of the Corporation or any duly appointed and acting transfer agent for the Class B Common Stock, as applicable, together with a written notice to the Corporation at such office that such holder elects to convert all or a specified number of shares of Class B Common Stock represented by such certificate and stating the name or names in which such holder desires the certificate or certificates representing the Class A Common Stock to be issued. Any certificate for shares surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder of such shares or the duly authorized representative of such holder. Promptly thereafter, the Corporation shall issue and deliver to such holder or such holder's nominee or nominees a certificate or certificates for the number of shares of Class A Common Stock to which such holder shall be entitled as herein provided. Such conversion shall be deemed to have been made immediately and automatically at the closing of business on the date of receipt by the Corporation or any such transfer agent, and the person or persons entitled to receive the Class A Common Stock issuable on such conversion shall be treated for all purposes as the record holder or holders of such Class A Common Stock at the close of business on that date. A number of shares of Class A Common Stock equal to the number of shares of Class B Common Stock outstanding from time to time shall be set aside and reserved for issuance upon conversion of shares of Class B Common Stock. Class A Common Stock shall have no conversion rights.

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SECTION 4.04. LIMITATIONS ON TRANSFERABILITY OF CLASS B COMMON STOCK; DEEMED CONVERSIONS.

(a) A member of the Smith Group who owns shares of Class B Common Stock (a "Class B Stockholder") may transfer, directly or indirectly, shares of Class B Common Stock, whether by sale, assignment, gift or otherwise, only to another member of the Smith Group, and no Class B Stockholder may otherwise transfer beneficial ownership of any shares of Class B Common Stock. In the event of any attempted transfer of the beneficial ownership of any shares of Class B Common Stock in violation of the limitation provided in the preceding sentence, the shares of Class B Common Stock with respect to which the transfer of such beneficial ownership has been attempted shall be deemed to have been converted automatically, without further deed or action by or on behalf of any person, into shares of Class A Common Stock. Notwithstanding the foregoing, in the event of a deemed conversion of Class B Common Stock to Class A Common Stock pursuant to the provisions of this Section 4.04(a), the transfer resulting in such deemed conversion shall be effective with respect to the Class A Common Stock issued pursuant thereto.

(b) If the total number of shares of Common Stock held by members of the Smith Group is less than 15% of the total number of shares of Common Stock outstanding, all of the outstanding shares of Class B Common Stock shall automatically be deemed converted to Class A Common Stock.

A member of the Smith Group consists of the following persons:

(i) Mr. O. Bruton Smith and his guardian, conservator, committee, or attorney in fact;

(ii) Mr. William S. Egan and his guardian, conservator, committee, or attorney in fact;

(iii) each lineal descendant of Messrs. Smith and Egan (each, a "Descendant") and their respective guardians, conservators, committees, or attorneys in fact;

(iv) each Family Controlled Entity (as hereinafter defined).

The term "Family Controlled Entity" means:

(i) any not for profit corporation if at least 80% of its Board of Directors is composed of Mr. Smith, Mr. Egan and/or Descendants;

(ii) any other corporation if at least 80% of the value of its outstanding equity is owned by members of the Smith Group;

(iii) any partnership if at least 80% of the value of the partnership interests are owned by members of the Smith Group; and

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(iv) any limited liability or similar company if at least 80% of the value of the company is owned by members of the Smith Group.

Notwithstanding anything to the contrary set forth herein, any holder of Class B Common Stock may pledge such shares to a pledgee pursuant to a bona fide pledge of such shares as collateral security for indebtedness due to the pledgee; provided, however, that such shares may not be transferred to or registered in the name of the pledgee unless such pledgee is a member of the Smith Group. In the event of foreclosure or other similar action by the pledgee, such pledged shares shall automatically, without any act or deed on the part of the Corporation or any other person, be deemed converted into shares of Class A Common Stock unless within five (5) business days after such foreclosure or similar event such pledged shares are returned to the pledgor or transferred to a member of the Smith Group. The foregoing provisions of this paragraph shall not be deemed to restrict or prevent any transfer of such shares by operation of law upon incompetence, death, dissolution or bankruptcy of any Class B Stockholder or any provision of law providing for, or judicial order of, forfeiture, seizure or impoundment.

(c) Any transferee of shares of Class B Common Stock pursuant to a transfer made in violation of this Section 4.04 or pursuant to the last sentence of Section 4.04(b) other than to a member of the Smith Group shall have no rights as a holder of Class B Common Stock and no other rights against or with respect to the Corporation except the right to receive, in accordance with this Section 4.04, shares of Class A Common Stock upon the conversion of such transferred shares.

(d) Shares of Class B Common Stock shall not be issuable to any person other than a member of the Smith Group. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation, the Corporation shall, to the fullest extent permitted by law, be entitled to issue shares of Class B Common Stock to any member of the Smith Group from time to time.

(e) The Corporation and any transfer agent of Class B Common Stock may, as a condition to the transfer or the registration of any transfer of shares of Class B Common Stock permitted by this Section 4.04 require the furnishing of such affidavits or other proof as they deem necessary to establish that such transferee is a member of the Smith Group.

(f) For purposes of this Section 4.04, the term "beneficial ownership" in respect of shares of Class B Common Stock shall mean possession of the power of authority, either singly or jointly with another, to vote or dispose of, or to direct the voting or disposition of, such shares and the term "beneficial owner" in respect of shares of Class B Common Stock shall mean the person or persons who possess such power and authority.

SECTION 4.05. DIVIDENDS AND DISTRIBUTIONS ON COMMON STOCK.

(a) Subject to the preferential rights, if any, of the holders of Preferred Stock, holders of Class A Common Stock and Class B Common Stock shall be entitled to share ratably as a single class in all dividends and other distributions of cash, shares of capital stock of the Corporation, other securities of the Corporation or any other company, or any other right or property

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as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor.

(b) Dividends may be paid in shares of Class A Common Stock or Class B Common Stock, but shares of Class A Common Stock may be paid only to holders of Class A Common Stock and shares of Class B Common Stock may be paid only to holders of Class B Common Stock and the same number of shares shall be paid in respect of each outstanding share of Class A Common Stock and Class B Common Stock.

(c) In the event the Corporation shall be liquidated (either partially or completely), dissolved or wound up, whether voluntarily or involuntarily, each share of Class A Common Stock and Class B Common Stock shall be entitled to an equal distribution of net assets.

(d) Whenever the Corporation shall (i) declare a dividend on shares of any class of Common Stock in shares of such class of Common Stock or in securities convertible into or exchangeable for shares of such class of Common Stock, (ii) subdivide the outstanding shares of any class of Common Stock, (iii) combine the outstanding shares of any class of Common Stock into a smaller number of shares, or (iv) issue any shares of any class of Common Stock upon reclassification of such shares, an identical dividend, subdivision, combination or other adjustment shall be made with respect to the outstanding shares of the other class or classes of Common Stock.

(e) In any merger, consolidation, or business combination involving the Corporation or any subsidiary of the Corporation, the consideration to be received per share by the holders of Class A Common Stock and Class B Common Stock must be identical for each class of stock, except that in any such transaction in which shares of Common Stock are to be distributed, such shares may differ as to voting rights to the extent that voting rights now differ among the Class A Common Stock and Class B Common Stock.

SECTION 4.06. PREFERRED STOCK.

The Preferred Stock may be issued from time to time in one or more series, each series to have distinctive designations. The powers, preferences and rights of each such series of Preferred Stock and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series of Preferred Stock at any time outstanding. The Board of Directors is hereby expressly granted the authority to cause the Preferred Stock to be issued in one or more series and, with respect to each such series, to fix by resolutions, the following characteristics prior to the issuance thereof:

(a) The designation of the series, which may be by distinguishing number, letter or title;

(b) The number of shares of the series, which number the Board of Directors may (except as otherwise provided in the creation of the series) increase or decrease (but not below the number of shares thereof then outstanding);

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(c) The voting rights of the shares of the series, which rights may be full or limited, or which shares may be without voting power;

(d) The dividend rights of the shares of the series, if any, including without limitation the dividend rates, the dividend payment dates, whether dividends will be cumulative, adding conditions for payment and any payment preferences in relation to the dividends payable on any other class or classes or series of stock of the Corporation;

(e) The redemption rights, if any, and the price or prices for the shares of the series;

(f) Sinking funds requirements, if any, for the purchase or redemption of shares of the series;

(g) Rights upon liquidation, dissolution, or winding up of the Corporation or upon the distribution of the assets of the Corporation;

(h) Whether the shares of the series shall be convertible into shares of any other class or classes or into shares of any other series of the same or of any other class or classes of stock, and if so, the conversion price, any adjustments thereof and all other terms and conditions upon which such conversion may be made; and

(i) Such other powers, preferences, rights, qualifications, limitations or restrictions as the Board of Directors shall determine;

all as shall be stated in the Resolution or Resolutions of the Board of Directors providing for the issuance of such series of preferred stock.

The relative powers, preferences and rights of each series of Preferred Stock in relation to the powers, preferences and rights of each other series of Preferred Stock shall, in each case, be as fixed from time to time by the Board of Directors in the resolution or resolutions adopted pursuant to the authority granted in this Section 4.06, and the consent, by class or series vote or otherwise, of the holders of Preferred Stock of such of the series of Preferred Stock as are from time to time outstanding shall not be required for the issuance by the Corporation, acting at the direction of the Board of Directors, of any other series of Preferred Stock, regardless of whether the powers, preferences and rights of such series shall be fixed by the Board of Directors as senior to, or on a parity with, the powers, preferences and rights of such outstanding series, or any of them, unless and to the extent that the Board of Directors may provide in such resolution or resolutions adopted with respect to any series of Preferred Stock that the consent of the holders of a majority (or such other proportions as shall be therein fixed) of the outstanding shares of such series voting thereon shall be required for the issuance of any or all other series of Preferred Stock.

The shares of any series of Preferred Stock that (i) have been redeemed by the Corporation in accordance with the express terms thereof, (ii) are purchased in satisfaction of any sinking fund requirement provided for shares of such series, or (iii) are converted in accordance with the express terms thereof, in each case shall be cancelled and not reissued. Any shares of Preferred

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Stock otherwise acquired by the Corporation shall resume the status of authorized and unissued shares of Preferred Stock without series designation.

