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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2000

OR

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

Commission file number 1-13395

SONIC AUTOMOTIVE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	56-201079
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5401 E. Independence Blvd., Charlotte, North Carolina	28212
(Address of principal executive offices)	(Zip Code)

(704) 532-3320
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of May 8, 2000, there were 30,334,293 shares of Class A Common Stock and 12,250,000 shares of Class B Common Stock outstanding.

INDEX TO FORM 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.

SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENTS OF INCOME
(DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

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	THREE MONTHS ENDED MARCH 31, 1999	2000
<S>	<C>	<C>
REVENUES:		
New vehicles	$ 346,992	$ 854,034
Used vehicles	129,859	305,431
Wholesale vehicles	44,416	101,012
Total vehicles	521,267	1,260,477
Parts, service and collision repair	59,625	165,587
Finance & insurance and other (Note 1)	12,560	38,337
Total revenues	593,452	1,464,401
COST OF SALES (Note 1)	515,377	1,256,367
GROSS PROFIT	78,075	208,034
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	57,214	153,466
DEPRECIATION	526	1,517
GOODWILL AMORTIZATION	1,381	4,050
OPERATING INCOME	18,954	49,001
OTHER INCOME AND EXPENSE:		
Interest expense, floor plan	4,471	10,357
Interest expense, other	3,643	10,266
Other income	8	38
Total other expense	8,106	20,585
INCOME BEFORE INCOME TAXES	10,848	28,416
PROVISION FOR INCOME TAXES	4,161	11,045
NET INCOME	$ 6,687	$ 17,371
BASIC NET INCOME PER SHARE (Note 6)	$ 0.27	$ 0.41
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	24,423	42,088
DILUTED NET INCOME PER SHARE (Note 6)	$ 0.24	$ 0.39
WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING	27,998	44,877

</TABLE>

See notes to unaudited consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

<TABLE>
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	DECEMBER 31, 1999	MARCH 31, 2000 (UNAUDITED)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 83,111	$ 82,395
Receivables (net of allowance for doubtful accounts of $1,506 at December 31, 1999 and $1,303 at March 31, 2000)	99,987	114,618
Inventories (Note 3)	630,857	702,580
Due from affiliates (Note 5)	4,188	2,103
Other current assets	17,424	22,889
Total current assets	835,567	924,580
PROPERTY AND EQUIPMENT, NET	63,681	70,580
GOODWILL, NET (Note 1)	592,670	638,438
OTHER ASSETS	9,184	10,043
TOTAL ASSETS	$ 1,501,102	$ 1,643,459

</TABLE>

See notes to unaudited consolidated financial statements.

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	DECEMBER 31, 1999	MARCH 31, 2000 (UNAUDITED)
	(DOLLARS IN THOUSANDS)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable - floor plan	$ 517,575	$ 576,540
Trade accounts payable	48,405	57,851
Accrued interest	11,605	8,507
Other accrued liabilities	72,012	86,867
Payable for acquisitions	5,925	275
Current maturities of long-term debt	2,388	2,388

Total current liabilities	657,910	732,428
LONG-TERM DEBT (Note 4)	417,283	464,512
OTHER LONG-TERM LIABILITIES	3,923	3,861
PAYABLE TO THE COMPANY'S CHAIRMAN (Note 5)	5,500	5,500
PAYABLE TO AFFILIATES (Note 5)	723	723
DEFERRED INCOME TAXES	8,476	10,311
INCOME TAX PAYABLE	4,714	3,508
STOCKHOLDERS' EQUITY (Note 6):		
Preferred Stock, $.10 par, 3.0 million shares authorized; 300,000 shares designated as Class A Convertible Preferred Stock, liquidation preference $1,000 per share, of which 28,159 shares are issued and outstanding at December 31, 1999 and 14,344 shares are issued and outstanding at March 31, 2000	27,191	13,761
Class A Common Stock, $.01 par, 100.0 million shares authorized; 29,075,437 shares issued at December 31, 1999 and 32,411,978 shares issued at March 31, 2000	291	324
Class B Common Stock, $.01 par (convertible into Class A Common Stock), 30.0 million shares authorized; 12,250,000 shares issued and outstanding at December 31, 1999 and March 31, 2000	123	123
Paid-in capital	301,934	323,663
Retained earnings	79,392	96,763
Class A Treasury Stock, at cost (723,600 shares at December 31, 1999 and 1,336,023 at March 31, 2000)	(6,358)	(12,018)
Total stockholders' equity	402,573	422,616
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,501,102	$ 1,643,459

</TABLE>

See notes to unaudited consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(DOLLARS AND SHARES IN THOUSANDS)
(UNAUDITED)

<TABLE>
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	PREFERRED STOCK SHARES	PREFERRED STOCK AMOUNT	CLASS A COMMON STOCK SHARES	CLASS A COMMON STOCK AMOUNT	CLASS B COMMON STOCK SHARES	CLASS B COMMON STOCK AMOUNT	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1999	28	$ 27,191	29,075	$ 291	12,250	$123	$ 301,934	$ 79,392	$ (6,358)	$ 402,573
Issuance of Preferred Stock (Note 2)	12	11,589	-	-	-	-	-	-	-	11,589
Issuance of Common Stock	-	-	809	8	-	-	(8)	-	-	

