

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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 (State or other jurisdiction of incorporation or organization)	56-2010790 (I.R.S. Employer Identification No.)
5401 E. Independence Blvd., Charlotte, North Carolina (Address of principal executive offices)	28212 (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 November 13, 2000, there were 30,074,938 shares of Class A Common Stock and 12,250,000 shares of Class B Common Stock outstanding.

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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)

<TABLE>
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	Three Months Ended September 30,	
	1999	2000
	<C>	<C>
<S>		
REVENUES:		
New vehicles	\$ 508,066	\$ 924,040
Used vehicles	173,592	335,638
Wholesale vehicles	69,523	112,256
	-----	-----
Total vehicles	751,181	1,371,934
Parts, service and collision repair	96,223	177,788
Finance & insurance and other	22,560	45,139
	-----	-----
Total revenues	869,964	1,594,861
COST OF SALES	753,310	1,366,120
	-----	-----
GROSS PROFIT	116,654	228,741
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	82,650	165,460
DEPRECIATION	776	1,769
GOODWILL AMORTIZATION	2,216	4,184
	-----	-----
OPERATING INCOME	31,012	57,328
OTHER INCOME AND EXPENSE:		
Interest expense, floor plan	5,721	11,607
Interest expense, other	4,786	10,637
Other income	38	35
	-----	-----
Total other expense	10,469	22,209
	-----	-----
INCOME BEFORE INCOME TAXES	20,543	35,119
PROVISION FOR INCOME TAXES	7,960	13,060
	-----	-----
NET INCOME	\$ 12,583	\$ 22,059
	=====	=====
BASIC NET INCOME PER SHARE	\$ 0.36	\$ 0.52
	=====	=====
WEIGHTED AVERAGE NUMBER OF BASIC SHARES OUTSTANDING	35,208	42,693
	=====	=====
DILUTED NET INCOME PER SHARE	\$ 0.33	\$ 0.51
	=====	=====
WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING	38,268	43,571
	=====	=====

</TABLE>

See notes to unaudited consolidated financial statements.

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SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars and shares in thousands except per share amounts)
(Unaudited)

<TABLE>
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	Nine Months Ended September 30,	
	1999	2000
<S>	<C>	<C>
REVENUES:		
New vehicles	\$ 1,275,882	\$ 2,682,696
Used vehicles	458,797	962,392
Wholesale vehicles	169,923	323,231
Total vehicles	1,904,602	3,968,319
Parts, service and collision repair	230,249	513,920
Finance & insurance and other	52,095	125,362
Total revenues	2,186,946	4,607,601
COST OF SALES	1,897,956	3,951,528
GROSS PROFIT	288,990	656,073
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	207,293	473,745
DEPRECIATION	1,957	4,930
GOODWILL AMORTIZATION	5,186	12,414
OPERATING INCOME	74,554	164,984
OTHER INCOME AND EXPENSE:		
Interest expense, floor plan	15,118	34,012
Interest expense, other	12,177	31,200
Other income	362	109
Total other expense	26,933	65,103
INCOME BEFORE INCOME TAXES	47,621	99,881
PROVISION FOR INCOME TAXES	18,250	38,000
NET INCOME	\$ 29,371	\$ 61,881
BASIC NET INCOME PER SHARE	\$ 0.98	\$ 1.45
WEIGHTED AVERAGE NUMBER OF BASIC SHARES OUTSTANDING	29,948	42,584
DILUTED NET INCOME PER SHARE	\$ 0.88	\$ 1.40
WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING	33,489	44,257

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See notes to unaudited consolidated financial statements.

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SONIC AUTOMOTIVE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

<TABLE>
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	December 31, 1999	September 30, 2000 (Unaudited)
--		
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 83,111	\$ 89,813
Receivables (net of allowance for doubtful accounts of \$1,506 at December 31, 1999 and \$1,952 at September 30, 2000)	99,987	127,144
Inventories	630,857	661,175
Due from affiliates	4,188	92
Other current assets	17,424	55,077
Total current assets	835,567	933,301
PROPERTY AND EQUIPMENT, NET	63,681	72,768
GOODWILL, NET	592,670	635,797
OTHER ASSETS	9,184	12,205
TOTAL ASSETS	\$ 1,501,102	\$ 1,654,071

</TABLE>

See notes to unaudited consolidated financial statements.

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SONIC AUTOMOTIVE, INC.
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31, 1999	September 30, 2000 (Unaudited)
-		
	(dollars in thousands)	
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable - floor plan	\$ 517,575	\$ 540,950
Trade accounts payable	48,405	55,239
Accrued interest	11,605	6,581
Other accrued liabilities	72,012	87,983
Payable for acquisitions	5,925	-
Current maturities of long-term debt	2,388	2,388
-		
Total current liabilities	657,910	693,141
LONG-TERM DEBT	417,283	491,063
OTHER LONG-TERM LIABILITIES	3,923	3,861
PAYABLE TO THE COMPANY'S CHAIRMAN	5,500	5,500
PAYABLE TO AFFILIATES	723	-
DEFERRED INCOME TAXES	8,476	13,946
INCOME TAX PAYABLE	4,714	3,256
STOCKHOLDERS' EQUITY:		
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 251 shares are issued and outstanding at September 30, 2000	27,191	251
Class A Common Stock, \$.01 par, 100.0 million shares authorized; 29,075,437 shares issued at December 31, 1999 and 33,174,037 shares issued at September 30, 2000	291	332
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 September 30, 2000	123	123
Paid-in capital	301,934	328,817
Retained earnings	79,392	141,273
Class A Treasury Stock, at cost (723,600 shares at December 31, 1999 and 2,853,653 at September 30, 2000)	(6,358)	(27,492)
-		
Total stockholders' equity	402,573	443,304
-		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,501,102	\$ 1,654,071

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See notes to unaudited consolidated financial statements.

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SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollars and shares in thousands)
(Unaudited)

<TABLE>
<CAPTION>

Retained Earnings	Preferred Stock		Class A Common Stock		Class B Common Stock		Paid-In Capital
	Shares	Amount	Shares	Amount	Shares	Amount	
-							
<S>	<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							
Issuance of Preferred Stock	12	11,589	-	-	-	-	-
Issuance of Common Stock	-	-	809	8	-	-	(8)
Cancellation of Common Stock	-	-	(21)	-	-	-	(198)
Shares awarded under stock compensation plans	-	-	344	3	-	-	2,141
Conversion of Preferred Stock	(26)	(25,947)	2,967	30	-	-	25,917
Redemption of Preferred Stock	(14)	(12,582)	-	-	-	-	(969)
Purchase of Class A Treasury Stock	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-
61,881							
BALANCE AT							

SEPTEMBER 30, 2000	-	\$ 251	33,174	\$332	12,250	\$123	\$328,817
\$141,273							
=====							

<CAPTION>

	Treasury Stock	Total Stockholders' Equity
<S>	<C>	<C>
BALANCE AT		
DECEMBER 31, 1999	\$ (6,358)	\$ 402,573
Issuance of Preferred Stock	-	11,589
Issuance of Common Stock	-	-
Cancellation of Common Stock	-	(198)
Shares awarded under stock compensation plans	-	2,144
Conversion of Preferred Stock	-	-
Redemption of Preferred Stock	-	(13,551)
Purchase of Class A Treasury Stock	(21,134)	(21,134)
Net income	-	61,881
BALANCE AT		
SEPTEMBER 30, 2000	\$ (27,492)	\$ 443,304
	=====	=====

</TABLE>

See notes to unaudited consolidated financial statements.