SECTION 4.07. NO PREEMPTIVE RIGHTS. No holder of shares of any class of stock of the Corporation shall, as such holder, have any preemptive right to purchase shares of any class of stock of the Corporation or shares or other securities convertible into or exchangeable for or carrying rights or options to purchase shares of any class of stock of the Corporation, whether such class of stock, shares or other securities are now or hereafter authorized, which at any time may be proposed to be issued by the Corporation or subjected to rights or options to purchase granted by the Corporation.

ARTICLE V

STOCKHOLDER ACTION

No action required to be taken or that may be taken at an annual or special meeting of stockholders of the Corporation may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

ARTICLE VI

CONFLICTS OF INTEREST

Transactions between the Corporation and its affiliates must be no less favorable to the Corporation than would be available to the Corporation in arm's-length transactions dealing with an unrelated third party. In addition, the Corporation may not enter into transactions between the Corporation and its affiliates involving aggregate payments in excess of \$500,000 unless (i) the transaction has been approved by a majority of the members of the Corporation's Board of Directors and a majority of the Corporation's independent directors, or (ii) the Corporation has received an opinion as to the financial fairness of the transaction from an investment banking or appraisal firm of national standing.

ARTICLE VII

AMENDMENT OF BYLAWS

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation by a majority vote at any regular or special meeting of the Board of Directors or by written consent, subject to the power of the stockholders of the Corporation to amend or repeal any Bylaw whether adopted by the Board of Directors or the stockholders.

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ARTICLE VIII

LIMITATION OF LIABILITY

No director of the Corporation shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except that the foregoing provision shall not eliminate or limit the liability of a director (i) for any breach of such director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which such director derived an improper personal benefit. If the Delaware General Corporation Law hereafter is amended to authorize the further elimination or limitation on personal liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended Delaware General Corporation Law.

ARTICLE IX

AMENDMENT OF CERTIFICATE OF INCORPORATION

Any of the provisions of this Amended and Restated Certificate of Incorporation may, from time to time, be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws and subject to the provisions of Section 4.02 hereof, all rights at any time conferred upon the stockholders of the Corporation by this Amended and Restated Certificate of Incorporation are granted subject to the provisions of this Article IX.

ARTICLE X

ELECTIONS OF DIRECTORS

Elections of directors need not be by written ballot unless and except to the extent that the Bylaws of the Corporation shall so require.

3. This Restated Certificate of Incorporation has been duly adopted by unanimous written consent of the stockholders in accordance with the applicable provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

4. This Restated Certificate of Incorporation shall be effective on filing with the Secretary of State of the State of Delaware.

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IN WITNESS WHEREOF, Sonic Auto World, Inc. has caused its corporate seal to be hereunto affixed and this Amended and Restated Certificate of Incorporation to be signed by Bryan Scott Smith, its President, and attested by Theodore M. Wright, its Secretary, this 7th day of August, 1997.

SONIC AUTO WORLD, INC.

By: /s/
Bryan Scott Smith, President

ATTEST:

By /s/
Theodore M. Wright, Secretary

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BYLAWS
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ARTICLE 1 - REGISTERED AND OTHER OFFICES

SECTION 1.01. REGISTERED OFFICE.

The address of the initial registered office in the State of Delaware and the name of the initial registered agent of Sonic Automotive, Inc. (the "Corporation") at such address are set forth in the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"). The Corporation may, from time to time, designate a different address as its registered office or a different person as its registered agent, or both; provided, however, that such designation shall become effective upon the filing of a statement of such change with the Department of State of the State of Delaware as is required by law.

SECTION 1.02. OTHER OFFICES.

The Corporation may have other offices, either within or without the State of Delaware, at such place or places as the Board of Directors (the "Board") may from time to time determine or the business of the Corporation may require.

ARTICLE 2 - MEETINGS OF STOCKHOLDERS

SECTION 2.01. ANNUAL MEETINGS.

Annual meetings of stockholders for the election of directors and for the transaction of any other business properly brought before the stockholders in accordance with Section 2.08 hereof shall be held at such place, either within or without the State of Delaware, and at such time and date as the Board, by resolution, shall determine and as set forth in the notice of the meeting.

If the date of the annual meeting shall fall upon a legal holiday, the meeting shall be held on the next succeeding business day. At each annual meeting, the stockholders entitled to vote shall elect directors to succeed those directors whose term expires at such annual meeting and may transact such other business as is properly brought before the stockholders in accordance with Section 2.08 hereof.

SECTION 2.02. SPECIAL MEETINGS.

Special meetings of the stockholders, for any purpose, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called only by the Chairman of the Board and shall be called by the Secretary or any Assistant Secretary, at the request in writing of a

majority of the directors. Such request shall state the purpose of the proposed meeting. At each special meeting, the stockholders may transact only the business that is properly brought before the stockholders in accordance with Section 2.08 hereof. If a special meeting is adjourned to another time or place, the stockholders may only transact business at the adjourned meeting that may have properly been transacted at the original meeting.

SECTION 2.03. NOTICE OF MEETINGS.

Written notice, stating the place, date and time of any annual or special meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote at such meeting in accordance with Delaware law, by or at the direction of the Board or the person or persons calling the meeting, not less than ten (10) nor more than sixty (60) days before the date of the meeting. If mailed, then such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation.

SECTION 2.04. STOCKHOLDER LIST.

The officer or agent who has charge of the stock ledger of the Corporation shall, at least ten (10) days before each meeting of stockholders, prepare a complete alphabetical list of the stockholders entitled to vote at the ensuing meeting, with the address and the number and class and series, if any, of shares held by each. Said list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall be available for inspection at the meeting.

SECTION 2.05. QUORUM.

Except as otherwise required by the General Corporation Law of the State of Delaware (the "Act"), by the Certificate of Incorporation or by these Bylaws, a majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. When a specified item of business is required to be voted on by a class or series of stock, a majority of the shares of such class or series, represented in person or by proxy, shall constitute a quorum for the transaction of such item of business by that class or series. After a quorum has been established at a stockholders' meeting, the subsequent withdrawal of stockholders, so as to reduce the number of shares entitled to vote at the meeting below the number required for a quorum, shall not affect the validity of any action taken at the meeting or any adjournment thereof.

SECTION 2.06. VOTING.

If a quorum is present, the affirmative vote of a majority of the votes cast by shares entitled to vote on the subject matter shall be the act of the stockholders, unless the vote of a greater number or voting by class is required by the Act, the Certificate of Incorporation or these

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Bylaws. Where a separate vote by class is required, the affirmative vote of a majority of the votes cast by shares of such class shall be the act of such class unless the vote of a greater number is required by the Act, the Certificate of Incorporation or these Bylaws. Each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders, except as may otherwise be provided by the Act or by the Certificate of Incorporation. The affirmative vote of a plurality of the votes cast by shares entitled to vote on the election of directors shall be sufficient to elect directors. Cumulative voting of shares is prohibited. A stockholder may vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact.

SECTION 2.07. NO ACTION WITHOUT A MEETING.

No action required to be taken or that may be taken at an annual or special meeting of stockholders of the Corporation may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

SECTION 2.08. ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND OTHER BUSINESS.

(a) Director Nominations. Subject to any rights of holders of Preferred Stock, only persons who are selected and recommended by the Board of Directors or a committee of the Board of Directors established to make nominations, or who are nominated by stockholders in accordance with the procedures set forth in this Section 2.08, shall be eligible for election at any annual or special stockholders meeting. Nominations of individuals for election to the Board of Directors of the Corporation at any annual meeting or any special meeting of stockholders at which directors are to be elected may be made by a stockholder of the Corporation entitled to vote for the election of directors at that meeting as hereinafter set forth. Nominations by stockholders shall be delivered to the Corporation in accordance with subsection 2.08(c) hereof and shall be made by written notice (a "Nomination Notice"), which shall set forth, (i) as to each individual nominated, (A) the name, date of birth, business address and residence address of such individual and (B) such other information regarding each individual nominated that is to be disclosed in solicitations of proxies for an election of directors, or is otherwise required, in each case pursuant to the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder, and, (ii) as to the stockholder submitting the Nomination Notice and any person acting in concert with such stockholder, (w) the name and business address of such stockholder and each such person, (x) the name and business address of such stockholder and each such person as they appear on the Corporation's books along with a representation that such stockholder is a stockholder of record of shares of the Corporation's capital stock entitled to vote at the meeting to which the notice pertains and intends to appear in person or by proxy at the meeting to nominate the person(s) in the notice, (y) a description of all arrangements, understandings or relationships between the stockholder and each nominee and any other person or persons (naming such person(s)) pursuant to which the nomination(s) are to be made by the stockholder and (z) the class and number of shares of the Corporation which are beneficially owned by such stockholder and each such person. A written consent to being named in the proxy statement as a nominee and to serving as a director of the Corporation if elected, signed by each nominee, shall be filed with any Nomination Notice. If the presiding officer at any meeting of the stockholders determines that any nomination was not made in accordance with the

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procedures prescribed by these Bylaws, then he shall so declare to the stockholders at the meeting, and the defective nomination shall be disregarded.

(b) Stockholder Business. At any meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before a meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (c) properly brought before the meeting by a stockholder of record (who was also a stockholder of record at the time of giving of the notice) in accordance with the procedures set forth in this Section 2.08. A stockholder's written notice (a "Business Notice") shall set forth, as to each matter the stockholder proposes to bring before the meeting: (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and business address of record of the stockholder proposing such business, (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder and (iv) any material interest of the stockholder in such business. If the presiding officer at any meeting of stockholders determines that business was not properly brought before the meeting, then he shall so declare to the stockholders at the meeting, and any such business not properly brought before the meeting shall not be transacted.

(c) Delivery of Notices. To be timely, any Nomination Notice or Business Notice must be delivered to, or mailed and received at, the principal executive office of the Corporation, (i) in the case of an annual meeting that is called for a date that is within thirty (30) days before or after the anniversary date of the immediately preceding annual meeting of stockholders, not less than sixty (60) days nor more than ninety (90) days prior to such anniversary date, and (ii) in the case of an annual meeting that is called for a date that is not within thirty (30) days before or after the anniversary date of the immediately preceding annual meeting, or in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first.