										-
Shares awarded under stock compensation plans	-	-	33	-	-	-	243	-	-	243
Conversion of Preferred Stock	(22)	(21,904)	2,495	25	-	-	21,879	-	-	-
Redemption of Preferred Stock	(4)	(3,115)	-	-	-	-	(385)	-	-	(3,500)
Purchase of Class A Treasury Stock	-	-	-	-	-	-	-	-	(5,660)	(5,660)
Net income	-	-	-	-	-	-	-	17,371		17,371
	-----	--------	------	-----	------	----	---------	---------	---------	---------
BALANCE AT MARCH 31, 2000	14	$ 13,761	32,412	$ 324	12,250	$123	$ 323,663	$ 96,763	$ (12,018)	$ 422,616
	=====	========	======	=====	======	====	=========	=========	=========	=========

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See notes to unaudited consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>
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	THREE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 2000
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,687	$ 17,371
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,907	5,567
Loss on disposal of property and equipment	292	19
Changes in assets and liabilities that relate to operations:		
Receivables	(4,027)	(11,679)
Inventories	(9,077)	(22,880)
Other assets	(1,783)	(1,731)
Notes payable - floor plan	10,340	16,551
Trade accounts payable and other liabilities	(1,090)	11,548
Total adjustments	(3,438)	(2,605)
Net cash provided by operating activities	3,249	14,766
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of businesses, net of cash acquired	(46,672)	(46,602)
Purchases of property and equipment	(3,619)	(9,519)
Proceeds from sales of property and equipment	10,572	1,168
Net cash used in investing activities	(39,719)	(54,953)
CASH FLOWS FROM FINANCING ACTIVITIES:		

Proceeds from long-term debt	52,961	47,792
Payments on long-term debt	(8,295)	(1,488)
Purchases of Class A Common Stock and redemptions of Preferred Stock	-	(9,160)
Issuance of shares under stock compensation plans	603	243
(Advances to) repayments from affiliated companies	(895)	2,084
Net cash provided by financing activities	44,374	39,471
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,904	(716)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	51,834	83,111
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 59,738	$ 82,395
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Preferred Stock issued for acquisitions and contingent consideration (Note 2)	$ 28,892	$ 11,589
Conversion of Preferred Stock	$ -	$ 21,904

</TABLE>

See notes to unaudited consolidated financial statements.

The following Notes to Unaudited Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations contain estimates and forward-looking statements as indicated herein by the use of such terms as "estimated", "expects", "approximate", "projected" or similar terms. Such statements reflect management's current views, are based on certain assumptions and are subject to risks and uncertainties. No assurance can be given that actual results or events will not differ materially from those projected, estimated, assumed, or anticipated in any such forward-looking statements. Important factors that could cause actual results to differ from those projected or estimated are discussed herein and in other filings with the Securities and Exchange Commission.

SONIC AUTOMOTIVE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(ALL TABLES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION -- The accompanying unaudited financial information for the three months ended March 31, 1999 and 2000 has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. All significant intercompany accounts and transactions have been eliminated. These unaudited consolidated financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to fairly state the financial position and the results of operations for the periods presented. The results for interim periods are not necessarily indicative of the results to be expected for the entire fiscal year. These interim financial statements should be read in conjunction with the audited consolidated financial statements of Sonic Automotive, Inc. ("Sonic") for the year ended December 31, 1999.

REVENUE RECOGNITION -- Sonic records revenue when vehicles are delivered to customers, and when vehicle service work is performed.

Sonic arranges financing for customers through various financial institutions and receives a commission from the lender equal to the difference between the interest rates charged to customers over the predetermined interest rates set by the financing institution. Sonic also receives commissions from the sale of credit life, accident, health and disability insurance contracts to customers. Sonic may be assessed a chargeback fee in the event of early cancellation of a loan or insurance contract by the customer. Finance and insurance commission revenue is recorded net of estimated chargebacks at the time the related contract is placed with the financial institution.

Sonic also receives commissions from the sale of non-recourse third party extended service contracts to customers. These contracts provide for no recourse against Sonic, but instead provide that the applicable manufacturer or third party warranty company is directly liable for all warranties provided within the contract. Commission revenue from the sale of these third party extended service contracts is recorded net of estimated chargebacks at the time of sale.

Commissions expense related to finance and insurance commission revenue is charged to cost of sales upon recognition of such revenue, net of estimated chargebacks. Commission expense charged to cost of sales was approximately $2.3 million and $6.2 million for the three months ended March 31, 1999 and 2000, respectively.

GOODWILL -- Goodwill represents the excess purchase price over the estimated fair value of the tangible and separately measurable intangible net assets acquired. The cumulative gross amount of goodwill at December 31, 1999 was $605.1 million and at March 31, 2000 was $654.9 million. As a percentage of total assets and stockholders' equity, goodwill, net of accumulated amortization, represented 39.5% and 147.2%, respectively, at December 31, 1999, and 38.8% and 151.1%, respectively, at March 31, 2000. Generally accepted accounting principles in the United States of America require that goodwill and all other intangible assets be amortized over the period benefited. Sonic has determined that the period benefited by the goodwill will be no less than 40 years. Accordingly Sonic is amortizing goodwill over a 40 year period. Earnings reported in periods immediately following an acquisition would be overstated if Sonic attributed a 40 year benefit to an intangible asset that should have had a shorter benefit period. In later years, Sonic would be burdened by a continuing charge against earnings without the associated benefit to income valued by management in arriving at the price paid for the businesses acquired. Earnings in later years also could be significantly affected if management then determined that the remaining balance of goodwill was impaired. Sonic periodically compares the carrying value of goodwill with the anticipated undiscounted future cash flows from operations of the businesses acquired in order to evaluate the recoverability of goodwill. Sonic has concluded that the anticipated future cash flows associated with intangible assets recognized in its acquisitions will continue indefinitely, and there is no pervasive evidence that any material portion will dissipate over a period shorter than 40 years. Sonic will incur additional goodwill in future acquisitions.