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SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	1999	2000
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$29,371	\$61,881
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,143	17,344
Loss on disposal of property and equipment	72	43
Changes in assets and liabilities that relate to operations:		
Receivables	(8,747)	(26,563)

Inventories	30,739	16,590
Other assets	(395)	(5,388)
Notes payable - floor plan	(40,714)	(18,966)
Trade accounts payable and other liabilities	4,930	11,482
Total adjustments	(6,972)	(5,458)
Net cash provided by operating activities	22,399	56,423
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of businesses, net of cash acquired	(164,306)	(50,468)
Purchases of property and equipment	(11,171)	(57,993)
Proceeds from sales of property and equipment	10,594	15,199
Net cash used in investing activities	(164,883)	(93,262)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	159,732	75,174
Payments on long-term debt	(86,014)	(2,464)
Public offering of common stock	85,069	-
Purchases of Class A Common Stock and redemptions of Preferred Stock	-	(34,685)
Issuance of shares under stock compensation plans	1,594	2,144
Repayments from affiliated companies	134	3,372
Net cash provided by financing activities	160,515	43,541
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,031	6,702
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	51,834	83,111
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$69,865	\$89,813
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Preferred Stock issued for acquisitions and contingent consideration	\$53,150	\$11,589
Common stock issued for acquisitions	\$22,250	\$ -
Conversion of Preferred Stock	\$ -	\$25,947

</TABLE>

See notes to unaudited consolidated financial statements.

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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 our 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 and nine months ended September 30, 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" or "the Company") 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 \$3.3 million and \$6.7 million for the three months ended September 30, 1999 and 2000, respectively, and approximately \$8.5 million and \$19.8 million for the nine months ended September 30, 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 September 30, 2000 was \$660.6 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 38.4% and 143.4%, respectively, at September 30, 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.

SONIC AUTOMOTIVE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 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

Pending Acquisitions

Sonic has signed definitive agreements to acquire five dealerships for an estimated \$50.3 million payable with a combination of cash, Class A convertible preferred stock, and Class A common stock. The aggregate purchase price is subject to adjustment based on the actual net book value of the assets acquired. The cash portion of the purchase price will be paid with a combination of borrowings under Sonic's \$500 million revolving line of credit with Ford Motor Credit Company ("Ford Motor Credit") and Chrysler Financial Corporation ("Chrysler Financial") (the "Revolving Facility") and with cash generated from Sonic's existing operations. These acquisitions are expected to be consummated in the fourth quarter of 2000 and first quarter of 2001.

Acquisitions Completed Subsequent to September 30, 2000 (through November 13, 2000):

Subsequent to September 30, 2000, Sonic acquired three dealerships for approximately \$13.2 million in cash financed with a combination of cash borrowed under the Revolving Facility and cash generated from Sonic's existing operations. The acquisitions were accounted for using the purchase method of accounting.

Acquisitions Completed During the Nine months Ended September 30, 2000:

During the first nine months of 2000, Sonic acquired seven dealerships for approximately \$51.3 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 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	\$ 9,001
Property and equipment	2,396
Goodwill	52,408
Non-current liabilities assumed	(943)

Total purchase price	\$62,862
	=====

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 nine 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.

SONIC AUTOMOTIVE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

2. BUSINESS ACQUISITIONS - (Continued)

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	2000	1999	2000
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Total revenues	\$ 1,545,589	\$ 1,594,861	\$ 4,470,914	\$ 4,695,388
Gross profit	\$ 209,017	\$ 228,741	\$ 587,124	\$ 664,824
Net income	\$ 11,694	\$ 22,059	\$ 42,535	\$ 62,215
Diluted income per share	\$ 0.25	\$ 0.51	\$ 0.91	\$ 1.40

</TABLE>

Sale of Dealership Subsidiaries:

During the first nine months of 2000, Sonic sold substantially all of the assets of three of its dealership subsidiaries and one franchise from another dealership for approximately \$5.9 million. There were no material gains or losses as a result of these sales. Sonic also intends to sell substantially all of the assets at certain other subsidiaries within the next year. The aggregate net book value of the assets held for sale total approximately \$9.4 million have been included in other current assets on the accompanying unaudited consolidated balance sheet as of September 30, 2000.

3. INVENTORIES

Inventories consist of the following:

	December 31, 1999	September 30, 2000
	-----	-----
New vehicles	\$ 459,382	\$ 465,907

Used vehicles	109,130	130,406
Parts and accessories	44,821	47,430
Other	17,524	17,432
	-----	-----
Total	\$ 630,857	\$ 661,175
	=====	=====

4. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	December 31, 1999	September 30, 2000
	-----	-----
Land	\$ 953	\$ 53
Building and improvements	23,120	24,798
Office equipment and fixtures	22,616	24,696
Parts and service equipment	16,008	19,573
Company vehicles	4,664	5,628
Construction in progress	5,785	11,679
	-----	-----
Total, at cost	73,146	86,427
Less accumulated depreciation	(9,465)	(13,659)
	-----	-----
Property and equipment, net	\$ 63,681	\$ 72,768
	=====	=====

In addition to the \$11.7 million classified as construction in progress, Sonic has incurred approximately \$28.3 million in construction costs on facilities which are expected to be completed and sold within one year in sale-leaseback transactions. Accordingly, these costs have been classified in other current assets on the accompanying unaudited consolidated balance sheet as of September 30, 2000.

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SONIC AUTOMOTIVE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

5. LONG-TERM DEBT

Revolving Facility

On August 10, 2000, Sonic entered into the Revolving Facility with Ford Motor Credit and Chrysler Financial to replace its previous \$350 million acquisition line of credit with Ford Motor Credit. The Revolving Facility has a borrowing limit of \$500 million, subject to a borrowing base calculated on the basis of our receivables, inventory and equipment and a pledge of certain additional collateral by an affiliate of Sonic. Amounts outstanding under the Revolving Facility bear interest at 2.50% above LIBOR (LIBOR was 6.62% at September 30, 2000) and will mature on October 31, 2003. Borrowings, net of repayments, under the Revolving Facility for the nine months ended September 30, 2000 were approximately \$52.6 million and were primarily used to finance acquisitions. The total outstanding balance as of September 30, 2000 was approximately \$341.6 million. Additional amounts to be drawn under the Revolving Facility are to be used for the acquisition of additional dealerships and to provide for the general working capital needs of Sonic and other general corporate purposes.

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 and default provisions. Financial covenants include specified ratios of

- o current assets to current liabilities (at least 1.23:1),
- 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 September 30, 2000.

Mortgage Facility

In June 2000, Sonic entered into a revolving real estate acquisition and construction line of credit (the "Construction Loan") and a related mortgage refinancing facility (the "Permanent Loan" and collectively with the Construction Loan, the "Mortgage Facility") with Ford Motor Credit. Under the Construction Loan, Sonic can borrow up to \$50.0 million to finance land acquisition and dealership construction costs. Advances can be made under the Construction Loan until December 2003. All advances will mature on June 22, 2005 and will bear interest at 2.25% above LIBOR. The total outstanding balance under the Construction Loan as of September 30, 2000 was approximately \$21.5 million.

Under the Permanent Loan, Sonic can refinance up to \$100.0 million in advances under the Construction Loan once the projects are completed. The aggregate borrowing limit under the Mortgage Facility is \$100 million. Advances can be made under the Permanent Loan until June 2005. All advances under the Permanent Loan mature on June 22, 2010 and bear interest at 2.00% above LIBOR. As of September 30, 2000, no amounts were outstanding under the Permanent Loan.