ARTICLE 3 - DIRECTORS

SECTION 3.01. POWERS.

The business of the Corporation shall be managed by or under the direction of the Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the

Certificate of Incorporation or by these Bylaws specifically reserved to the shareholders.

SECTION 3.02. NUMBER AND TERM.

The Board shall consist of not less than three (3) nor more than ten (10) directors as a majority of the Board shall from time to time specify. No reduction in the number of directors shall have the effect of shortening the term of any incumbent director and when so fixed such number shall continue to be the authorized number of directors until changed in accordance

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herewith. The Board shall be divided into three classes, as nearly equal in number as possible. Each of the Class I, Class II and Class III directors shall initially be elected to serve until the 1998, 1999 and 2000 annual meetings of stockholders, respectively, and, thereafter, the successors in each class of directors shall be elected to serve until the third (3rd) annual meeting of stockholders following his election and qualification. Each director shall serve until his successor shall have been elected and qualified or until his earlier resignation, removal or death.

SECTION 3.03. RESIGNATIONS.

Any director or member of a committee may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified therein, and, if no time be specified, at the time of its receipt by the Chairman of the Board, the President or the Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless otherwise specified therein.

SECTION 3.04. VACANCIES.

Subject to any rights of holders of Preferred Stock, any vacancy occurring in the Board of Directors, including any vacancy created by reason of an increase in the number of directors, removal, resignation or death, may only be filled by the affirmative vote of a majority of the remaining directors then in office though less than a quorum of the Board of Directors, or by a sole remaining director, as the case may be, and the director(s) so chosen shall hold office until the next election of the class for which such director(s) has(have) been chosen, and until his(their) successors are duly elected and qualified, or until his(their) earlier resignation or removal. In the event of any increase or decrease in the number of directors, the additional or eliminated directors shall be classified or chosen so that all classes of directors shall remain or become as nearly equal in number as possible.

SECTION 3.05. REMOVAL.

Notwithstanding any other provision of these Bylaws to the contrary, a director may not be removed during his term except for cause.

SECTION 3.06. MEETINGS; PLACE AND TIME.

The Board may hold meetings, both regular and special, either within or without the State of Delaware, as it may from time to time determine.

SECTION 3.07. REGULAR ANNUAL MEETING.

A regular annual meeting of the Board shall be held immediately following the annual meeting of stockholders at the same place or at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a majority of such Board shall be present.

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SECTION 3.08. OTHER REGULAR MEETINGS.

Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board.

SECTION 3.09. SPECIAL MEETINGS; NOTICE.

Special meetings of the Board may be called by the Chairman of the Board or the President or by the written request of two (2) directors. Written notice of the time and place of special meetings shall be given to each director by either personal delivery, telegram, cablegram or telefax at least seven (7)

days before the meeting, or by notice mailed to each director at least ten (10) days before the meeting. Notice of a meeting need not be given to any director who submits a waiver of notice, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to him.

SECTION 3.10. QUORUM.

At all meetings of the Board, a majority of the directors then serving shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 3.11. ACTION WITHOUT MEETING.

Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

SECTION 3.12. TELEPHONE MEETINGS.

Unless otherwise restricted by the Certificate of Incorporation, members of the Board, or of any committee thereof, may participate in a meeting of the Board or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

SECTION 3.13. COMMITTEES OF DIRECTORS.

The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. Each such committee may be terminated by the Board at such time as the Board may determine.

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SECTION 3.14. COMPENSATION OF DIRECTORS.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board shall have the authority to fix the compensation of directors. By resolution of the Board, the directors may be paid their expenses, if any, of attendance at each meeting of the Board (and any committee thereof), a fixed sum for attendance at each meeting of the Board (and any committee thereof), and a stated salary as director. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 3.15. DIRECTOR CONFLICTS OF INTEREST.

No contract or other transaction between the Corporation and one or more of its directors or between the Corporation and any other corporation, firm, association or entity in which one or more of the directors of this Corporation are directors or officers or are financially interested, shall be void or voidable solely because of such relationship or interest or solely because such director or directors are present at or participate in the meeting of the Board or a committee thereof which authorizes, approves or ratifies such contract or transaction or solely because his or their votes are counted for such purpose, if:

A. The material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board or committee, and the Board or committee in good faith authorizes, approves or ratifies the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

B. The material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of such stockholders, or

C. The contract or transaction is fair as to the corporation at the time it is authorized, approved or ratified by the Board, a committee or the stockholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or a committee thereof which authorizes, approves or ratifies such contract or transaction.

ARTICLE 4 - OFFICERS

SECTION 4.01. OFFICERS.

The officers of the Corporation shall consist of a President, a Treasurer and a Secretary, shall be elected by the Board and shall hold office until their successors are elected and qualified, unless such officers resign, die or are removed prior thereto. In addition, the Board may elect a Chairman, a Vice Chairman, a Chief Executive Officer, a Chief Operating Officer, a Chief Financial Officer, a Controller, one or more Vice Presidents or Executive Vice Presidents,

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and such Assistant Secretaries and Assistant Treasurers or other officers as it may deem proper. None of the officers of the Corporation need be stockholders. The officers shall be elected at the first meeting of the Board after each annual meeting. More than two offices may be held by the same person, except the offices of President and Secretary, unless the Certificate of Incorporation or these Bylaws otherwise provide. The Board shall designate the Chairman of the Board or the President as the Chief Executive Officer of the Corporation.

SECTION 4.02. CHAIRMAN; CHIEF EXECUTIVE OFFICER.

The Chairman of the Board, if one is elected, shall preside at all meetings of the shareholders and of the Board. The Chairman shall also have and perform such other duties as from time to time may be assigned to him by the Board. The Chief Executive Officer of the Corporation shall, subject to the direction of the Board, supervise and control the business and management of the Corporation. The Chief Executive Officer shall also have and perform such other duties as from time to time may be assigned to him by the Board.

SECTION 4.03. PRESIDENT.

The President shall have and perform all duties incident to the office of President and such other duties as from time to time may be assigned to him by the Board. If designated as the Chief Executive Officer by the Board, the President shall, subject to the direction of the Board, supervise and control the business and management of the Corporation. If there is no Chairman, or in his absence, the President shall preside at all meetings of the stockholders.

SECTION 4.04. CHIEF OPERATING OFFICER.

The Chief Operating Officer, if one is elected, shall have and perform such duties as from time to time may be assigned to him by the Chief Executive Officer.

SECTION 4.05. CHIEF FINANCIAL OFFICER.

The Chief Financial Officer, if one is elected, shall have and perform such duties as from time to time may be assigned to him by the Chief Executive Officer.

SECTION 4.06. VICE PRESIDENTS OR EXECUTIVE VICE PRESIDENTS.

If Vice Presidents or Executive Vice Presidents be elected, they shall have such powers and shall perform such duties as shall be assigned to them by the President.

SECTION 4.07. TREASURER.

The Treasurer shall be responsible for the administration of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation. The Treasurer shall disburse the funds of the Corporation as may be ordered by the President, taking proper vouchers for such disbursements. He shall render to the Chairman, the President and the Board at the regular meetings of the Board, or whenever they may request it, an account of all his transactions as Treasurer and of the financial condition

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of the Corporation. If required by the Board, he shall give the Corporation a bond for the faithful performance of his duties in such amount and with such surety as the Board shall prescribe.

SECTION 4.08. SECRETARY.

The Secretary shall give, or cause to be given, notice of all meetings of stockholders and directors, and all other notices required by law or by these Bylaws, and in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the Chairman of the Board, the President or the Board. He shall record all the proceedings of the meetings of the Corporation and of the Board in a book to be kept for that purpose. He shall keep in safe custody the seal of the Corporation, and, when authorized by the Board, shall affix the same to any instrument requiring it, and when so affixed, it shall be attested by his signature or by the signature of any Assistant Secretary.

SECTION 4.09. CONTROLLER, ASSISTANT TREASURERS AND ASSISTANT SECRETARIES.

Controller, Assistant Treasurers and Assistant Secretaries, if any be elected, shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the Chairman of the Board or the President.

SECTION 4.10. REMOVAL; RESIGNATIONS; VACANCIES.

Any officer elected or appointed by the Board may be removed at any time, either for or without cause, by the affirmative vote of a majority of the Board. Section 3.03 shall apply similarly to resignations of officers. Any vacancy occurring in any office of the Corporation may be filled by the Board.

SECTION 4.11. COMPENSATION.

The compensation of officers of the Corporation shall be established by the Board or any compensation committee thereof. The fact that an officer is also a director shall not preclude such person from receiving compensation as either a director or officer, nor shall it affect the validity of any resolution by the Board fixing such compensation. If the Chairman of the Board is also the Chief Executive Officer of the Corporation, the Chairman shall have authority to establish the salaries of all other employees of the Corporation. If the Chairman of the Board is not the Chief Executive Officer of the Corporation, the President shall have authority to establish the salaries of all other employees of the Corporation.

SECTION 4.12. MECHANICAL ENDORSEMENT.

The Chairman of the Board, the President, any Executive Vice President, any Vice President, or the Secretary may authorize any endorsement on behalf of the Corporation to be made by such mechanical means or stamps as any of such officers may deem appropriate.

ARTICLE 5 - MISCELLANEOUS

SECTION 5.01. STOCK CERTIFICATES.

(a) Issuance. The Corporation may issue the shares of stock authorized by its Certificate of Incorporation and none other. Shares may be issued only pursuant to a resolution adopted by the Board. Every holder of shares in the Corporation shall be entitled to have a certificate representing all shares to which he is entitled. No certificate shall be issued for any share until such share is fully paid.

(b) Signatures. Certificates representing shares in the Corporation shall be signed by or in the name of the Corporation by the Chairman or Vice Chairman, or the President, Executive Vice President or Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, and may be sealed with the seal of the Corporation or a facsimile thereof. Any or all of the signatures on a certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

(c) Form. Each certificate representing shares shall state upon the face thereof: the name of the Corporation; that the Corporation is organized under the laws of Delaware; the name of the person or persons to whom it is issued; the number and class of shares, and the designation of the series, if

any, which such certificate represents; and the par value of each share represented by such certificate, or a statement that the shares are without par value. Each certificate shall otherwise comply, in all respects, with the requirements of the Act.