The Financial Accounting Standards Board recently proposed new rules relating to the accounting for business combinations and intangible assets. One aspect of the proposal would not permit goodwill to be amortized over a period in excess of 20 years;

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

however, we cannot assure that such a rule will be adopted and, if adopted, as to the final provisions of any such rules. If such a rule is adopted, we have been advised that it would likely only affect the period over which we amortize goodwill on our future acquisitions.

2. BUSINESS ACQUISITIONS

ACQUISITIONS COMPLETED DURING THE THREE MONTHS ENDED MARCH 31, 2000:

During the first three months of 2000, Sonic acquired 6 dealerships for approximately $47.1 million in cash and 11,589 shares of Sonic's Class A convertible preferred stock, Series II, having an estimated value at the time of issuance of approximately $11.6 million. The cash portion of the purchase price was financed with a combination of cash borrowed under Sonic's $350 million acquisition line of credit with Ford Motor Credit Company (the "Revolving Facility") and cash generated from Sonic's existing operations. The acquisitions were accounted for using the purchase method of accounting, and the results of operations of such acquisitions have been included in the accompanying unaudited consolidated financial statements from their respective acquisition dates. The aggregate purchase price of these acquisitions has been allocated to the assets and liabilities acquired based on their estimated fair market value at the acquisition date as shown in the table below. We are still in the process of obtaining data necessary to complete the allocation of the purchase price of these acquisitions. As a result, the values of assets and liabilities included in the table below reflect preliminary estimates where actual values have not yet been determined, and may ultimately be different than amounts recorded once actual values are determined. Any adjustment to the value of the assets and liabilities will be recorded against goodwill.

Working capital	$ 8,907
Property and equipment	1,954

Goodwill	48,739
Non-current liabilites assumed	(943)
Total purchase price	$ 58,657

The following unaudited pro forma financial information presents a summary of consolidated results of operations as if the acquisition transactions completed during 1999 and during the first three months of 2000 had occurred as of the beginning of the year in which the acquisitions were completed, and at the beginning of the immediately preceding year, after giving effect to certain adjustments, including amortization of goodwill, interest expense on acquisition debt and related income tax effects. The pro forma financial information does not give effect to adjustments relating to net reductions in floor plan interest expense resulting from re-negotiated floor plan financing agreements or to reductions in salaries and fringe benefits of former owners or officers of acquired dealerships who have not been retained by Sonic or whose salaries have been reduced pursuant to employment agreements with Sonic. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations that would have occurred had the acquisitions been completed at the beginning of the period presented. These results are also not necessarily indicative of the results of future operations.

	THREE MONTHS ENDED MARCH 31, 1999	2000
Total revenues	$ 1,376,558	$ 1,510,534
Gross profit	$ 186,255	$ 213,195
Net income	$ 13,498	$ 17,281
Diluted income per share	$ 0.29	$ 0.38

SALE OF DEALERSHIP SUBSIDIARIES:

During the first three months of 2000, Sonic sold substantially all of the assets of one of its dealership subsidiaries for approximately $0.6 million. Subsequent to March 31, 2000, Sonic has sold substantially all of the assets at two additional dealership subsidiaries for approximately $4.5 million. The aggregate net book value of these assets totaling approximately $4.2 million has been included in other current assets on the accompanying unaudited consolidated balance sheet as of March 31, 2000 as assets held for sale.

3. INVENTORIES

Inventories consist of the following:

	DECEMBER 31, 1999	MARCH 31, 2000
New vehicles	$ 459,382	$ 515,224
Used vehicles	109,130	122,215
Parts and accessories	44,821	48,048
Other	17,524	17,093
Total	$ 630,857	$ 702,580

4. LONG-TERM DEBT

REVOLVING FACILITY

Borrowings, net of repayments, under Sonic's $350 million Revolving Facility for the three months ended March 31, 2000 were approximately $47.7 million and were primarily used to finance acquisitions. The total outstanding balance under the Revolving Facility as of March 31, 2000 was approximately $336.7 million. Additional amounts to be drawn under the Revolving Facility are to be used for the acquisition of additional dealerships and to provide general working capital needs of Sonic not to exceed $35 million.

5. RELATED PARTIES

REGISTRATION RIGHTS AGREEMENT

When Sonic acquired Town & Country Ford, Lone Star Ford, Fort Mill Ford, Town & Country Toyota and Frontier Oldsmobile-Cadillac in 1997, Sonic signed a Registration Rights Agreement dated as of June 30, 1997 with Sonic Financial Corporation ("SFC"), Bruton Smith, Scott Smith and William S. Egan (collectively, the "Class B Registration Rights Holders"). SFC currently owns 8,881,250 shares of Class B common stock; Bruton Smith, 2,071,250 shares; Scott Smith, 956,250 shares; and Egan Group, LLC, an assignee of Mr. Egan (the "Egan Group"), 341,250 shares, all of which are covered by the Registration Rights Agreement. The Egan Group also owns certain shares of Class A common stock to which the Registration Rights Agreement applies. If, among other things provided in Sonic's charter, offers and sales of shares Class B common stock are registered with the Securities and Exchange Commission, then such shares will automatically convert into a like number of shares of Class A common stock.

The Class B Registration Rights Holders have certain limited piggyback registration rights under the Registration Rights Agreement. These rights permit them to have their shares of Sonic's common stock included in any Sonic registration statement registering Class A common stock, except for registrations on Form S-4, relating to exchange offers and certain other transactions, and Form S-8, relating to employee stock compensation plans. The Registration Rights Agreement expires in November 2007. SFC is controlled by Bruton Smith, the Company's Chairman.