Subsidiary Guarantees

Balances outstanding under Sonic's Revolving Facility and \$125 million senior subordinated notes are guaranteed by all of Sonic's operating subsidiaries. These guarantees are full and unconditional and joint and several. Sonic's parent company has no independent assets or operations, and subsidiaries of the parent that are not subsidiary guarantors are minor.

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SONIC AUTOMOTIVE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

6. 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

- o Sonic had amounts receivable from affiliates of \$4.2 million at December 31, 1999 representing non-interest bearing amounts owed by SFC. Of this balance, approximately \$4.1 million was collected during the first nine months of 2000. The remaining balance at September 30, 2000 was approximately \$0.1 million and is classified as current based on the expected repayment dates.
- o Town and Country Toyota had an amount payable to SFC and Bruton Smith of approximately \$0.7 million as of December 31, 1999. The balance of this loan was paid in full as of June 30, 2000.

7. 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 September 30, 2000 Sonic had repurchased 2.9 million shares of Class A common stock for approximately \$27.5 million and had also redeemed 13,551 shares of Class A convertible preferred stock at a total cost of \$13.6 million. Through November 13, 2000, Sonic has repurchased approximately 3.1 million shares of Class A common stock for approximately \$29.7 million and has redeemed 13,551 shares of Class A convertible preferred stock for approximately \$13.6 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.

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SONIC AUTOMOTIVE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

7. CAPITAL STRUCTURE AND PER SHARE DATA - (Continued)

<TABLE>

<CAPTION>

	For the nine months ended September 30, 1999			For the nine months ended September 30, 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)		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Basic Net Income Per Share	\$ 29,371	29,948	\$ 0.98	\$ 61,881	42,584	\$ 1.45
Effect of Dilutive Securities						
Stock compensation plans	-	1,102		-	549	
Warrants	-	92		-	35	
Convertible Preferred Stock	-	2,347		-	1,089	
Diluted Net Income Per Share	\$ 29,371	33,489	\$ 0.88	\$ 61,881	44,257	\$ 1.40

<CAPTION>

	For the three months ended September 30, 1999			For the three months ended September 30, 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)		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Basic Net Income Per Share	\$ 12,583	35,208	\$ 0.36	\$ 22,059	42,693	\$ 0.52
Effect of Dilutive Securities						
Stock compensation plans	-	736		-	644	
Warrants	-	76		-	39	
Convertible Preferred Stock	-	2,248		-	195	
Diluted Net Income Per Share	\$ 12,583	38,268	\$ 0.33	\$ 22,059	43,571	\$ 0.51

</TABLE>

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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>
<CAPTION>

	Percentage of Total Revenues for Three Months Ended September 30,		Percentage of Total Revenues for Nine Months Ended September 30,	
	1999	2000	1999	2000
2000				

<S>	<C>	<C>	<C>	
<C>				
Revenues:				
New vehicle sales.....	58.4%	57.9%	58.3%	
58.2%				
Used vehicle sales.....	27.9%	28.1%	28.8%	
27.9%				
Parts, service and collision repair.....	11.1%	11.2%	10.5%	
11.2%				
Finance and insurance and other.....	2.6%	2.8%	2.4%	
2.7%				

Total revenues.....	100.0%	100.0%	100.0%	
100.0%				
Cost of sales.....	86.6%	85.7%	86.8%	
85.8%				

Gross profit.....	13.4%	14.3%	13.2%	
14.2%				
Selling, general and administrative.....	9.5%	10.3%	9.5%	
10.2%				
Depreciation	0.1%	0.1%	0.1%	
0.1%				
Goodwill amortization.....	0.2%	0.3%	0.2%	
0.3%				

Operating income.....	3.6%	3.6%	3.4%	
3.6%				
Interest expense-floorplan.....	0.7%	0.7%	0.7%	
0.7%				
Interest expense, other.....	0.5%	0.7%	0.5%	
0.7%				

Income before income taxes.....	2.4%	2.2%	2.2%	
2.2%				
=====	=====	=====	=====	

</TABLE>

Nine months Ended September 30, 2000 Compared to Nine months Ended September 30, 1999

Revenues. Revenues grew in each of our primary revenue areas for the first nine months of 2000 as compared with the first nine months of 1999, causing total revenues to increase 111% to \$4.6 billion. New vehicle sales revenue increased 110% to \$2.7 billion in the first nine months of 2000, compared with \$1.3 billion in the first nine months of 1999. The increase was due primarily to a 100% increase in new vehicle unit sales to 104,793 in the first nine months of 2000 from 52,509 in the first nine months of 1999, resulting primarily from acquisitions. The remainder of the increase in new vehicle revenues was due to a 5.4% 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 25.6% in the first nine months of 2000 from 19.6% in the first nine months of 1999.

Used vehicle revenues from retail sales increased 110% to \$962.4 million in the first nine months of 2000 from \$458.8 million in the first nine months of 1999. The increase was primarily due to a 90.7% increase in used vehicle unit sales to 61,785 in the first nine months of 2000 from 32,392 in the first nine months of 1999. Of this unit increase, approximately 92.3%, or 27,124 units, resulted from acquisitions and 7.7% resulted from stores owned longer than one year. The remainder of the increase in used vehicle revenue was due to a 10.0% increase in the average selling price of used vehicles, including a 6.2% increase in the average selling price of used vehicles from stores owned for longer than one year.

Parts, service and collision repair revenue increased 123% to \$513.9 million in the first nine months of 2000 compared to \$230.2 million in the first

nine months of 1999. Approximately 94.7% of the increase resulted from our acquisitions. Finance and insurance revenue increased \$73.3 million, or 141%, principally due to vehicle sales and related financing contributed by our acquisitions, as well as a 22.6% improvement in finance and insurance revenues per vehicle resulting from management's continued focus on improving training and development programs for finance and insurance sales people.

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Gross Profit. Gross profit increased 127% to \$656.1 million in the first nine months of 2000 from \$289.0 million in the first nine months of 1999. Approximately 94.7%, or \$347.6 million, of the increase resulted from acquisitions. Our overall gross profit percentage increased to 14.2% from 13.2% due primarily to an increase in revenues contributed by parts, service, collision repair services and finance and insurance products, which earn higher margins than vehicles sales. Parts, service and collision repair revenues as a percentage of total revenues increased to 11.2% in the first nine months of 2000 from 10.5% in the first nine months of 1999. Finance and insurance revenues as a percentage of total revenues increased to 2.7% in the first nine months of 2000 from 2.4% in the first nine months of 1999. In addition, the gross profit percentage earned on our parts, service, collision repair and finance and insurance products in the first nine months of 2000 increased 6.0% compared to the same period in 1999.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, excluding depreciation and amortization, increased 129% to \$473.7 million in the first nine months of 2000 from \$207.3 million in the first nine months of 1999, resulting principally from acquisitions. Such expenses as a percentage of revenues increased to 10.3% in the first nine months of 2000 from 9.5% in the first nine 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 6.3% in the first nine months of 2000 from 5.9% in the first nine months of 1999 (as a percentage of gross profits, compensation expense decreased slightly to 44.3% in the first nine months of 2000 from 44.4% in the first nine months of 1999). In addition, rent expense increased as a percentage of total revenues to 0.9% in the first nine months of 2000 from 0.7% in the first nine 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 72.2% in the first nine months of 2000 from 71.7% in the first nine months of 1999.