(d) Transfer of Stock. The Corporation shall register a stock certificate presented to it for transfer if the certificate is properly endorsed by the holder of record or by his duly authorized attorney; provided, however, that the Corporation or its transfer agent may require the signature of such person to be guaranteed by a commercial bank or trust company or by a member of the New York or American Stock Exchange.

(e) Lost, Stolen or Destroyed Certificates. The Board may authorize the Corporation to issue a new stock certificate in the place of any certificate previously issued if the holder of record of the certificate (i) makes proof in affidavit form that it has been lost, destroyed or wrongfully taken; (ii) requests the issue of a new certificate before the Corporation has notice that the certificate has been acquired by a purchaser for value in good faith and without notice of any adverse claim; (iii) gives bond in such form, if any, as the Corporation may direct, to indemnify the Corporation, the transfer agent and registrar against any claim that may be made on account of the alleged loss, destruction or theft of a certificate; and (iv) satisfies any other reasonable requirements imposed by the Corporation.

(f) Transfer Agents; Registrars; Rules Respecting Certificate. The Board may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars. The Board may make such further rules and regulations as it may deem expedient concerning the issue, transfer and registration of stock certificates of the Corporation.

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SECTION 5.02. STOCKHOLDERS RECORD DATE.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted and, with respect to record dates to be established in connection with stockholders meetings, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, or, with respect to record dates to be established in connection with other actions, which shall not be more than sixty (60) days prior to such other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

SECTION 5.03. REGISTERED STOCKHOLDERS.

The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

SECTION 5.04. DIVIDENDS.

Subject to the provisions of the Certificate of Incorporation, the Board may, out of funds legally available therefor at any regular or special meeting, declare dividends upon the capital stock of the Corporation as and when they deem expedient. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. Before declaring any dividends, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board from time to time in its discretion deems proper for working capital or as a reserve fund to meet contingencies or for such other purpose as the Board shall deem conducive to the interests of the Corporation, and the Board may modify or abolish any such reserve.

SECTION 5.05. SEAL.

The corporate seal shall be circular in form and shall contain the name of the Corporation and the words "CORPORATE SEAL, DELAWARE." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

SECTION 5.06. FISCAL YEAR.

The fiscal year of the Corporation shall be determined by the Board.

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SECTION 5.07. CHECKS.

All checks, drafts, or other orders for the payment of money and notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner as shall be determined from time to time by resolution of the Board. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositories as may be authorized by the Chairman of the Board or the President.

SECTION 5.08. NOTICE AND WAIVER OF NOTICE.

Whenever any notice is required by these Bylaws to be given, personal notice is not meant unless expressly stated, and any notice so required shall be deemed to be sufficient if given by depositing the same in the United States mail, airmail postage prepaid, addressed to the person entitled thereto at his address as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. Stockholders not entitled to vote shall not be entitled to receive notice of any meetings except as otherwise provided by statute.

Whenever any notice whatever is required to be given under the provisions of any law, or under the provisions of the Certificate of Incorporation or these Bylaws, a waiver thereof in writing signed by the person or person entitled to said notice, whether before or after the time stated therein, shall be deemed proper notice.

SECTION 5.09. BOOKS AND RECORDS.

The Corporation shall keep correct and complete books and records of accounts and shall keep minutes of the proceedings of its stockholders, the Board and committees thereof.

ARTICLE 6 - INDEMNIFICATION OF OFFICERS, DIRECTORS,
EMPLOYEES AND AGENTS

SECTION 6.01. INDEMNIFICATION.

Any person who has been made or is made a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the Corporation) (hereinafter a "proceeding"), by reason of the fact that he is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, fiduciary or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him

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in connection therewith; provided, however, that the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) that was initiated by such person only if such proceeding (or part thereof) was authorized or ratified by the Board. The right to indemnification conferred in this Section 6.01 shall be a contract right.

For purposes of this Section 6.01, reference to the "Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, fiduciaries and agents so that any person who is or was a director, officer, fiduciary or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, fiduciary or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, shall stand in the same position under the provisions of this Section 6.01, with respect to the resulting or surviving

corporation as he would have with respect to such constituent corporation if its separate existence had continued.

SECTION 6.02. PROCEDURE FOR INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Any indemnification of a director or officer of the Corporation under Section 6.01 above or advance of expenses under Section 6.03 below shall be made promptly, and in any event within thirty (30) days, upon the written request of the director or officer subject to the following provisions. If a determination by the Board that the director or officer is entitled to indemnification pursuant to this Article 6 is required, and the Corporation fails to respond within sixty (60) days to a written request for indemnity, the Corporation shall be deemed to have approved the request. If the Corporation denies a written request for indemnification or advancing of expenses, in whole or in part, or if payment in full pursuant to such request is not made within thirty (30) days, the right to indemnification or advances as granted by this Article 6 shall be enforceable by the director or officer in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Act for the Corporation to indemnify the claimant for the amount claimed, but the burden of such defense shall be on the Corporation. Neither the failure of the Corporation (including the Board, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the Act, nor an actual determination by the Corporation (including the Board, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

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SECTION 6.03. PAYMENT OF EXPENSES IN ADVANCE.

Expenses (including attorneys' fees) incurred by any person described in Section 6.01 in defending an action, suit or proceeding referred to in Section 6.01 above may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board in the specific case upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in Section 6.01.

SECTION 6.04. INDEMNIFICATION NOT EXCLUSIVE.

The indemnification and right to payment of expenses in advance of final disposition provided for under this Article 6 shall not be deemed exclusive of (i) any other rights to which those seeking indemnification may be entitled under any bylaw, any agreement, any insurance purchased by the Corporation, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office or (ii) the power of the Corporation to indemnify any person who is or was an employee or agent of the Corporation or of another corporation, joint venture, trust or enterprise that he is serving or has served at the request of the Corporation, to the same extent and in the same situations and subject to the same determinations with respect to directors and officers.

SECTION 6.05. OTHER.

Any repeal or modification of this Article 6 by the stockholders of the Corporation shall be prospective only, and shall not adversely affect the indemnification of any officer or director of the Corporation existing at the time of such repeal or modification.

SECTION 6.06. INDEMNIFICATION AGREEMENTS.

The Corporation may enter into indemnification agreements with its officers and Directors.

SECTION 6.07. INSURANCE.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer,

employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such and which insurance coverage may extend indemnification protection that is broader and more comprehensive than the indemnification benefits granted under this Article.

SECTION 6.08. CONTINUED COVERAGE.

Unless otherwise provided herein, the indemnification extended to a person that has qualified for indemnification under the provisions of this Article shall not be terminated when the person has ceased to be a director, officer, employee or agent for all causes of action against

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the indemnified party based on acts and events occurring prior to the termination of the relationship with the Corporation and shall inure to the benefit of the heirs, executors and administrators of such person.

ARTICLE 7- AMENDMENTS

In furtherance and not in limitation of the powers conferred by statute, the Board is expressly authorized to adopt, amend or repeal these Bylaws by a majority vote at any regular or special meeting of the Board or by written consent, subject to the power of the stockholders of the Corporation to amend or repeal any Bylaw whether adopted by the Board or the stockholders.

ARTICLE 8- CONFLICT OF TERMS

Except as otherwise explicitly provided in these Bylaws, if any provision contained in these Bylaws is in conflict with, inconsistent with, or imposes greater obligations or burdens than any provision in the Certificate of Incorporation, the provision contained in the Certificate of Incorporation shall govern and control to the extent of such conflict, inconsistency or obligation or burden.

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REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "AGREEMENT") dated as of June 30, 1997, is entered into by and among SONIC AUTO WORLD, INC., a Delaware corporation (the "COMPANY"), O. BRUTON SMITH, a resident of the State of North Carolina, BRYAN SCOTT SMITH, a resident of the State of North Carolina, WILLIAM S. EGAN, a resident of the State of South Carolina and SONIC FINANCIAL CORPORATION, a North Carolina corporation (collectively, the "STOCKHOLDERS," and each a "STOCKHOLDER").

WHEREAS, this Agreement is made in connection with the reorganization of the Company, which occurred as of June 30, 1997 (the "REORGANIZATION");

WHEREAS, in order to induce the Stockholders to enter into certain agreements with the Company that are a part of the Reorganization, the Company has agreed to provide the Stockholders the registration rights set forth in this Agreement;

WHEREAS, O. Bruton Smith, Bryan Scott Smith, William S. Egan and Sonic Financial Corporation are each the owners of record of shares of the Company's Class B Common Stock, par value \$.01 per share (the "CLASS B COMMON STOCK");

WHEREAS, any shares of Class B Common Stock held by a Stockholder will be converted into an equal number of shares of the Company's Class A Common Stock, par value \$.01 per share (the "CLASS A COMMON STOCK"), pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation, which Amended and Restated Certificate of Incorporation shall be in substantially the form of Exhibit A hereto and will be filed with the Secretary of the State of Delaware subsequent to the execution of this Agreement (the "RESTATED CERTIFICATE"), upon the exercise of any rights by the Stockholder granted under this Agreement or as otherwise provided in the Restated Certificate; and

WHEREAS, the Company desires to afford the Stockholder with registration rights with respect to such shares of Class A Common Stock as may be received by the Stockholder pursuant to any conversion of the Stockholder's shares of Class B Common Stock owned as of the date hereof or hereafter acquired (the "CONVERTED COMMON STOCK");

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS.

REGISTRATION EXPENSES: Any and all reasonable expenses actually incurred incident to performance of or compliance with this Agreement other than underwriting discounts and commissions and transfer taxes, if any, incurred with respect to the Registrable Securities.

REGISTRABLE SECURITIES: All or part of the shares of Converted Common Stock; provided, however, that specific shares of Converted Common Stock shall not be Registrable Securities if and to the extent that (i) a Registration Statement with respect to such Converted Common Stock

shall have been declared effective under the Securities Act and such shares of Converted Common Stock shall have been disposed of in accordance with such Registration Statement, (ii) such shares of Converted Common Stock shall have been distributed to the public in accordance with Rule 144 (or any successor provision) promulgated under the Securities Act, or (iii) such shares of Converted Common Stock shall have been otherwise transferred to any person other than a Stockholder and new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company.