PAYABLE TO COMPANY'S CHAIRMAN

Sonic has a note payable to Mr. Smith in the amount of $5.5 million (the "Subordinated Smith Loan"). The Subordinated Smith Loan bears interest at Bank of America's announced prime rate plus 0.5% and has a stated maturity date of November 30, 2000. Under the terms of certain subordination agreements currently in effect, however, all amounts owed by Sonic to Mr. Smith under the Subordinated Smith Loan are to be paid only after all amounts owed by Sonic under the Revolving Facility, Sonic's floor plan financing facility with Ford Motor Credit and Sonic's senior subordinated notes are fully paid in cash. Accordingly, the Subordinated Smith Loan has been classified as non-current on the accompanying consolidated balance sheets.

OTHER RELATED PARTY TRANSACTIONS

- Sonic had amounts receivable from affiliates of $4.2 million at December 31, 1999 representing amounts owed by SFC. Of this balance, approximately $2.1 million was collected during the first quarter of 2000. The remaining balance as of March 31, 2000 was approximately $2.1 million and is classified as current based on the expected repayment dates.

5. RELATED PARTIES - (Continued)

- Town and Country Toyota has an amount payable to SFC and Bruton Smith, which payable totaled approximately $723,000 at both December 31, 1999 and March 31, 2000, respectively. This loan bears interest at 8.75% per annum and is classified as non-current based on the expected repayment dates.

6. CAPITAL STRUCTURE AND PER SHARE DATA

TREASURY STOCK/SHARE REPURCHASE PROGRAM --During 1999, Sonic's Board of Directors authorized Sonic to expend up to $50 million to repurchase shares of its Class A common stock or redeem securities convertible into Class A common stock. As of March 31, 2000 Sonic has repurchased 1.3 million shares of Class A common stock for approximately $12.0 million and has also redeemed 3,500 shares of Class A convertible preferred stock at a total cost of $3.5 million. Through May 2, 2000, Sonic has repurchased approximately 2.1 million shares of Class A common stock for approximately $20.1 million and has redeemed 8,600 shares of Class A convertible preferred stock for approximately $8.6 million. Sonic will continue to repurchase shares from time to time subject to market conditions.

PER SHARE DATA - The calculation of diluted net income per share considers the potential dilutive effect of options and shares under Sonic's stock compensation plans, Class A common stock purchase warrants, and Class A convertible preferred stock. The following table illustrates the dilutive effect of such items on net income per share.

<TABLE>
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	For the three months ended March 31, 1999	For the three months ended March 31, 2000

	Income	Shares	Per-Share Amount	Income	Shares	Per-Share Amount
	(DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)			(DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
BASIC NET INCOME PER SHARE	$ 6,687	24,423	$ 0.27	$ 17,371	42,088	$ 0.41
EFFECT OF DILUTIVE SECURITIES						
Stock compensation plans	-	1,458		-	384	
Warrants	-	110		-	28	
Convertible Preferred Stock	-	2,007		-	2,377	
DILUTED NET INCOME PER SHARE	$ 6,687	27,998	$ 0.24	$ 17,371	44,877	$ 0.39

</TABLE>

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations and financial condition should be read in conjunction with the Unaudited Consolidated Financial Statements and the related notes thereto.

RESULTS OF OPERATIONS

The following table summarizes, for the periods presented, the percentages of total revenues represented by certain items reflected in Sonic's Consolidated Statements of Income.

<TABLE>
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	Percentage of Total Revenues for Three Months Ended March 31,	
Revenues:	1999	2000
New vehicle sales	58.5%	58.3%
Used vehicle sales	29.4%	27.8%
Parts, service and collision repair	10.0%	11.3%
Finance and insurance	2.1%	2.6%
Total revenues	100.0%	100.0%
Cost of sales	86.8%	85.8%
Gross profit	13.2%	14.2%
Selling, general and administrative	9.6%	10.5%
Depreciation	0.1%	0.1%
Goodwill amortization	0.2%	0.3%

Operating income	3.2%	3.3%
Interest expense	1.4%	1.4%
Income before income taxes	1.8%	1.9%

</TABLE>

THREE MONTHS ENDED MARCH 31, 2000 COMPARED TO THREE MONTHS ENDED MARCH 31, 1999

REVENUES. Revenues grew in each of our primary revenue areas for the first three months of 2000 as compared with the first three months of 1999, causing total revenues to increase 147% to $1.5 billion. New vehicle sales revenue increased 146% to $854.0 million in the first three months of 2000, compared with $347.0 million in the first three months of 1999. The increase was due primarily to a 134% increase in new vehicle unit sales to 33,390 in the first three months of 2000 from 14,282 in the first three months of 1999, resulting primarily from acquisitions. The remainder of the increase in new vehicle revenues was due to a 5.3% increase in the average selling price of new vehicles, resulting primarily from an increase in revenues of higher priced luxury brands contributed by acquisitions. The percentage of new vehicle revenues comprised of luxury brands increased to 26.8% in the first three months of 2000 from 20.1% in the first three months of 1999.

Used vehicle revenues from retail sales increased 135% to $305.4 million in the first three months of 2000 from $129.9 million in the first three months of 1999. The increase was primarily due to a 114% increase in used vehicle unit sales to 20,132 in the first three months of 2000 from 9,408 in the first three months of 1999. Of this increase, approximately 90.1%, or 9,663 units, resulted from acquisitions and 9.9% resulted from stores owned longer than one year. The remainder of the increase was due to a 9.9% increase in the average selling price of used vehicles, including a 6.5% increase in the average selling price of used vehicles from stores owned for longer than one year.