Depreciation and Amortization Expense. Depreciation expense, excluding goodwill amortization, increased 152% to \$4.9 million in the first nine months of 2000 from \$2.0 million in the first nine months of 1999, resulting primarily from acquisitions. As a percentage of total revenues, depreciation expense was at 0.1% in both the first nine months of 2000 and the first nine months of 1999. Goodwill amortization expense increased 139% to \$12.4 million in the first nine months of 2000 from \$5.2 million in the first nine months of 1999, resulting principally from additional acquisitions.

Interest Expense, floor plan. Interest expense, floor plan increased 125% to \$34.0 million in the first nine months of 2000 from \$15.1 million in the first nine months of 1999, due primarily to floor plan interest expense incurred by dealerships acquired. As a percentage of total revenues, floor plan interest increased to 0.74% in the first nine months of 2000 from 0.69% in the first nine months of 1999, primarily due to a 102 basis point increase in the average floorplan interest rate.

Interest Expense, other. Interest expense, other increased to \$31.2 million in the first nine months of 2000 from \$12.2 million in the first nine months of 1999 due to interest incurred on additional borrowings under our \$500 million revolving line of credit with Ford Motor Credit Company ("Ford Motor Credit") and Chrysler Financial Corporation ("Chrysler Financial") (the "Revolving Facility").

Provision for Income Taxes. The effective tax rate for the first nine months of 2000 was 38.05%, compared to an effective rate of 38.32% in the first nine months of 1999. The decrease was primarily attributable to the realization of the benefits of certain tax planning strategies, offset somewhat by acquisitions we made in the latter part of 1999 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 \$32.5 million in the first nine months of 2000 compared to the first nine months of 1999.

Three Months Ended September 30, 2000 Compared to Three Months Ended September 30, 1999

Revenues. Revenues grew in each of our primary revenue areas for the three months ended September 30, 2000 as compared with the three months ended September 30, 1999, causing total revenues to increase 83.3% to \$1.6 billion.

New vehicle sales revenue increased 81.9% to \$924.0 million in the three months ended September 30, 2000, compared with \$508.1 million in the three months ended September 30, 1999. The increase was due primarily to a 73.6% increase in new vehicle unit sales to 36,071 in the three months ended September 30, 2000 from 20,778 in the three months ended September 30, 1999, resulting primarily from acquisitions. The remainder of the increase in new vehicle revenues was due to a 4.8% 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

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revenues comprised of luxury brands increased to 25.3% in the three months ended September 30, 2000 from 20.2% in the three months ended September 30, 1999.

Used vehicle revenues from retail sales increased 93% to \$335.6 million in the three months ended September 30, 2000 from \$173.6 million in the three months ended September 30, 1999. The increase was primarily due to a 74.4% increase in used vehicle unit sales to 21,096 in the three months ended September 30, 2000 from 12,098 in the three months ended September 30, 1999. Of this unit increase, approximately 90.3%, or 8,127 units, resulted from acquisitions and 9.7% resulted from stores owned longer than one year. The remainder of the increase in used vehicle revenue was due to a 10.9% increase in the average selling price of used vehicles, including a 5.8% increase in the average selling price of used vehicles from stores owned for longer than one year.

Parts, service and collision repair revenue increased 84.8% to \$177.8 million in the three months ended September 30, 2000 compared to \$96.2 million in the three months ended September 30, 1999. Approximately 93.7% of the increase resulted from our acquisitions. Finance and insurance revenue increased \$22.6 million, or 100%, principally due to vehicle sales and related financing contributed by our acquisitions, as well as a 15.1% improvement in finance and insurance revenues per vehicle resulting from management's continued focus on improving training and development programs for finance and insurance sales people.

Gross Profit. Gross profit increased 96.1% to \$228.7 million in the three months ended September 30, 2000 from \$116.7 million in the three months ended September 30, 1999. Approximately 94.3%, or \$105.7 million, of the increase resulted from acquisitions. Our overall gross profit percentage increased to 14.3% from 13.4% due primarily to an increase in revenues contributed by used vehicle retail sales, parts, service and collision repair services and finance and insurance products, which earn higher margins than new vehicles. Used vehicle retail sales as a percentage of total revenues increased to 21.0% in the three months ended September 30, 2000 from 20.0% in the three months ended September 30, 1999. Parts, service and collision repair revenues as a percentage of total revenues increased to 11.2% in the three months ended September 30, 2000 from 11.1% in the three months ended September 30, 1999. Finance and insurance revenues as a percentage of total revenues increased to 2.8% in the three months ended September 30, 2000 from 2.6% in the three months ended September 30, 1999. In addition, the gross profit percentage earned on our parts, service, collision repair and finance and insurance products in the first three months of 2000 increased 7.4% compared to the same period in 1999.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, excluding depreciation and amortization, increased 100% to \$165.5 million in the three months ended September 30, 2000 from \$82.6 million in the three months ended September 30, 1999, resulting principally from acquisitions. Such expenses as a percentage of revenues increased to 10.4% in the three months ended September 30, 2000 from 9.5% in the three months ended September 30, 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 6.3% in the three months ended September 30, 2000 from 5.8% in the three months ended September 30, 1999 (as a percentage of gross profits, compensation expense increased to 43.9% in the three months ended September 30, 2000 from 43.4% in the three months ended September 30, 1999). In addition, rent expense increased as a percentage of total revenues to 0.8% in the three months ended September 30, 2000 from 0.7% in the three months ended September 30, 1999 primarily due to acquisitions of dealerships located in higher rent markets. As a percentage of gross profits, selling, general and administrative expenses increased to 72.3% in the three months ended September 30, 2000 from 70.9% in the three months ended September 30, 1999.

Depreciation and Amortization Expense. Depreciation expense, excluding goodwill amortization, increased 128% to \$1.8 million in the three months ended September 30, 2000 from \$0.8 million in the three months ended September 30, 1999, resulting primarily from acquisitions. As a percentage of total revenues, depreciation expense was at 0.1% in both the three months ended September 30, 2000 and the three months ended September 30, 1999. Goodwill amortization expense increased 88.9% to \$4.2 million in the three months ended September 30, 2000 from \$2.2 million in the three months ended September 30, 1999, resulting principally from acquisitions.

Interest Expense, floor plan. Interest expense, floor plan increased 103% to \$11.6 million in the three months ended September 30, 2000 from \$5.7 million in the three months ended September 30, 1999, due primarily to floor plan interest expense incurred by dealerships acquired. As a percentage of total revenues, floor plan interest increased to 0.73% in the three months ended September 30, 2000 from 0.66% in the three months ended September 30, 1999, primarily due to a 136 basis point increase in the average floorplan interest rate.

Interest Expense, other. Interest expense, other increased to \$10.6 million in the three months ended September 30, 2000 from \$4.8 million in the three months ended September 30, 1999 due to interest incurred on additional borrowings under our \$500 million Revolving Facility.

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Provision for Income Taxes. The effective tax rate for the three months ended September 30, 2000 was 37.19%, compared to an effective rate of 38.75% in the three months ended September 30, 1999. The decrease was primarily attributable to the realization of benefits of certain tax planning strategies.

Net Income. As a result of the factors noted above, our net income increased by \$9.5 million in the three months ended September 30, 2000 compared to the three months ended September 30, 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 nine months of 2000, net cash provided by operating activities was approximately \$56.4 million. During the first nine months of 1999, net cash provided by operating activities was approximately \$22.4 million. The increase was attributable principally to increases in net income.