REGISTRATION STATEMENT: Any registration statement of the Company filed with the SEC which applies to any of the Registrable Securities (in whole or in part), including the prospectus included therein, all amendments and any supplements to such Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference in such Registration Statement.

SEC: The United States Securities and Exchange Commission.

SECURITIES ACT: The Securities Act of 1933, as amended from time to time, or any successor statute, and the rules and regulations of the SEC thereunder, all as in effect at the time.

2. REGISTRATION UNDER THE SECURITIES ACT: "PIGGYBACK" REGISTRATIONS.

(a) RIGHT TO "PIGGYBACK". Subject to subsection 2(d) hereof, if at any time during the ten year period commencing upon the closing of the initial public offering of the Class A Common Stock, the Company proposes to file a Registration Statement under the Securities Act with respect to any offering of the Class A Common Stock, by the Company for its own account and/or on behalf of any of its security holders (other than (i) a registration on Form S-8 or S-4 or any successor form, (ii) a registration relating to a transaction subject to Rule 145 or any successor provision under the Securities Act, or (iii) any registration of securities as it relates to an offering and sale to management of the Company pursuant to any employee stock plan or other employee benefit plan arrangement), then, as soon as practicable (but in no event less than fifteen (15) days prior to the proposed date of filing such Registration Statement), the Company shall give written notice of such proposed filing to the Stockholder, and such notice shall offer the Stockholder the opportunity to register such number of Registrable Securities as the Stockholder may request (a "PIGGYBACK REGISTRATION"). Subject to subsection 2(d), the Company shall include in such Registration Statement all Registrable Securities requested within ten (10) days after the receipt of any such notice (which request shall specify the Registrable Securities intended to be disposed of by the Stockholder) to be included in the registration for such offering pursuant to a Piggyback Registration (the "STOCKHOLDER'S REQUEST"); provided, however, that if, at any time after giving written notice of its intention to register Class A Common Stock and prior to the effective date of the Registration Statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such Class A Common Stock, the Company may, at its election, give written notice of such determination to the holder of Registrable Securities and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration, and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities, for the same period as the delay in registering such Class A Common Stock; and provided further that the Stockholder's Request

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shall become irrevocable ten (10) business days prior to the closing of the offering relating to the Piggyback Registration unless otherwise agreed by the Company.

(b) "PIGGYBACK" EXPENSES. The Registration Expenses of the holders of Registrable Securities will be paid by the Company in a Piggyback Registration. Underwriting discounts and commissions and transfer taxes, if any, incurred with respect to the Registrable Securities shall be borne by the Stockholder.

(c) UNDERWRITER'S AND BOARD OF DIRECTORS' CUTBACK. Notwithstanding subsection 2(a), if a Piggyback Registration is (1) an underwritten offering being made on behalf of the Company, or (2) an offering that is not underwritten, and the managing underwriter or underwriters advise the Company that in their opinion, in the case of (1) above, or the Company's Board of Directors makes a formal determination, such determination to be entered as a finding in the Company's corporate records, in the case of (2) above, that in their business judgment the number of shares of Common Stock requested to be included in such registration exceeds the number which can be sold in such offering or would be reasonably likely to adversely affect the price or distribution of the Class A Common Stock offered in such offering or the timing thereof, then the shares of Class A Common Stock to be included in such registration shall be the number of shares of Class A Common Stock, adjusted on a pro rata basis, that, in the opinion of such underwriter or underwriters or in the judgment of the Board of Directors, as the case may be, can be sold without an adverse effect on the price, distribution or timing of the Class A Common Stock to be offered.

3. HOLD-BACK AGREEMENTS.

(a) RESTRICTIONS ON PUBLIC SALE BY THE STOCKHOLDER. During the period from seven days prior to the effective date of any registration statement involving an underwritten offering to 180 days after the effective date of such registration statement effected pursuant to Section 2, each holder of Registrable Securities will not, without the prior written consent of the underwriters, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any share of Registrable Securities or any securities convertible into or exercisable or exchangeable for Registrable Securities or file any registration statement under the Securities Act (other than the Piggyback Registration) with respect to any of the foregoing or (ii) enter into any swap or any other agreement or transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Registrable Securities or any securities convertible into or exchangeable for Registrable Securities, whether any such transaction described in clause (i) or (ii) above

is to be settled by delivery of Registrable Securities or other securities, in cash or otherwise.

(b) RESTRICTIONS ON PUBLIC SALE BY THE COMPANY. The Company hereby agrees that if it shall previously have received a request for registration pursuant to Section 2, and if such previous registration shall have become effective and shall not have been withdrawn or abandoned, the Company shall not effect any registration of any of its securities under the Securities Act, whether or not for sale for its own account, until a period of 180 days shall have elapsed from the effective date of such previous registration; and the Company shall so provide in any registration rights agreements hereafter entered into with respect to any of its securities.

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4. REGISTRATION PROCEDURES. In connection with the Company's obligations under Section 2 hereof, the Company shall use its best efforts to effect or cause to be effected the registration of the Registrable Securities under the Securities Act to permit offers and sales in accordance with the intended method or methods of distribution thereof. The Company may require the Stockholder to use best efforts to furnish to the Company such information regarding the distribution of the Registrable Securities as the Company may from time to time reasonably request in writing. In addition, and as a condition to the Stockholder's right pursuant to Section 2(a), the Stockholder shall execute such underwriting agreement and otherwise sell the Registrable Securities on the same terms as applicable to the offering of shares pursuant to such registration generally.

5. INDEMNIFICATION.

(a) INDEMNIFICATION BY THE COMPANY. The Company agrees to indemnify, to the extent permitted by law, each holder of Registrable Securities, its officers and directors and each person who controls such holder (within the meaning of the Securities Act) as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus or prospectus contained in the Registration Statement (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section (d) below) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened or any claim whatsoever based upon any such untrue statement or omissions, or any such alleged untrue statement or omission to the extent that any such expense is not paid under (i) or (ii) above; provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any indemnified party expressly for use in the Registration Statement

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(or any amendment thereto), or in any preliminary prospectus or any prospectus contained in the Registration Statement (or any amendment or supplement thereto).

In connection with an underwritten offering, the Company will indemnify and hold harmless each underwriter and each person, if any, who controls any underwriter (within the meaning of Section 15 of the Securities Act or Section 20 of the

Securities Exchange Act of 1934, as amended) to the same extent as provided above with respect to the indemnification of the holders of Registrable Securities.

(b) INDEMNIFICATION OF THE COMPANY AND ITS DIRECTORS AND OFFICERS. In connection with any registration statement in which a holder of Registrable Securities is participating, each such holder will furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such registration statement or prospectus and, to the extent permitted by law, will indemnify the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained in any information or affidavit so furnished in writing by such holder; provided that the obligation to indemnify will be several, not joint and several, among such holders of Registrable Securities and the liability of each such holder of Registrable Securities will be in proportion to and limited to the net amount received by such holder from the sale of Registrable Securities pursuant to such registration statement.

(c) ACTIONS AGAINST PARTIES; NOTIFICATION. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to subsection 5(a) above, counsel to the indemnified parties shall, subject to the terms of any applicable underwriting agreement, be selected by the Company with the consent of the indemnified parties, such consent not to be unreasonably withheld and, in the case of parties indemnified pursuant to subsection 5(b) above, counsel to the indemnified parties shall be selected by the indemnifying parties with the consent of the indemnified parties, such consent not to be unreasonably withheld. An indemnified party may participate at its own expense in the defense of any such action. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 5 (whether or not the indemnified parties are actual or potential parties

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thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) SETTLEMENT WITHOUT CONSENT IF FAILURE TO REIMBURSE. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by subsection 5(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) CONTRIBUTION. If for any reason the foregoing indemnity is unavailable or is insufficient to hold harmless an indemnified party under Sections 5(a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of any claim in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, with respect to such offering of securities. The relative fault shall be determined by reference to, among other things: whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to

information and opportunity to correct or prevent such untrue statement or omission. If, however, the allocation provided in the second preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative faults but also the relative benefits of the indemnifying party and the indemnified party as well as any other relevant equitable considerations. The parties hereto agree that it would not be just and equitable if contributions pursuant to this subsection 5(e) were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the preceding sentences of this subsection 5(e). The amount paid or payable in respect of any claim shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Notwithstanding anything in this subsection 5(e) to the contrary, no indemnifying party (other than the Company) shall be required pursuant to this Section 5 to contribute any amount in excess of the net proceeds received by such indemnifying party from the sale of Registrable Securities in the offering to which the losses, claims, damages or liabilities of the indemnified parties relate, less the amount of any indemnification payment made pursuant to Sections 5(a) and (b).

(f) SURVIVAL OF INDEMNIFICATION OBLIGATIONS. The indemnification provided for under this Agreement will remain in full force and effect regardless of any investigation made by or on

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behalf of the indemnified party or any officer, director or controlling person or such indemnified party and will survive the transfer of securities and the termination of this Agreement.

6. MISCELLANEOUS.

(a) NO INCONSISTENT AGREEMENTS. The Company has not entered into and will not on or after the date of this Agreement enter into any agreement with respect to the Class A Common Stock which is inconsistent with the rights granted in this Agreement to the Stockholders or otherwise conflicts with the provisions hereof.

(b) AMENDMENTS AND WAIVERS. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent to such amendment, modification, or supplement or waiver or consents to the departure of the Stockholders.

(c) NOTICES. All notices and other communications provided for or permitted under this Agreement shall be in writing and given by personal delivery, or, if mailed, by certified first-class mail, postage prepaid, or by telex or telecopier with transmission confirmed by telephone:

(i) if to a Stockholder, at the most current address given by the Stockholder to the Company by means of a notice given in accordance with the provisions of this Section 6(c).

(ii) if to the Company, at the most current address given by the Company to the Stockholder by means of a notice given in accordance with the provisions of this Section 6(c).

(d) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(e) HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(f) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of North Carolina.

(g) SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(h) SUCCESSORS AND ASSIGNS. All covenants and agreements in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective

permitted successors and assigns of the parties hereto whether so expressed or not. In addition, whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of the holders of Registrable Securities are also for the benefit of, and enforceable by, any subsequent permitted holder of Registrable Securities. The Stockholders are expressly permitted hereunder to assign their rights under this Agreement to any member of the Smith Group, as defined in the Company's Restated Certificate.