Parts, service and collision repair revenue increased 178% to $165.6 million in the first three months of 2000 compared to $59.6 million in the first three months of 1999. Approximately 95.2% of the increase resulted from our acquisitions. Finance and insurance revenue increased $25.8 million, or 205%, principally due to vehicle sales and related financing contributed by our acquisitions, as well as a 35.1% improvement in finance and insurance revenues per vehicle resulting from newly implemented programs designed to improve training and development of finance and insurance sales people.

GROSS PROFIT. Gross profit increased 166% to $208.0 million in the first three months of 2000 from $78.1 million in the first three months of 1999. Approximately 93.8%, or $122.0 million, of the increase resulted from acquisitions. Gross profit as a percentage of sales increased to 14.2% from 13.2% due primarily to an increase in revenues contributed by parts, service and collision repair services and finance and insurance products, which earn higher margins than new vehicles. Parts, service and collision repair revenues as a percentage of total revenues increased to 11.3% in the first three months of 2000 from 10.0% in the first three months of 1999. Finance and insurance revenues as a percentage of total revenues increased to 2.6% in the first three months of 2000 from 2.1% in the first three months of 1999.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses, excluding depreciation and amortization, increased 168% to $153.5 million in the first three months of 2000 from $57.2 million in the first three months of 1999, resulting principally from acquisitions. Such expenses as a percentage of revenues increased to 10.5% in the first three months of 2000 from 9.6% in the first three months of 1999. Compensation programs, which represent over 50% of a dealership's selling, general and administrative expenses, are primarily based on gross profits. As a result, the improvement in gross profit margins resulted in an increase in compensation expense as a percentage of total revenues to 6.5% in the first three months of 2000 from 6.0% in the first three months of 1999 (as a percentage of gross profits, compensation expense increased only slightly to 45.5% in the first three months of 2000 from 45.2% in the first three months of 1999). In addition, rent expense increased as a percentage of total revenues to 0.9% in the first three months of 2000 from 0.7% in the first three months of 1999 primarily due to acquisitions of dealerships located in higher rent markets. As a percentage of gross profits, selling, general and administrative expenses increased slightly to 73.8% in the first three months of 2000 from 73.3% in the first three months of 1999.

DEPRECIATION AND AMORTIZATION EXPENSE. Depreciation expense, excluding goodwill amortization, increased 189% to $1.5 million in the first three months of 2000 from $0.5 million in the first three months of 1999, resulting primarily from acquisitions. As a percentage of total revenues, depreciation expense was at 0.1% in both the first three months of 2000 and the first three months of 1999. Goodwill amortization expense increased 193% to $4.1 million in the first three months of 2000 from $1.4 million in the first three months of 1999, resulting principally from additional acquisitions.

INTEREST EXPENSE, FLOOR PLAN. Interest expense, floor plan increased 132% to $10.4 million in the first three months of 2000 from $4.5 million in the first three months of 1999, due primarily to floor plan interest expense incurred by dealerships acquired. As a percentage of total revenues, floor plan interest decreased to 0.71% in the first three months of 2000 from 0.75% in the first three months of 1999, despite a 69 basis point increase in the average floorplan interest rate. The decrease primarily resulted from the acquisition of dealerships in certain California markets where, due to limited capacity, dealerships carry lower inventory levels and experience higher inventory turnover rates.

INTEREST EXPENSE, OTHER. Interest expense, other increased to $10.3 million in the first three months of 2000 from $3.6 million in the first three months of 1999 due to interest incurred on additional borrowings under our $350 million acquisition line of credit with Ford Motor Credit Company (the "Revolving Facility").

PROVISION FOR INCOME TAXES. The effective tax rate for the first three months of 2000 was 38.87%, compared to an effective rate of 38.36% in the first three months of 1999. The increase was primarily attributable to acquisitions we made during the year which were either (1) companies operating in states with higher income tax rates, or (2) stock purchases in which the goodwill amortization is not deductible for income tax purposes.

NET INCOME. As a result of the factors noted above, our net income increased by $10.7 million in the first three months of 2000 compared to the first three months of 1999.

LIQUIDITY AND CAPITAL RESOURCES

Our principal needs for capital resources are to finance acquisitions and fund debt service and working capital requirements. Historically, we have relied on internally generated cash flows from operations, borrowings under our various credit facilities, and borrowings and capital contributions from our stockholders to finance our operations and expansion.

During the first three months of 2000, net cash provided by operating activities was approximately $14.8 million. During the first three months of 1999, net cash provided by operating activities was approximately $3.2 million. The increase was attributable principally to increases in net income and notes payable, floorplan and accounts payable and other liabilities, offset by increases in inventories and accounts receivable.

Cash used for investing activities in the first three months of 2000 was approximately $55.0 million, including $46.6 million paid for acquisitions, net of cash received, and $9.5 million in capital expenditures. Cash used for investing activities in the first three months of 1999 was approximately $39.7 million, including $46.7 million paid for acquisitions, net of cash received, and $3.6 million in capital expenditures. Our principal capital expenditures typically include building improvements and equipment for use in our dealerships. Of the capital expenditures in the first three months of 2000, approximately $5.7 million related to the construction of new dealerships and collision repair centers. Total construction in process as of March 31, 2000 was approximately $11.1 million. Sonic is in the process of obtaining a construction line of credit in the amount of $50 million from Ford Motor Credit Company ("Ford Motor Credit") for the purpose of financing current and future construction projects. Sonic is also in the process of obtaining a permanent mortgage credit line in the amount of $100 million from Ford Motor Credit. Upon completion, construction projects are

expected to either be re-financed with funds from the $100 million permanent mortgage credit line with Ford Motor Credit or sold to third parties in sale-leaseback transactions.