Cash used for investing activities in the first nine months of 2000 was approximately \$93.3 million, including \$50.5 million paid for acquisitions, net of cash received, and \$58.0 million in capital expenditures. Cash used for investing activities in the first nine months of 1999 was approximately \$164.9 million, including \$164.3 million paid for acquisitions, net of cash received, and \$11.2 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 nine months of 2000, approximately \$44.1 million related to the construction of new dealerships and collision repair centers. Total construction in process as of September 30, 2000 was approximately \$40.0 million, of which approximately \$28.3 million represented construction costs on facilities which are expected to be completed and sold within one year in sale-leaseback transactions. Accordingly, these costs have been classified in other current assets on the accompanying unaudited consolidated balance sheet as of September 30, 2000.

In June 2000, Sonic entered into a revolving real estate acquisition and construction line of credit (the "Construction Loan") and a related mortgage refinancing facility (the "Permanent Loan") with Ford Motor Credit. Under the Construction Loan, Sonic can borrow up to \$50.0 million to finance land acquisition and dealership construction costs. Advances can be made under the Construction Loan until December 2003. All advances will mature on June 22, 2005 and will bear interest at 2.25% above LIBOR. The total outstanding balance under the Construction Loan as of September 30, 2000 was approximately \$21.5 million.

Under the Permanent Loan, Sonic can refinance up to \$50.0 million in advances under the Construction Loan once the projects are completed. Advances can be made under the Permanent Loan until June 2005. All advances under the Permanent Loan mature on June 22, 2010 and bear interest at 2.00% above LIBOR. As of September 30, 2000, no amounts were outstanding under the Permanent Loan.

During the first nine months of 2000, we acquired seven dealerships for approximately \$51.3 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.

Subsequent to September 30, 2000, Sonic acquired three dealerships for approximately \$13.2 million in cash financed with a combination of cash borrowed under the Revolving Facility and cash generated from Sonic's existing operations. The acquisitions were accounted for using the purchase method of accounting.

Sonic has signed definitive agreements to acquire five dealerships for an estimated \$50.3 million payable with a combination of cash, Class A convertible preferred stock, and Class A common stock. The aggregate purchase price is subject to adjustment based on the actual net book value of the assets acquired. The cash portion of the purchase price will be paid with a combination of borrowings under the Revolving Facility and with cash generated from Sonic's existing operations. These acquisitions are expected to be consummated in the fourth quarter of 2000 and first quarter of 2001.

As of November 13, 2000, Sonic has sold three dealerships and one franchise from another dealership for approximately \$5.9 million. No material gains or losses have been realized or are expected from these sales.

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On August 10, 2000, Sonic entered into the Revolving Facility with Ford Motor Credit and Chrysler Financial to replace its previous \$350 million acquisition line of credit with Ford Motor Credit. The Revolving Facility has a borrowing limit of \$500 million, subject to a borrowing base calculated on the basis of our receivables, inventory and equipment and a pledge of certain additional collateral by an affiliate of Sonic. Amounts outstanding under the Revolving Facility bear interest at 2.50% above LIBOR (LIBOR was 6.62% at September 30, 2000) and will mature on October 31, 2003. Borrowings, net of repayments, under the Revolving Facility for the nine months ended September 30, 2000 were approximately \$52.6 million and were primarily used to finance acquisitions. The total outstanding balance as of September 30, 2000 was approximately \$341.6 million. Additional amounts to be drawn under the Revolving Facility are to be used for the acquisition of additional dealerships and to provide for the general working capital needs of Sonic and other general corporate purposes.

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 and default provisions. Financial covenants include specified ratios of

- o current assets to current liabilities (at least 1.23:1),
- 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 September 30, 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 September 30, 2000.

We currently have standardized floor plan credit facilities with Chrysler Financial, General Motors Acceptance Corporation ("GMAC") 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 credit facility with GMAC provides up to \$33.6 million for the purchase of vehicles at four of our General Motors dealerships. We added two more of our General Motors dealerships to this facility effective October 2, 2000. 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 September 30, 2000, there was an aggregate of approximately \$131.4 million outstanding under the Chrysler Financial floorplan facility, \$384.5 million outstanding under the Ford Motor Credit floor plan facility and \$25.1 million outstanding under the GMAC 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 the prime rate (prime was 9.50% at September 30, 2000), subject to certain incentives and other adjustments. Amounts outstanding under the GMAC floor plan facility bear interest at the prime rate, 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,

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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 September 30, 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. As of September 30, 2000 Sonic had repurchased 2.9 million shares of Class A common stock for approximately \$27.5 million and had also redeemed 13,551 shares of Class A convertible preferred stock at a total cost of \$13.6 million. Through November 13, 2000, Sonic has repurchased approximately 3.1 million shares of Class A common stock for approximately \$29.7 million and has redeemed 13,551 shares of Class A convertible preferred stock for approximately \$13.6 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 September 30, 2000 was approximately \$660.6 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 38.4% and 143.4%, respectively, at September 30, 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

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\$377.7 million at September 30, 1999 and \$918.2 million at September 30, 2000. A change of one percent in the interest rate would have caused a change in interest expense of approximately \$2.7 million for the nine months ended September 30, 1999 and approximately \$7.0 million for the nine months ended September 30, 2000. Of the total change in interest expense, approximately \$2.3 million for the nine months ended September 30, 1999 and approximately \$4.4 million for the nine months ended September 30, 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 nine months ended September 30, 2000 exceeded the amounts we received from these manufacturer floor plan incentives by approximately \$7.0 million. As a result, the effective rate incurred under our floor plan financing arrangements was reduced to an annualized rate of approximately 1.6% after considering these incentives.

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PART II - OTHER INFORMATION

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 Second Supplemental Indenture dated as of September 15, 2000 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.
- 4.5* 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).

- 10.1 Credit Agreement dated as of August 10, 2000 (the "Credit Agreement") between Sonic, as Borrower, Ford Motor Credit Company ("Ford Credit"), as Agent and Lender, and Chrysler Financial Company, L.L.C. ("Chrysler Financial"), as Lender.
- 10.2 Promissory Note dated August 10, 2000 executed by Sonic in favor of Ford Credit pursuant to the Credit Agreement.
- 10.3 Promissory Note dated August 10, 2000 executed by Sonic in favor of Chrysler Financial pursuant to the Credit Agreement.
- 10.4 Guaranty dated August 10, 2000 by the subsidiaries of Sonic named therein, as Guarantors, in favor of Ford Credit, as Agent for the Lenders under the Credit Agreement.
- 10.5 Security Agreement dated August 10, 2000 by Sonic in favor of Ford Credit, as Agent for the Lenders under the Credit Agreement.
- 10.6 Security Agreement dated August 10, 2000 by the subsidiaries of Sonic named therein in favor of Ford Credit, as Agent for the Lenders under the Credit Agreement.
- 10.7 Master Construction Loan Agreement dated as of June 23, 2000 (the "Construction Loan Agreement") between the subsidiaries of Sonic named therein, as borrowers, and Ford Credit, as lender.
- 10.8 Permanent Loan Agreement dated as of June 23, 2000 (the "Permanent Loan Agreement") between the subsidiaries of Sonic named therein, as borrowers, and Ford Credit, as lender.