[Signatures begin on the following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

SONIC AUTO WORLD, INC.

By: /s/
Theodore M. Wright, Vice President

/s/
O. BRUTON SMITH

/s/
BRYAN SCOTT SMITH

/s/
WILLIAM S. EGAN

SONIC FINANCIAL CORPORATION

By: /s/
William R. Brooks, Vice President

SUBSCRIPTION AGREEMENT

This Subscription Agreement (the "Agreement"), dated as of June 30, 1997, by and between SONIC AUTO WORLD, INC., a Delaware corporation (the "Corporation"), and WILLIAM S. EGAN, a resident of the State of South Carolina ("Egan"), sets forth the terms and conditions of Egan's subscription for the capital stock of the Corporation.

WHEREAS, subject to the filing of a Certificate of Amendment (the "Certificate") to the Certificate of Incorporation of the Corporation, such Certificate to be substantially in the form attached hereto as Exhibit A, with and by the Secretary of State of the State of Delaware in accordance with applicable law, the authorized capital stock of the Corporation consists of (i) 50,000,000 shares of Class A Common Stock with par value of \$.01 per share, (ii) 15,000,000 shares of Class B Common Stock with par value of \$.01 per share, (the "Class B Common Stock"), and (iii) 3,000,000 shares of preferred stock with par value of \$.10 per share;

WHEREAS, Egan is the owner of certain shares of the common stock (the "Egan Shares") of Marcus David Corporation, a North Carolina corporation ("MDC");

WHEREAS, in connection with a proposed reorganization of the operations of the Corporation and various automobile dealerships and the entities having interests therein substantially as outlined on Exhibit B hereto (the "Reorganization"), the parties hereto propose to effect an exchange of the Egan Shares for Class B Common Stock as described herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties to this Agreement hereby agree as follows:

1. SUBSCRIPTION FOR SHARES. Egan hereby subscribes to and agrees to purchase 473 shares of the Class B Common Stock in consideration for the transfer to the Corporation of all of the Egan Shares (the "Egan Transfer"). Egan hereby agrees to take all actions necessary to effect the Egan Transfer. The Corporation hereby accepts the subscription by Egan for 473 shares of the Class B Common Stock and agrees that, upon consummation of the Egan Transfer, the Corporation will issue Egan, or a corporation, limited liability company, partnership or other entity with at least 80% of the outstanding equity of such entity owned by Egan, his spouse or lineal descendants of Egan (an "Egan Entity"), a stock certificate representing 473 shares of the Class B Common Stock and that upon issuance such shares will be validly issued, fully paid and non-assessable.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF EGAN. Egan hereby represents, warrants and covenants that:

(a) He has good and valid title to all of the Egan Shares, free and clear of all liens, pledges, encumbrances, claims, security interests, charges, voting trusts, voting agreements, other agreements, rights, options, warrants or restrictions or claims of any

kind, nature or description, and that all such Egan Shares, in respect of MDC, are validly issued, fully paid and non-assessable;

(b) He is purchasing the Class B Common Stock hereby subscribed for investment only, for his own account, and not with a view to the distribution thereof; provided, however, that Egan may transfer or assign such Class B Common Stock or the subscription rights therefor to an Egan Entity;

(c) He understands that the Class B Common Stock hereby subscribed will be issued without registration with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Act"), and will be issued under one or more exemptions from registration in the Act and state securities laws that depend upon the intent hereby represented and that the Corporation will rely on such representation in issuing such Class B Common Stock without registration;

(d) Except for an assignment or transfer of the Class B Common Stock hereby subscribed for or the subscription rights therefor by Egan to an Egan Entity, he will make no transfer of his securities acquired hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities he acquires hereunder, unless, in the opinion of counsel satisfactory to the Corporation, registration under applicable federal or state securities laws is not required; and

(e) He agrees that the stock certificate issued pursuant to this Agreement, and any replacements thereof, may be marked with a legend to the effect that such Class B Common Stock cannot be sold or transferred without either (i) registration under federal and state securities laws, or (ii) an opinion of counsel satisfactory to the Corporation that neither the sale nor the proposed transfer constitutes a violation of any federal or state securities law.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE CORPORATION. The Corporation hereby represents, warrants and covenants that:

(a) It is purchasing the stock of MDC hereby for investment only, for its own account, and not with a view to the distribution thereof;

(b) It understands that the stock of MDC will be transferred without registration with the SEC under the Act, and will be transferred under one or more exemptions from registration in the Act and state securities laws that depend upon the intent hereby represented and that Egan will rely on such representation in transferring such stock without registration;

(c) It will make no transfer of the securities acquired by it hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this

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Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities it acquired hereunder, unless, in the opinion of counsel satisfactory to Egan, registration under applicable federal or state securities laws is not required;

(d) The execution and delivery of this Agreement and the issuance of the Class B Common Stock by the Corporation have been duly and validly authorized by the Corporation and no other action or proceeding on the part of the Corporation is necessary to authorize this Agreement or to consummate the transactions contemplated hereby; and

(e) The stock certificate issued to it pursuant to this Agreement, and any replacements thereof, may be marked with a legend to the effect that such securities cannot be sold or transferred without either (i) registration under federal and state securities laws, or (ii) an opinion of counsel satisfactory to Egan that neither the sale nor the proposed transfer constitutes a violation of any federal or state securities law.

4. DETERMINATION OF THE VALUE OF THE EGAN SHARES. The parties acknowledge that the Board of Directors of the Corporation has determined in the exercise of its reasonable business judgment as of the date hereof the values of the consideration provided Egan hereunder in relation to the consideration provided by other subscribers for the Class B Common Stock as of the date hereof and giving effect to the Reorganization. Therefore, it is understood and agreed that, after the Egan Transfer and giving effect to the Reorganization, Egan (or an Egan Entity) will own 4.73% of the Class B Common Stock of the Corporation.

5. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto with respect to Egan's subscription for Class B Common Stock of the Corporation and with respect to the Egan Transfer.

6. MODIFICATION. No modification of or amendment to this Agreement shall be binding unless executed in writing by both parties.

7. GOVERNING LAW. This Agreement shall be governed by the laws of the State of Delaware.

8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument, and this Agreement shall be effective when at least one counterpart hereof has been executed by each of the parties hereto.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

SONIC AUTO WORLD, INC.

By: /s/ Theodore M. Wright

Theodore M. Wright, Vice President

/s/ William S. Egan

William S. Egan

SUBSCRIPTION AGREEMENT

This Subscription Agreement (the "Agreement"), dated as of June 30, 1997, by and between SONIC AUTO WORLD, INC., a Delaware corporation (the "Corporation"), and WILLIAM S. EGAN, a resident of the State of South Carolina ("Egan"), sets forth the terms and conditions of Egan's subscription for the capital stock of the Corporation.

WHEREAS, subject to the filing of a Certificate of Amendment (the "Certificate") to the Certificate of Incorporation of the Corporation, such Certificate to be substantially in the form attached hereto as Exhibit A, with and by the Secretary of State of the State of Delaware in accordance with applicable law, the authorized capital stock of the Corporation consists of (i) 50,000,000 shares of Class A Common Stock with par value of \$.01 per share, (ii) 15,000,000 shares of Class B Common Stock with par value of \$.01 per share, (the "Class B Common Stock"), and (iii) 3,000,000 shares of preferred stock with par value of \$.10 per share;

WHEREAS, Egan is the owner of certain shares of the common stock (the "Egan Shares") of Marcus David Corporation, a North Carolina corporation ("MDC");

WHEREAS, in connection with a proposed reorganization of the operations of the Corporation and various automobile dealerships and the entities having interests therein substantially as outlined on Exhibit B hereto (the "Reorganization"), the parties hereto propose to effect an exchange of the Egan Shares for Class B Common Stock as described herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties to this Agreement hereby agree as follows:

1. SUBSCRIPTION FOR SHARES. Egan hereby subscribes to and agrees to purchase 473 shares of the Class B Common Stock in consideration for the transfer to the Corporation of all of the Egan Shares (the "Egan Transfer"). Egan hereby agrees to take all actions necessary to effect the Egan Transfer. The Corporation hereby accepts the subscription by Egan for 473 shares of the Class B Common Stock and agrees that, upon consummation of the Egan Transfer, the Corporation will issue Egan, or a corporation, limited liability company, partnership or other entity with at least 80% of the outstanding equity of such entity owned by Egan, his spouse or lineal descendants of Egan (an "Egan Entity"), a stock certificate representing 473 shares of the Class B Common Stock and that upon issuance such shares will be validly issued, fully paid and non-assessable.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF EGAN. Egan hereby represents, warrants and covenants that:

(a) He has good and valid title to all of the Egan Shares, free and clear of all liens, pledges, encumbrances, claims, security interests, charges, voting trusts, voting agreements, other agreements, rights, options, warrants or restrictions or claims of any

kind, nature or description, and that all such Egan Shares, in respect of MDC, are validly issued, fully paid and non-assessable;

(b) He is purchasing the Class B Common Stock hereby subscribed for investment only, for his own account, and not with a view to the distribution thereof; provided, however, that Egan may transfer or assign such Class B Common Stock or the subscription rights therefor to an Egan Entity;

(c) He understands that the Class B Common Stock hereby subscribed will be issued without registration with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Act"), and will be issued under one or more exemptions from registration in the Act and state securities laws that depend upon the intent hereby represented and that the Corporation will rely on such representation in issuing such Class B Common Stock without registration;

(d) Except for an assignment or transfer of the Class B Common Stock hereby subscribed for or the subscription rights therefor by Egan to an Egan Entity, he will make no transfer of his securities acquired hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities he acquires hereunder, unless, in the opinion of counsel satisfactory to the Corporation, registration under applicable federal or state securities laws is not required; and

(e) He agrees that the stock certificate issued pursuant to this Agreement, and any replacements thereof, may be marked with a legend to the effect that such Class B Common Stock cannot be sold or transferred without either (i) registration under federal and state securities laws, or (ii) an opinion of counsel satisfactory to the Corporation that neither the sale nor the proposed transfer constitutes a violation of any federal or state securities law.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE CORPORATION. The Corporation hereby represents, warrants and covenants that:

(a) It is purchasing the stock of MDC hereby for investment only, for its own account, and not with a view to the distribution thereof;

(b) It understands that the stock of MDC will be transferred without registration with the SEC under the Act, and will be transferred under one or more exemptions from registration in the Act and state securities laws that depend upon the intent hereby represented and that Egan will rely on such representation in transferring such stock without registration;

(c) It will make no transfer of the securities acquired by it hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this

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Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities it acquired hereunder, unless, in the opinion of counsel satisfactory to Egan, registration under applicable federal or state securities laws is not required;

(d) The execution and delivery of this Agreement and the issuance of the Class B Common Stock by the Corporation have been duly and validly authorized by the Corporation and no other action or proceeding on the part of the Corporation is necessary to authorize this Agreement or to consummate the transactions contemplated hereby; and

(e) The stock certificate issued to it pursuant to this Agreement, and any replacements thereof, may be marked with a legend to the effect that such securities cannot be sold or transferred without either (i) registration under federal and state securities laws, or (ii) an opinion of counsel satisfactory to Egan that neither the sale nor the proposed transfer constitutes a violation of any federal or state securities law.