During the first three months of 2000, we acquired 6 dealerships for approximately $47.1 million in cash and 11,589 shares of Sonic's Class A convertible preferred stock, Series II, recorded at an estimated value of approximately $11.6 million. The cash portion of the purchase price was financed with a combination of cash borrowed under our Revolving Facility and cash generated from our existing operations. The acquisitions were accounted for using the purchase method of accounting, and the results of operations of such acquisitions have been included in our consolidated financial statements from their respective acquisition dates.

As of May 2, 2000, Sonic has sold three dealerships for approximately $5.3 million in proceeds. No material gains or losses have been realized or are expected from these sales.

The Revolving Facility currently has a borrowing limit of $350 million. Amounts outstanding under the Revolving Facility bear interest at 2.50% above LIBOR (LIBOR was 5.88% at March 31, 2000). The Revolving Facility will mature in October 2002, but may be extended for a number of additional one year terms to be negotiated by us and Ford Motor Credit. Borrowings, net of repayments, under the Revolving Facility for the first three months of 2000 were approximately $47.7 million and were used to finance acquisitions. As of March 31, 2000, the total outstanding balance under the Revolving Facility was approximately $336.7 million. Future amounts to be drawn under the Revolving Facility are to be used for the acquisition of additional dealerships and to provide general working capital needs not to exceed $35 million.

We agreed under the Revolving Facility not to pledge any of our assets to any third party (with the exception of currently encumbered assets of our dealership subsidiaries that are subject to previous pledges or liens). In addition, the Revolving Facility contains certain negative covenants, including covenants restricting or prohibiting the payment of dividends, capital expenditures and material dispositions of assets as well as other customary covenants. Additional negative covenants include specified ratios of

- o current assets to current liabilities (at least 1.25:1),
- o earnings before interest, taxes, depreciation and amortization (EBITDA) and rent less capital expenditures to fixed charges (at least 1.4:1),
- o EBITDA to interest expense (at least 2:1) and
- o total adjusted debt to EBITDA (no greater than 2.25:1).

In addition, the loss of voting control over Sonic by Bruton Smith, Scott Smith and their spouses or immediate family members or the failure by Sonic, with certain exceptions, to own all the outstanding equity, membership or partnership interests in its dealership subsidiaries will constitute an event of default under the Revolving Facility. Sonic is in compliance with all restrictive covenants as of March 31, 2000.

We currently have an aggregate principal balance of $125 million in senior subordinated notes which mature on August 1, 2008 and bear interest at a stated rate of 11.0%. The notes are unsecured and are redeemable at our option after August 1, 2003. Interest payments are due semi-annually on August 1 and February 1 and commenced February 1, 1999. The notes are subordinated to all of our present and future senior indebtedness, including the Revolving Facility. Redemption prices during 12 month periods beginning August 1 are 105.500% in 2003, 103.667% in 2004, 101.833% in 2005 and 100% thereafter.

The indenture governing the senior subordinated notes contains certain specified restrictive and required financial covenants. We have agreed not to pledge our assets to any third party except under certain limited circumstances (for example, floor plan indebtedness). We have also agreed to certain other limitations or prohibitions concerning the incurrence of other indebtedness, capital stock, guaranties, asset sales, investments, cash dividends to shareholders, distributions and redemptions. Sonic is in compliance with all restrictive covenants as of March 31, 2000.

We currently have standardized floor plan credit facilities with Chrysler Financial Corporation ("Chrysler Financial") and Ford Motor Credit. The floor plan credit facility with Chrysler Financial provides up to $750 million for the purchase of vehicles at our Chrysler dealerships. The floor plan facility with Ford Motor Credit provides up to $550 million for the purchase of vehicles at all of our other dealerships. As of March 31, 2000, there was an aggregate of approximately $128.0 million outstanding under the Chrysler Financial floorplan facility and $449.8 million outstanding under the Ford Motor Credit floor plan facility.

Amounts outstanding under the Chrysler Financial floor plan facility bear interest at 1.25% above LIBOR. Amounts outstanding under the Ford Motor Credit floor plan facility bear interest at an effective interest rate of prime less 1.3% (prime was 8.75% at March 31, 2000), subject to certain incentives and other adjustments. Typically new vehicle floor plan indebtedness exceeds the related inventory balances. The inventory balances are generally reduced by the manufacturer's purchase discounts, which are not

reflected in the related floor plan liability. These manufacturer purchase discounts are standard in the industry, typically occur on all new vehicle purchases, and are not used to offset the related floor plan liability. These discounts are aggregated and generally paid to us by the manufacturers on a quarterly basis.

We make monthly interest payments on the amount financed under the floor plan facilities but are 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 relevant dealership subsidiary. The floor plan facilities contain a number of covenants, including among others, covenants restricting us with respect to the creation of liens and changes in ownership, officers and key management personnel. Sonic is in compliance with all restrictive covenants as of March 31, 2000.

Sonic's Board of Directors recently authorized Sonic to expend up to $50 million to repurchase shares of its Class A common stock or redeem securities convertible into Class A common stock. Through May 2, 2000, Sonic has repurchased 2,144,006 shares of Class A common stock for approximately $20.1 million and has redeemed 8,600 shares of Class A convertible preferred stock for approximately $8.6 million. Sonic will continue to repurchase shares from time to time subject to market conditions.