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- 10.9 Promissory Note dated June 23, 2000 by the subsidiaries of Sonic named therein, as borrowers, in favor of Ford Credit, as lender, pursuant to the Construction Loan Agreement.
- 10.10 Promissory Note dated June 23, 2000 by the subsidiaries of Sonic named therein, as borrowers, in favor of Ford Credit, as lender, pursuant to the Permanent Loan Agreement.
- 10.11 Guaranty dated June 23, 2000 by Sonic in favor of Ford Credit guaranteeing the obligations of the subsidiaries of Sonic under the Construction Loan Agreement and the Permanent Loan Agreement.
- 10.12 Security Agreement dated June 23, 2000 by Sonic in favor of Ford Credit pursuant to the Construction Loan Agreement and the Permanent Loan Agreement.
- 10.13* Sonic Automotive, Inc. 1997 Stock Option Plan, Amended and Restated as of June 5, 2000 (incorporated by reference to Exhibit 4.1 to Sonic's Registration Statement on Form S-8 (Reg. No. 333-46272)).
- 10.14* Sonic Automotive, Inc. Employee Stock Purchase Plan, Amended and Restated as of June 5, 2000 (incorporated by reference to Exhibit 4.1 to Sonic's Registration Statement on Form S-8 (Reg. No. 333-46274)).
- 27 Financial data schedule for the nine month period ended September 30, 2000 (filed electronically).

* Filed Previously

(b) Reports on Form 8-K.

Sonic filed a report on Form 8-K on September 15, 2000, reporting, under Item 5 of such report, that on September 13, 2000, Sonic had announced in a press release that it intended to offer approximately \$125 million of its Senior Subordinated Notes due 2008. No financial statements were included in the filing.

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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: November 14, 2000

By: /s/ O. Bruton Smith

O. Bruton Smith
Chairman and Chief Executive Officer

Date: November 14, 2000

By: /s/ Theodore M. Wright

Theodore M. Wright
Vice President, Chief Financial
Officer and Treasurer
(Principal Financial and Accounting Officer)

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INDEX TO EXHIBITS TO
QUARTERLY REPORT ON FORM 10-Q FOR
SONIC AUTOMOTIVE, INC.
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
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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).
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- 10.14* Sonic Automotive, Inc. Employee Stock Purchase Plan, Amended and Restated as of June 5, 2000 (incorporated by reference to Exhibit 4.1 to Sonic's Registration Statement on Form S-8 (Reg. No. 333-46274)).
- 27 Financial data schedule for the nine month period ended September 30, 2000 (filed electronically).

* Filed Previously

SECOND SUPPLEMENTAL INDENTURE

This SECOND SUPPLEMENTAL INDENTURE dated as of September 15, 2000 (this "Supplemental Indenture") is by and among:

COBB PONTIAC CADILLAC, INC., an Alabama corporation
 FA THOUSAND OAKS BNG, INC., a California corporation
 FA THOUSAND OAKS COLR, INC., a California corporation
 FA THOUSAND OAKS H, INC., a California corporation
 FA THOUSAND OAKS L, INC., a California corporation
 FA THOUSAND OAKS MBJ, INC., a California corporation
 FA THOUSAND OAKS MSS, INC., a California corporation
 FAA CAPITOL F, INC., a California corporation
 FAA MARIN LR, INC., a California corporation
 HMC FINANCE ALABAMA, INC., an Alabama corporation
 RIVERSIDE NISSAN, INC., an Oklahoma corporation
 ROYAL MOTOR COMPANY, INC., an Alabama corporation
 SONIC AUTOMOTIVE F&I, LLC, a Nevada limited liability company
 SONIC AUTOMOTIVE SERVICING COMPANY, LLC, a Nevada limited liability company
 SONIC AUTOMOTIVE WEST, LLC, a Nevada limited liability company
 SONIC - CARROLLTON V, L.P., a Texas limited partnership
 SONIC - FORT WORTH T, L.P., a Texas limited partnership
 SONIC - DALLAS AUTO FACTORY, L.P., a Texas limited partnership
 SONIC - FITZGERALD CHEVROLET, LLC, a North Carolina limited liability company
 SONIC - GLOVER, INC., an Oklahoma corporation
 SONIC - LAS VEGAS C EAST, LLC, a Nevada limited liability company
 SONIC - LAS VEGAS C WEST, LLC, a limited liability company
 SONIC - MONTGOMERY FLM, INC., an Alabama corporation
 SONIC - RIVERSIDE, INC., an Oklahoma corporation
 SONIC - RIVERSIDE AUTO FACTORY, INC., an Oklahoma corporation
 SOUTH CAROLINA AUTOMOBILE ENTERPRISES, INCORPORATED, a South Carolina corporation
 SPEEDWAY CHEVROLET, INC., an Oklahoma corporation
 SRE ALABAMA - 1, LLC, an Alabama limited liability company
 SRE ALABAMA - 2, LLC, an Alabama limited liability company
 SRE ALABAMA - 3, LLC, an Alabama limited liability company
 SREALESTATE ARIZONA - 1, LLC, an Arizona limited liability company
 SREALESTATE ARIZONA - 2, LLC, an Arizona limited liability company
 SREALESTATE ARIZONA - 3, LLC, an Arizona limited liability company
 SREALESTATE ARIZONA - 4, LLC, an Arizona limited liability company
 SRE FLORIDA - 1, LLC, a Florida limited liability company
 SRE FLORIDA - 2, LLC, a Florida limited liability company
 SRE FLORIDA - 3, LLC, a Florida limited liability company
 SRE GEORGIA - 1, L.P., a Georgia limited partnership
 SRE GEORGIA - 2, L.P., a Georgia limited partnership
 SRE GEORGIA - 3, L.P., a Georgia limited partnership
 SREHOLDING, LLC, a North Carolina limited liability company
 SRE NEVADA - 1, LLC, a Nevada limited liability company
 SRE NEVADA - 2, LLC, a Nevada limited liability company
 SRE NEVADA - 3, LLC, a Nevada limited liability company
 SRE SOUTH CAROLINA - 1, LLC, a South Carolina limited liability company
 SRE SOUTH CAROLINA - 2, LLC, a South Carolina limited liability company
 SRE TENNESSEE - 1, LLC, a Tennessee limited liability company
 SRE TENNESSEE - 2, LLC, a Tennessee limited liability company
 SRE TENNESSEE - 3, LLC, a Tennessee limited liability company
 SRE TEXAS - 1, L.P., a Texas limited partnership
 SRE TEXAS - 2, L.P., a Texas limited partnership
 SRE TEXAS - 3, L.P., a Texas limited partnership
 SRE VIRGINIA - 1, LLC, a Virginia limited liability company

(hereinafter referred to collectively as the "Guaranteeing Subsidiaries"), SONIC AUTOMOTIVE, INC., a Delaware corporation, (the "Company"), the other Guarantors (as listed on the signature page of the Indenture referred to below) (the "Guarantors") and U.S. BANK TRUST NATIONAL ASSOCIATION, as trustee under the Indenture referred to below (the "Trustee").