4. DETERMINATION OF THE VALUE OF THE EGAN SHARES. The parties acknowledge that the Board of Directors of the Corporation has determined in the exercise of its reasonable business judgment as of the date hereof the values of the consideration provided Egan hereunder in relation to the consideration provided by other subscribers for the Class B Common Stock as of the date hereof and giving effect to the Reorganization. Therefore, it is understood and agreed that, after the Egan Transfer and giving effect to the Reorganization, Egan (or an Egan Entity) will own 4.73% of the Class B Common Stock of the Corporation.

5. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto with respect to Egan's subscription for Class B Common Stock of the Corporation and with respect to the Egan Transfer.

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8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument, and this Agreement shall be effective when at least one counterpart hereof has been executed by each of the parties hereto.

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SONIC AUTO WORLD, INC.

By: /s/ Theodore M. Wright

Theodore M. Wright, Vice President

/s/ William S. Egan

William S. Egan

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WHEREAS, subject to the filing of a Certificate of Amendment (the "Certificate") to the Certificate of Incorporation of the Corporation, such Certificate to be substantially in the form attached hereto as Exhibit A, with and by the Secretary of State of the State of Delaware in accordance with applicable law, the authorized capital stock of the Corporation consists of (i) 50,000,000 shares of Class A Common Stock with par value of \$.01 per share, (ii) 15,000,000 shares of Class B Common Stock with par value of \$.01 per share, (the "Class B Common Stock"), and (iii) 3,000,000 shares of preferred stock with par value of \$.10 per share;

WHEREAS, Egan is the owner of certain shares of the common stock (the "Egan Shares") of Marcus David Corporation, a North Carolina corporation ("MDC");

WHEREAS, in connection with a proposed reorganization of the operations of the Corporation and various automobile dealerships and the entities having interests therein substantially as outlined on Exhibit B hereto (the "Reorganization"), the parties hereto propose to effect an exchange of the Egan Shares for Class B Common Stock as described herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties to this Agreement hereby agree as follows:

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2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF EGAN. Egan hereby represents, warrants and covenants that:

(a) He has good and valid title to all of the Egan Shares, free and clear of all liens, pledges, encumbrances, claims, security interests, charges, voting trusts, voting agreements, other agreements, rights, options, warrants or restrictions or claims of any

kind, nature or description, and that all such Egan Shares, in respect of MDC, are validly issued, fully paid and non-assessable;

(b) He is purchasing the Class B Common Stock hereby subscribed for investment only, for his own account, and not with a view to the distribution thereof; provided, however, that Egan may transfer or assign such Class B Common Stock or the subscription rights therefor to an Egan Entity;

(c) He understands that the Class B Common Stock hereby subscribed will be issued without registration with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Act"), and will be issued under one or more exemptions from registration in the Act and state securities laws that depend upon the intent hereby represented and that the Corporation will rely on such representation in issuing such Class B Common Stock without registration;

(d) Except for an assignment or transfer of the Class B Common Stock hereby subscribed for or the subscription rights therefor by Egan to an Egan Entity, he will make no transfer of his securities acquired hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities he acquires hereunder, unless, in the opinion of counsel satisfactory to the Corporation, registration under applicable federal or state securities laws is not required; and

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(b) It understands that the stock of MDC will be transferred without registration with the SEC under the Act, and will be transferred under one or more exemptions from registration in the Act and state securities laws that depend upon the intent hereby represented and that Egan will rely on such representation in transferring such stock without registration;

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/s/ William S. Egan

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WHEREAS, subject to the filing of a Certificate of Amendment (the "Certificate") to the Certificate of Incorporation of the Corporation, such Certificate to be substantially in the form attached hereto as Exhibit A, with and by the Secretary of State of the State of Delaware in accordance with applicable law, the authorized capital stock of the Corporation consists of (i) 50,000,000 shares of Class A Common Stock with par value of \$.01 per share, (ii) 15,000,000 shares of Class B Common Stock with par value of \$.01 per share, (the "Class B Common Stock"), and (iii) 3,000,000 shares of preferred stock with par value of \$.10 per share;

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(c) He understands that the Class B Common Stock hereby subscribed will be issued without registration with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Act"), and will be issued under one or more exemptions from registration in the Act and state securities laws that depend upon the intent hereby represented and that the Corporation will rely on such representation in issuing such Class B Common Stock without registration;

(d) Except for an assignment or transfer of the Class B Common Stock hereby subscribed for or the subscription rights therefor by Egan to an Egan Entity, he will make no transfer of his securities acquired hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities he acquires hereunder, unless, in the opinion of counsel satisfactory to the Corporation, registration under applicable federal or state securities laws is not required; and

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(c) It will make no transfer of the securities acquired by it hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this

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By: /s/ Theodore M. Wright

Theodore M. Wright, Vice President

/s/ William S. Egan

William S. Egan

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WHEREAS, subject to the filing of a Certificate of Amendment (the "Certificate") to the Certificate of Incorporation of the Corporation, such Certificate to be substantially in the form attached hereto as Exhibit A, with and by the Secretary of State of the State of Delaware in accordance with applicable law, the authorized capital stock of the Corporation consists of (i) 50,000,000 shares of Class A Common Stock with par value of \$.01 per share, (ii) 15,000,000 shares of Class B Common Stock with par value of \$.01 per share, (the "Class B Common Stock"), and (iii) 3,000,000 shares of preferred stock with par value of \$.10 per share;

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(d) Except for an assignment or transfer of the Class B Common Stock hereby subscribed for or the subscription rights therefor by Egan to an Egan Entity, he will make no transfer of his securities acquired hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities he acquires hereunder, unless, in the opinion of counsel satisfactory to the Corporation, registration under applicable federal or state securities laws is not required; and

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1. SUBSCRIPTION FOR SHARES. Egan hereby subscribes to and agrees to purchase 473 shares of the Class B Common Stock in consideration for the transfer to the Corporation of all of the Egan Shares (the "Egan Transfer"). Egan hereby agrees to take all actions necessary to effect the Egan Transfer. The Corporation hereby accepts the subscription by Egan for 473 shares of the Class B Common Stock and agrees that, upon consummation of the Egan Transfer, the Corporation will issue Egan, or a corporation, limited liability company, partnership or other entity with at least 80% of the outstanding equity of such entity owned by Egan, his spouse or lineal descendants of Egan (an "Egan Entity"), a stock certificate representing 473 shares of the Class B Common Stock and that upon issuance such shares will be validly issued, fully paid and non-assessable.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF EGAN. Egan hereby represents, warrants and covenants that:

(a) He has good and valid title to all of the Egan Shares, free and clear of all liens, pledges, encumbrances, claims, security interests, charges, voting trusts, voting agreements, other agreements, rights, options, warrants or restrictions or claims of any

kind, nature or description, and that all such Egan Shares, in respect of MDC, are validly issued, fully paid and non-assessable;

(b) He is purchasing the Class B Common Stock hereby subscribed for investment only, for his own account, and not with a view to the distribution thereof; provided, however, that Egan may transfer or assign such Class B Common Stock or the subscription rights therefor to an Egan Entity;

(c) He understands that the Class B Common Stock hereby subscribed will be issued without registration with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Act"), and will be issued under one or more exemptions from registration in the Act and state securities laws that depend upon the intent hereby represented and that the Corporation will rely on such representation in issuing such Class B Common Stock without registration;

(d) Except for an assignment or transfer of the Class B Common Stock hereby subscribed for or the subscription rights therefor by Egan to an Egan Entity, he will make no transfer of his securities acquired hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities he acquires hereunder, unless, in the opinion of counsel satisfactory to the Corporation, registration under applicable federal or state securities laws is not required; and

(e) He agrees that the stock certificate issued pursuant to this Agreement, and any replacements thereof, may be marked with a legend to the effect that such Class B Common Stock cannot be sold or transferred without either (i) registration under federal and state securities laws, or (ii) an opinion of counsel satisfactory to the Corporation that neither the sale nor the proposed transfer constitutes a violation of any federal or state securities law.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE CORPORATION. The Corporation hereby represents, warrants and covenants that:

(a) It is purchasing the stock of MDC hereby for investment only, for its own account, and not with a view to the distribution thereof;

(b) It understands that the stock of MDC will be transferred without registration with the SEC under the Act, and will be transferred under one or more exemptions from registration in the Act and state securities laws that depend upon the intent hereby represented and that Egan will rely on such representation in transferring such stock without registration;

(c) It will make no transfer of the securities acquired by it hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this

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Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities it acquired hereunder, unless, in the opinion of counsel satisfactory to Egan, registration under applicable federal or state securities laws is not required;

(d) The execution and delivery of this Agreement and the issuance of the Class B Common Stock by the Corporation have been duly and validly authorized by the Corporation and no other action or proceeding on the part of the Corporation is necessary to authorize this Agreement or to consummate the transactions contemplated hereby; and

(e) The stock certificate issued to it pursuant to this Agreement, and any replacements thereof, may be marked with a legend to the effect that such securities cannot be sold or transferred without either (i) registration under federal and state securities laws, or (ii) an opinion of counsel satisfactory to Egan that neither the sale nor the proposed transfer constitutes a violation of any federal or state securities law.