We believe that funds generated through future operations and availability of borrowings under our floor plan financing (or any replacements thereof) and other credit arrangements will be sufficient to fund our debt service and working capital requirements and any seasonal operating requirements, including our currently anticipated internal growth for our existing businesses, for the foreseeable future. We expect to fund any future acquisitions from future cash flow from operations, additional debt financing (including the Revolving Facility) or the issuance of Class A common stock, preferred stock or other convertible instruments.

SEASONALITY

Our 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 the timing of manufacturer incentive programs and model changeovers.

SIGNIFICANT MATERIALITY OF GOODWILL

Goodwill represents the excess purchase price over the estimated fair value of the tangible and separately measurable intangible net assets acquired. The cumulative gross goodwill balance at December 31, 1999 was approximately $605.1 million and at March 31, 2000 was approximately $655.1 million. As a percentage of total assets and stockholders' equity, goodwill, net of accumulated amortization, represented 39.5% and 147.2%, respectively, at December 31, 1999, and 38.8% and 151.1%, respectively, at March 31, 2000. Generally accepted accounting principles in the United States of America require that goodwill and all other intangible assets be amortized over the period benefited. We have determined that the period benefited by the goodwill will be no less than 40 years. Accordingly, we are amortizing goodwill over a 40 year period. Earnings reported in periods immediately following an acquisition would be overstated if we attributed a 40 year benefit to an intangible asset that should have had a shorter benefit period. In later years, we would be burdened by a continuing charge against earnings without the associated benefit to income valued by management in arriving at the consideration paid for the businesses acquired. Earnings in later years also could be significantly affected if management then determined that the remaining balance of goodwill was impaired. We periodically compare the carrying value of goodwill with the anticipated undiscounted future cash flows from operations of the business we have acquired in order to evaluate the recoverability of goodwill. We have concluded that the anticipated future cash flows associated with intangible assets recognized in our acquisitions will continue indefinitely, and there is no pervasive evidence that any material portion will dissipate over a period shorter than 40 years. We will incur additional goodwill in future acquisitions.

The Financial Accounting Standards Board recently proposed new rules relating to the accounting for business combinations and intangible assets. One aspect of the proposal would not permit goodwill to be amortized over a period in excess of 20 years; however, we cannot assure you that such a rule will be adopted and, if adopted, as to the final provisions of any such rules. If such a rule is adopted, we have been advised that it would likely only affect the period over which we amortize goodwill in our future acquisitions.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK. Sonic's only financial instruments with market risk exposure are variable rate floor plan notes payable, Revolving Facility borrowings and other variable rate notes. The total outstanding balance of such instruments was approximately $338.9 million at March 31, 1999 and $931.1 million at March 31, 2000. A change of one percent in the interest rate would have caused a change in interest expense of approximately $0.8 million for the three months ended March 31, 1999 and approximately $2.4

million for the three months ended March 31, 2000. Of the total change in interest expense, approximately $0.7 million for the three months ended March 31, 1999 and approximately $1.4 million for the three months ended March 31, 2000 would have resulted from floor plan notes payable.

Sonic's exposure with respect to floor plan notes payable is mitigated by floor plan incentives received from manufacturers which are generally based on rates similar to those incurred under Sonic's floor plan financing arrangements. Our floor plan interest expense for the three months ended March 31, 2000 exceeded the amounts we received from these manufacturer floor plan incentives by approximately $1.6 million. As a result, the effective rate incurred under our floor plan financing arrangements was reduced to an annualized rate of approximately 1.1% after considering these incentives.

PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

The following sets forth certain information as to all equity securities sold by Sonic during the periods discussed that were not registered under the Securities Act of 1933, as amended (the "Securities Act"). As to all such transactions, an exemption was claimed under Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder ("Regulation D") as transactions not involving a public offering in view of sophistication of the purchasers, their access to material information about Sonic, the disclosures actually made to them by Sonic, the absence of any general solicitation or advertising, the status of the purchasers as "accredited investors" as that term is defined in Rule 501(a) of Regulation D and the filing by Sonic of the appropriate forms in connection therewith. All such private sales of Sonic's equity securities were made to the owners of assets associated with, or the capital stock of, automobile dealerships acquired by Sonic as a part of Sonic's dealership acquisition strategy.

Sonic has privately issued its Class A common stock in the following dealership acquisition transactions:

On February 25, 2000, Sonic issued an aggregate 750,745 shares of its Class A common stock with a value of approximately $6.7 million to Joseph L. Herson, Mollye H. Mills, Richard Mills and John Jaffe in satisfaction of its obligations under the Agreement and Plan of Merger dated April 6, 1999 by and among Sonic, Manhattan Auto, Inc., Joseph Herson, Mollye Mills, John Jaffe and Richard Mills.

On March 16, 2000, Sonic issued an aggregate 57,976 shares of its Class A common stock with a value of approximately $0.5 million to certain affiliates of The Trust Company of the West. These entities held shares of preferred stock of FirstAmerica Automotive, Inc. at the time of Sonic's acquisition of FirstAmerica, and this issuance of Sonic's Class A common stock to these entries was in satisfaction of obligations pertaining to such preferred stock.

Sonic has also privately issued its Class A convertible preferred stock (the "Preferred Stock") in dealership acquisition transactions. The Preferred Stock is divided into three series: the Series I Preferred Stock, the Series II Preferred Stock and the Series III Preferred Stock. Each share of Preferred Stock is convertible into shares of Class A common stock at the holder's option at specified conversion rates. After the second anniversary of the date of issuance, any shares of Preferred Stock which have not yet been converted are subject to mandatory conversion to Class A common stock at the option of Sonic. No fractional shares of Class A common stock will be issued upon conversion of any shares of Preferred Stock. Instead, Sonic will pay cash equal to the value of such fractional shares.