WITNESSETH

WHEREAS, the Company and the Guarantors have heretofore executed and delivered to the Trustee an Indenture dated as of July 1, 1998, as supplemented by the First Supplemental Indenture dated as of December 31, 1999 among the parties listed on the signature pages hereto, (as supplemented, the "Indenture") providing for the issuance in an aggregate principal amount of up to \$125,000,000 of the Company's 11% Senior Subordinated Notes due 2008 (the "Notes"); and

WHEREAS, the Indenture provides that under certain circumstances each of the Guaranteeing Subsidiaries shall execute and deliver to the Trustee a supplemental indenture pursuant to which each of the Guaranteeing Subsidiaries shall guarantee all of the Indenture Obligations under the Notes and the

Indenture on the terms and conditions set forth herein (the "Note Guarantee"); and

WHEREAS, each Guaranteeing Subsidiary is a wholly-owned direct or indirect subsidiary of the Company; and

WHEREAS, pursuant to Section 901(e) of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture to add the Guaranteeing Subsidiaries pursuant to the requirements of Section 1013 of the Indenture; and

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each of the Guaranteeing Subsidiaries and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

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Section 1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

Section 2. Agreement to Guarantee. Each of the Guaranteeing Subsidiaries hereby agrees as follows (notwithstanding anything to the contrary in this Supplemental Indenture, such agreements of the Guaranteeing Subsidiaries shall be construed as identical to those agreements made by the Guarantors under the Indenture, and the obligations and rights of the Guaranteeing Subsidiaries hereunder shall be no more and no less than those of the Guarantors under the Indenture):

(a) Guaranteeing Subsidiaries' Guarantee. Along with the Guarantors named in the Indenture and in accordance with Article Thirteen of the Indenture and this Section 2, to guarantee absolutely, fully, unconditionally and irrevocably, jointly and severally with each other and with each other Person that may become a Guarantor under the Indenture, to the Trustee and the Holders, as if the Guaranteeing Subsidiaries were the principal debtor, the punctual payment and performance when due of all Indenture Obligations (which for purposes of this Guarantee shall also be deemed to include all commissions, fees, charges, costs and other expenses (including reasonable legal fees and disbursements of one counsel) arising out of or incurred by the Trustee or the Holders in connection with the enforcement of this Guarantee).

(b) Continuing Guarantee; No Right of Set-Off; Independent Obligations.

(i) This Guarantee by the Guaranteeing Subsidiaries shall be a continuing guarantee of the payment and performance of all Indenture Obligations and shall remain in full force and effect until the payment in full of all of the Indenture Obligations and shall apply to and secure any ultimate balance due or remaining unpaid to the Trustee or the Holders. This Guarantee by the Guaranteeing Subsidiaries shall not be considered as wholly or partially satisfied by the payment or liquidation at any time or from time to time of any sum of money for the time being due or remaining unpaid to the Trustee or the Holders. Each Guaranteeing Subsidiary, jointly and severally, covenants and agrees to comply with all obligations, covenants, agreements and provisions applicable to it in the Indenture as if named as a Guarantor therein including those set forth in Article Eight of the Indenture. Without limiting the generality of the foregoing, each Guaranteeing Subsidiaries' liability shall extend to all amounts which constitute part of the Indenture Obligations and would be owed by the Company under the Indenture and the Securities but for the fact that they are unenforceable, reduced, limited, impaired, suspended or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Company.

(ii) Each Guaranteeing Subsidiary, jointly and severally, hereby guarantees that the Indenture Obligations will be paid to the Trustee without set-off or counterclaim or other reduction whatsoever (whether for taxes, withholding or otherwise) in lawful currency of the United States of America.

(iii) Each Guaranteeing Subsidiary, jointly and severally, guarantees that the Indenture Obligations shall be paid strictly in accordance with their terms regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the holders of the Securities.

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(iv) Each Guaranteeing Subsidiary's liability to pay or perform or cause the performance of the Indenture Obligations under this Guarantee shall arise forthwith after demand for payment or performance by the Trustee has been given to the Guarantors in the manner prescribed in Section 106 of the Indenture.

(v) Except as provided in the Indenture, the provisions of Article Thirteen of the Indenture and this Section 2 cover all agreements between the parties hereto relative to this Guarantee and none of the parties shall be bound by any representation, warranty or promise made by any Person relative thereto or hereto, which is not embodied therein or herein; and it is specifically acknowledged and agreed that this Guarantee has been delivered by each Guaranteeing Subsidiary free of any conditions whatsoever and that no representations, warranties or promises have been made to any Guaranteeing Subsidiary affecting its liabilities hereunder, and that the Trustee shall not be bound by any representations, warranties or promises now or at any time hereafter made by the Company to any Guaranteeing Subsidiary.

(vi) This Guarantee is a guarantee of payment, performance and compliance and not of collectibility and is in no way conditioned or contingent upon any attempt to collect from or enforce performance or compliance by the Company or upon any event or condition whatsoever.

(vii) The obligations of the Guaranteeing Subsidiaries set forth herein constitute the full recourse obligations of the Guaranteeing Subsidiaries enforceable against them to the full extent of all their assets and properties.

(c) Guarantee Absolute. The obligations of the Guaranteeing Subsidiaries hereunder are independent of the obligations of the Company under the Securities and the Indenture and a separate action or actions may be brought and prosecuted against any Guaranteeing Subsidiary whether or not an action or proceeding is brought against the Company and whether or not the Company is joined in any such action or proceeding. The liability of the Guaranteeing Subsidiaries hereunder is irrevocable, absolute and unconditional and (to the extent permitted by law) the liability and obligations of the Guaranteeing Subsidiaries hereunder shall not be released, discharged, mitigated, waived, impaired or affected in whole or in part by:

- (i) any defect or lack of validity or enforceability in respect of any Indebtedness or other obligation of the Company or any other Person under the Indenture or the Securities, or any agreement or instrument relating to any of the foregoing;
- (ii) any grants of time, renewals, extensions, indulgences, releases, discharges or modifications which the Trustee or the Holders may extend to, or make with, the Company, any Guarantor, any Guaranteeing Subsidiary or any other Person, or any change in the time, manner or place of payment of, or in any other term of, all or any of the Indenture Obligations, or any other amendment or waiver of, or any consent to or departure from, the Indenture or the Securities, including any increase or decrease in the Indenture Obligations;
- (iii) the taking of security from the Company, any Guarantor, any Guaranteeing Subsidiary or any other Person, and the release, discharge or alteration of, or other dealing with, such security;
- (iv) the occurrence of any change in the laws, rules, regulations or ordinances of any jurisdiction by any present or future action of any governmental authority or court amending, varying, reducing or otherwise affecting, or purporting to amend, vary, reduce or otherwise affect, any of the Indenture Obligations and the obligations of any Guaranteeing Subsidiary hereunder;
- (v) the abstention from taking security from the Company, any Guarantor, any Guaranteeing Subsidiary or any other Person or from perfecting, continuing to keep perfected or taking advantage of any security;
- (vi) any loss, diminution of value or lack of enforceability of any security received from the Company, any Guarantor, any Guaranteeing Subsidiary or any other Person, and including any other guarantees received by the Trustee;
- (vii) any other dealings with the Company, any Guarantor, any Guaranteeing Subsidiary or any other Person, or with any security;
- (viii) the Trustee's or the Holders' acceptance of compositions from the Company, any Guarantor or any

Guaranteeing Subsidiary;