4. DETERMINATION OF THE VALUE OF THE EGAN SHARES. The parties acknowledge that the Board of Directors of the Corporation has determined in the exercise of its reasonable business judgment as of the date hereof the values of the consideration provided Egan hereunder in relation to the consideration provided by other subscribers for the Class B Common Stock as of the date hereof and giving effect to the Reorganization. Therefore, it is understood and agreed that, after the Egan Transfer and giving effect to the Reorganization, Egan (or an Egan Entity) will own 4.73% of the Class B Common Stock of the Corporation.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

SONIC AUTO WORLD, INC.

By: /s/ Theodore M. Wright

Theodore M. Wright, Vice President

/s/ William S. Egan

William S. Egan

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WHEREAS, subject to the filing of a Certificate of Amendment (the "Certificate") to the Certificate of Incorporation of the Corporation, such Certificate to be substantially in the form attached hereto as Exhibit A, with and by the Secretary of State of the State of Delaware in accordance with applicable law, the authorized capital stock of the Corporation consists of (i) 50,000,000 shares of Class A Common Stock with par value of \$.01 per share, (ii) 15,000,000 shares of Class B Common Stock with par value of \$.01 per share, (the "Class B Common Stock"), and (iii) 3,000,000 shares of preferred stock with par value of \$.10 per share;

WHEREAS, Egan is the owner of certain shares of the common stock (the "Egan Shares") of Marcus David Corporation, a North Carolina corporation ("MDC");

WHEREAS, in connection with a proposed reorganization of the operations of the Corporation and various automobile dealerships and the entities having interests therein substantially as outlined on Exhibit B hereto (the "Reorganization"), the parties hereto propose to effect an exchange of the Egan Shares for Class B Common Stock as described herein;

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kind, nature or description, and that all such Egan Shares, in respect of MDC, are validly issued, fully paid and non-assessable;

(b) He is purchasing the Class B Common Stock hereby subscribed for investment only, for his own account, and not with a view to the distribution thereof; provided, however, that Egan may transfer or assign such Class B Common Stock or the subscription rights therefor to an Egan Entity;

(c) He understands that the Class B Common Stock hereby subscribed will be issued without registration with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Act"), and will be issued under one or more exemptions from registration in the Act and state securities laws that depend upon the intent hereby represented and that the Corporation will rely on such representation in issuing such Class B Common Stock without registration;

(d) Except for an assignment or transfer of the Class B Common Stock hereby subscribed for or the subscription rights therefor by Egan to an Egan Entity, he will make no transfer of his securities acquired hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities he acquires hereunder, unless, in the opinion of counsel satisfactory to the Corporation, registration under applicable federal or state securities laws is not required; and

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(c) It will make no transfer of the securities acquired by it hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this

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SONIC AUTO WORLD, INC.

By: /s/ Theodore M. Wright

Theodore M. Wright, Vice President

/s/ William S. Egan

William S. Egan

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WHEREAS, subject to the filing of a Certificate of Amendment (the "Certificate") to the Certificate of Incorporation of the Corporation, such Certificate to be substantially in the form attached hereto as Exhibit A, with and by the Secretary of State of the State of Delaware in accordance with applicable law, the authorized capital stock of the Corporation consists of (i) 50,000,000 shares of Class A Common Stock with par value of \$.01 per share, (ii) 15,000,000 shares of Class B Common Stock with par value of \$.01 per share, (the "Class B Common Stock"), and (iii) 3,000,000 shares of preferred stock with par value of \$.10 per share;

WHEREAS, Egan is the owner of certain shares of the common stock (the "Egan Shares") of Marcus David Corporation, a North Carolina corporation ("MDC");

WHEREAS, in connection with a proposed reorganization of the operations of the Corporation and various automobile dealerships and the entities having interests therein substantially as outlined on Exhibit B hereto (the "Reorganization"), the parties hereto propose to effect an exchange of the Egan Shares for Class B Common Stock as described herein;

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kind, nature or description, and that all such Egan Shares, in respect of MDC, are validly issued, fully paid and non-assessable;

(b) He is purchasing the Class B Common Stock hereby subscribed for investment only, for his own account, and not with a view to the distribution thereof; provided, however, that Egan may transfer or assign such Class B Common Stock or the subscription rights therefor to an Egan Entity;

(c) He understands that the Class B Common Stock hereby subscribed will be issued without registration with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Act"), and will be issued under one or more exemptions from registration in the Act and state securities laws that depend upon the intent hereby represented and that the Corporation will rely on such representation in issuing such Class B Common Stock without registration;

(d) Except for an assignment or transfer of the Class B Common Stock hereby subscribed for or the subscription rights therefor by Egan to an Egan Entity, he will make no transfer of his securities acquired hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities he acquires hereunder, unless, in the opinion of counsel satisfactory to the Corporation, registration under applicable federal or state securities laws is not required; and

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(c) It will make no transfer of the securities acquired by it hereunder in violation of the Act, any rules of the SEC, any state securities law or statute or this

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(d) The execution and delivery of this Agreement and the issuance of the Class B Common Stock by the Corporation have been duly and validly authorized by the Corporation and no other action or proceeding on the part of the Corporation is necessary to authorize this Agreement or to consummate the transactions contemplated hereby; and

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SONIC AUTO WORLD, INC.

By: /s/ Theodore M. Wright

Theodore M. Wright, Vice President

/s/ William S. Egan

William S. Egan

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This Subscription Agreement (the "Agreement"), dated as of June 30, 1997, by and between SONIC AUTO WORLD, INC., a Delaware corporation (the "Corporation"), and WILLIAM S. EGAN, a resident of the State of South Carolina ("Egan"), sets forth the terms and conditions of Egan's subscription for the capital stock of the Corporation.

WHEREAS, subject to the filing of a Certificate of Amendment (the "Certificate") to the Certificate of Incorporation of the Corporation, such Certificate to be substantially in the form attached hereto as Exhibit A, with and by the Secretary of State of the State of Delaware in accordance with applicable law, the authorized capital stock of the Corporation consists of (i) 50,000,000 shares of Class A Common Stock with par value of \$.01 per share, (ii) 15,000,000 shares of Class B Common Stock with par value of \$.01 per share, (the "Class B Common Stock"), and (iii) 3,000,000 shares of preferred stock with par value of \$.10 per share;

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2

Agreement, and will not offer, sell, mortgage, pledge or otherwise dispose of the securities it acquired hereunder, unless, in the opinion of counsel satisfactory to Egan, registration under applicable federal or state securities laws is not required;

(d) The execution and delivery of this Agreement and the issuance of the Class B Common Stock by the Corporation have been duly and validly authorized by the Corporation and no other action or proceeding on the part of the Corporation is necessary to authorize this Agreement or to consummate the transactions contemplated hereby; and

(e) The stock certificate issued to it pursuant to this Agreement, and any replacements thereof, may be marked with a legend to the effect that such securities cannot be sold or transferred without either (i) registration under federal and state securities laws, or (ii) an opinion of counsel satisfactory to Egan that neither the sale nor the proposed transfer constitutes a violation of any federal or state securities law.

4. DETERMINATION OF THE VALUE OF THE EGAN SHARES. The parties acknowledge that the Board of Directors of the Corporation has determined in the exercise of its reasonable business judgment as of the date hereof the values of the consideration provided Egan hereunder in relation to the consideration provided by other subscribers for the Class B Common Stock as of the date hereof and giving effect to the Reorganization. Therefore, it is understood and agreed that, after the Egan Transfer and giving effect to the Reorganization, Egan (or an Egan Entity) will own 4.73% of the Class B Common Stock of the Corporation.

5. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto with respect to Egan's subscription for Class B Common Stock of the Corporation and with respect to the Egan Transfer.

6. MODIFICATION. No modification of or amendment to this Agreement shall be binding unless executed in writing by both parties.

7. GOVERNING LAW. This Agreement shall be governed by the laws of the State of Delaware.

8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument, and this Agreement shall be effective when at least one counterpart hereof has been executed by each of the parties hereto.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

SONIC AUTO WORLD, INC.

By: /s/ Theodore M. Wright

Theodore M. Wright, Vice President

/s/ William S. Egan

William S. Egan

SUBSIDIARIES OF SONIC AUTO WORLD, INC.

1. Town and Country Ford, Inc.
State of Incorporation: North Carolina
2. Marcus David Corporation d/b/a Town & Country Toyota
State of Incorporation: North Carolina
3. Frontier Oldsmobile-Cadillac, Inc.
State of Incorporation: North Carolina
4. FMF Management, Inc. d/b/a Fort Mill Ford
State of Organization: South Carolina
5. Fort Mill Chrysler-Plymouth-Dodge Inc.
State of Incorporation: South Carolina
6. Lone Star Ford, Inc.
State of Incorporation: Texas
7. Sonic Dodge, LLC
State of Incorporation: North Carolina
8. Sonic Chrysler-Plymouth-Jeep-Eagle, LLC
State of Incorporation: North Carolina

INDEPENDENT AUDITORS' CONSENT

To the Board of Directors and Stockholders
Sonic Automotive, Inc.

We consent to the use in this Registration Statement of Sonic Automotive, Inc. on Form S-1 of our report dated April 30, 1997 on the combined financial statements of Sonic Automotive, Inc. and Affiliated Companies as of December 31, 1995 and for the years ended December 31, 1994 and 1995 appearing in the Prospectus, which is a part of this Registration Statement, and to the references to us under the heading "Experts" in such Prospectus.

DIXON, ODOM & CO., L.L.P.

Winston-Salem, North Carolina
August 6, 1997

INDEPENDENT AUDITORS' CONSENT

To the Board of Directors and Stockholders
Sonic Automotive, Inc.

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DIXON, ODOM & CO., L.L.P.

Winston-Salem, North Carolina
August 6, 1997

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<SALES>	261,943,923	303,167,909	369,485,584	185,337,926	207,983,870
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CONSENT
OF
NELSON E. BOWERS, II

I, NELSON E. BOWERS, II, hereby consent to being named a "Director Nominee" of Sonic Automotive, Inc. (the "Company") in a Registration Statement of the Company on Form S-1 that is to be filed by the Company with the Securities and Exchange Commission in connection with the Company's initial public offering.

August 7, 1997

/s/

Nelson E. Bowers, II