Generally, each share of Preferred Stock is convertible into that number of shares of Class A common stock that has an aggregate Market Price at the time of conversion equal to $1,000 (with certain adjustments for Series II and Series III Preferred Stock). "Market Price" is defined generally as the average closing price per share of the Class A common stock on the New York Stock Exchange for twenty trading days immediately preceding the date of determination. Before the first anniversary of the date of issuance of Preferred Stock, each holder of Preferred Stock is unable to convert without first giving Sonic ten business days' notice and an opportunity to redeem such Preferred Stock at the then applicable redemption price.

Sonic has privately issued Preferred Stock in the following dealership acquisition transactions:

On February 1, 2000, Sonic issued an aggregate 4,602 shares of its Series II Preferred Stock with a value of approximately $4.6 million to Rod Maupin, David Hudiburg, Steven Hudiburg, Donna Dodson, Paula Tate, Leslie Hudiburg, the Paul Hudiburg 1997 Dynasty Trust, and the Jayce T. Hudiburg Irrevocable Trust to acquire the assets of Riverside Chevrolet, Inc.

On February 1, 2000, Sonic issued an aggregate 2,836 shares of its Series II Preferred Stock with a value of approximately $2.8 million to James E. Glover, Steven Hudiburg, Paula Tate, Karen Stevens, Daniel Dodson and Timothy Dodson to acquire the assets of Jim Glover Dodge, Inc.

On March 1, 2000, Sonic issued an aggregate 4,151 shares of its Series II Preferred Stock with a value of approximately $4.2 million to Winton M. Blount, Todd R. Strange and Henry Cobb to acquire the outstanding capital stock of Cobb Pontiac Cadillac, Inc. and Royal Motor Company, Inc.

ITEM 6. EXHIBITS
(a) Exhibits:

3.1* Amended and Restated Certificate of Incorporation of Sonic (incorporated by reference to Exhibit 3.1 to Sonic's Registration Statement on Form S-1 (Reg. No. 333-33295) (the "Form S-1")).

3.2* Certificate of Amendment to Sonic's Amended and Restated Certificate of Incorporation effective June 18, 1999 (incorporated by reference to Exhibit 3.2 to Sonic's Annual Report on Form 10-K for the year ended December 31, 1999 (the "1999 Form 10-K")).

3.3* Certificate of Designation, Preferences and Rights of Class A Convertible Preferred Stock (incorporated by reference to Exhibit 4.1 to Sonic's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).

3.4* Bylaws of Sonic (incorporated by reference to Exhibit 3.2 to the Form S-1).

4.1* Form of 11% Senior Subordinated Note due 2008, Series B (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-4 (Reg. Nos. 333-64397 and 333-64397-001 through 333-64397-044) of Sonic (the "Form S-4")).

4.2* Indenture dated as of July 1, 1998 among Sonic, as issuer, the subsidiaries of Sonic named therein, as guarantors, and U.S. Bank Trust National Association, as trustee (the "Trustee"), relating to the 11% Senior Subordinated Notes due 2008 (incorporated by reference to Exhibit 4.2 to the Form S-4).

4.3* First Supplemental Indenture dated as of December 31, 1999 among Sonic, as issuer, the subsidiaries of Sonic named therein, as guarantors and additional guarantors, and the Trustee, relating to the 11% Senior Subordinated Notes due 2008 (incorporated by reference to Exhibit 4.2a to the 1999 Form 10-K).

4.4* Registration Rights Agreement dated as of June 30, 1997 among Sonic, O. Bruton Smith, Bryan Scott Smith, William S. Egan and Sonic Financial Corporation (incorporated by reference to Exhibit 4.2 to the Form S-1).

4.5* Letter Agreement dated as of February 25, 2000 by and among Sonic, Joseph Herson, Mollye Mills, Richard Mills and John Jaffe (incorporated by reference to Exhibit 4.3 to Sonic's Registration Statement on Form S-3 (Reg. No. 333-96023)).

27 Financial data schedule for the three month period ended March 31, 2000 (filed electronically).

* Filed Previously

(b) Reports on Form 8-K.

On January 18, 2000, Sonic filed an Amended Current Report on Form 8-K/A, dated November 4, 1999, relating to its Current Report on Form 8-K filed on November 19, 1999 and containing Financial Statements of the Business Acquired and Unaudited Pro Forma Financial Statements reflecting the business combination of Sonic, Freeland Automotive, and the Manhattan Automotive Group.

On January 27, 2000, Sonic filed an Amended Current Report on Form 8-K/A, dated December 10, 1999, relating to its Current Report on Form 8-K filed on December 22, 1999 and containing Financial Statements of the Business Acquired and Unaudited Pro Forma Financial Statements reflecting the business combination of Sonic, FirstAmerica Automotive, Inc. (including dealership subsidiaries acquired by FirstAmerica in 1998 and 1999), Freeland Automotive, and the Manhattan Automotive Group.

SIGNATURES

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

SONIC AUTOMOTIVE, INC.

Date: May 15, 2000 By: /s/ O. Bruton Smith

O. Bruton Smith
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Date: May 15, 2000 By: /s/ Theodore M. Wright

Theodore M. Wright
VICE PRESIDENT, CHIEF FINANCIAL
OFFICER AND TREASURER
(PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)

INDEX TO EXHIBITS TO
QUARTERLY REPORT ON FORM 10-Q FOR
SONIC AUTOMOTIVE, INC.
FOR THE QUARTER ENDED MARCH 31, 2000

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* Filed Previously

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