- (ix) the application by the Holders or the Trustee of all monies at any time and from time to time received from the Company, any Guarantor, any Guaranteeing Subsidiary or any other Person on account of any indebtedness and liabilities owing by the Company, any Guarantor or any Guaranteeing Subsidiary to the Trustee or the Holders, in such manner as the Trustee or the Holders deems best and the changing of such application in whole or in part and at any time or from time to time, or any manner of application of collateral, or proceeds thereof, to all or any of the Indenture Obligations, or the manner of sale of any collateral;
 - (x) the release or discharge of the Company, any Guarantor or any Guaranteeing Subsidiary of the Securities or of any Person liable directly as surety or otherwise by operation of law or otherwise for the Securities, other than an express release in writing given by the Trustee, on behalf of the Holders, of the liability and obligations of any Guaranteeing Subsidiary hereunder;
 - (xi) any change in the name, business, capital structure or governing instrument of the Company, any Guarantor or any Guaranteeing Subsidiary or any refinancing or restructuring of any of the Indenture Obligations;
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- (xii) the sale of the Company's, any Guarantor's or any Guaranteeing Subsidiary's business or any part thereof,
 - (xiii) subject to Section 1314 of the Indenture, any merger or consolidation, arrangement or reorganization of the Company, any Guarantor or any Guaranteeing Subsidiary, any Person resulting from the merger or consolidation of the Company, any Guarantor or any Guaranteeing Subsidiary with any other Person or any other successor to such Person or merged or consolidated Person or any other change in the corporate existence, structure or ownership of the Company, any Guarantor or any Guaranteeing Subsidiary or any change in the corporate relationship among the Company, any Guarantor and any Guaranteeing Subsidiary, or any termination of such relationship;
 - (xiv) the insolvency, bankruptcy, liquidation, winding-up, dissolution, receivership, arrangement, readjustment, assignment for the benefit of creditors or distribution of the assets of the Company or its assets or any resulting discharge of any obligations of the Company (whether voluntary or involuntary) or of any Guarantor (whether voluntary or involuntary) or any Guaranteeing Subsidiary (whether voluntary or involuntary) or the loss of corporate existence;
 - (xv) subject to Section 1314 of the Indenture, any arrangement or plan of reorganization affecting the Company, any Guarantor or any Guaranteeing Subsidiary;
 - (xvi) any failure, omission or delay on the part of the Company to conform or comply with any term of the Indenture;
 - (xvii) any limitation on the liability or obligations of the Company or any other Person under the Indenture, or any discharge, termination, cancellation, distribution, irregularity, invalidity or unenforceability in whole or in part of the Indenture;
 - (xviii) any other circumstance (including any statute of limitations) that might otherwise constitute a defense available to, or discharge of, the Company, any Guarantor or any Guaranteeing Subsidiary; or
 - (xix) any modification, compromise, settlement or release by the Trustee, or by operation of law or otherwise, of the Indenture Obligations or the liability of the

Company or any other obligor under the Securities, in whole or in part, and any refusal of payment by the Trustee, in whole or in part, from any other obligor or other guarantor in connection with any of the Indenture Obligations, whether or not with notice to, or further assent by, or any reservation of rights against, each of the Guarantors and the Guaranteeing Subsidiaries.

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(d) Right to Demand Full Performance. In the event of any demand for payment or performance by the Trustee from any Guaranteeing Subsidiary hereunder, the Trustee or the Holders shall have the right to demand its full claim and to receive all dividends or other payments in respect thereof until the Indenture Obligations have been paid in full, and the Guaranteeing Subsidiaries shall continue to be jointly and severally liable hereunder for any balance which may be owing to the Trustee or the Holders by the Company under the Indenture and the Securities. The retention by the Trustee or the Holders of any security, prior to the realization by the Trustee or the Holders of its rights to such security upon foreclosure thereon, shall not, as between the Trustee and any Guaranteeing Subsidiary, be considered as a purchase of such security, or as payment, satisfaction or reduction of the Indenture Obligations due to the Trustee or the Holders by the Company or any part thereof. Each Guaranteeing Subsidiary, promptly after demand, will reimburse the Trustee and the Holders for all costs and expenses of collecting such amount under, or enforcing this Guarantee, including, without limitation, the reasonable fees and expenses of counsel.

(e) Waivers.

(i) Each Guaranteeing Subsidiary hereby expressly waives (to the extent permitted by law) notice of the acceptance of this Guarantee and notice of the existence, renewal, extension or the nonperformance, non-payment, or non-observance on the part of the Company of any of the terms, covenants, conditions and provisions of the Indenture or the Securities or any other notice whatsoever to or upon the Company, any Guarantor or such Guaranteeing Subsidiary with respect to the Indenture Obligations, whether by statute, rule of law or otherwise. Each Guaranteeing Subsidiary hereby acknowledges communication to it of the terms of this Supplemental Indenture, the Indenture and the Securities and all of the provisions herein and therein contained and consents to and approves the same. Each Guaranteeing Subsidiary hereby expressly waives (to the extent permitted by law) diligence, presentment, protest and demand for payment with respect to (a) any notice of sale, transfer or other disposition of any right, title to or interest in the Securities by the Holders or in the Indenture, (b) any release of any Guaranteeing Subsidiary from its obligations hereunder resulting from any loss by it of its rights of subrogation hereunder and (c) any other circumstances whatsoever that might otherwise constitute a legal or equitable discharge, release or defense of a guarantor or surety or that might otherwise limit recourse against such Guaranteeing Subsidiary.

(ii) Without prejudice to any of the rights or recourses which the Trustee or the Holders may have against the Company, each Guaranteeing Subsidiary hereby expressly waives (to the extent permitted by law) any right to require the Trustee or the Holders to:

- (a) enforce, assert, exercise, initiate or exhaust any rights, remedies or recourse against the Company, any Guarantor, any Guaranteeing Subsidiary or any other Person under the Indenture or otherwise;
- (b) value, realize upon, or dispose of any security of the Company or any other Person held by the Trustee or the Holders;
- (c) initiate or exhaust any other remedy which the Trustee or the Holders may have in law or equity; or

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- (d) mitigate the damages resulting from any default under the Indenture;

before requiring or becoming entitled to demand payment from such Guaranteeing Subsidiary under this Guarantee.

(f) The Guaranteeing Subsidiaries Remain Obligated in Event the Company Is No Longer Obligated to Discharge Indenture Obligations. It is the express intention of the Trustee and the Guaranteeing Subsidiaries that if for any reason the Company has no legal existence, is or becomes under no legal obligation to discharge the Indenture Obligations owing to the Trustee or the

Holder by the Company or if any of the Indenture Obligations owing by the Company to the Trustee or the Holders becomes irrecoverable from the Company by operation of law or for any reason whatsoever, this Guarantee and the covenants, agreements and obligations of the Guaranteeing Subsidiaries contained in this Section Two shall nevertheless be binding upon the Guaranteeing Subsidiaries, as principal debtor, until such time as all such Indenture Obligations have been paid in full to the Trustee and all Indenture Obligations owing to the Trustee or the Holders by the Company have been discharged, or such earlier time as Section 402 of the Indenture shall apply to the Securities and the Guarantors and the Guaranteeing Subsidiaries shall be responsible for the payment thereof to the Trustee or the Holders upon demand.

(g) Fraudulent Conveyance, Contribution, Subrogation.

(i) Each Guaranteeing Subsidiary, and by its acceptance of the Indenture each Holder, hereby confirms that it is the intention of all such parties that the Guarantee by such Guaranteeing Subsidiary pursuant to its Guarantee not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law. To effectuate the foregoing intention, the Holders and such Guaranteeing Subsidiary hereby irrevocably agree that the obligations of such Guaranteeing Subsidiary under its Guarantee shall be limited to the maximum amount which, after giving effect to all other contingent and fixed liabilities of such Guaranteeing Subsidiary, and after giving effect to any collections from or payments made by or on behalf of any other Guarantor or Guaranteeing Subsidiary in respect of the obligations of such other Guarantor or Guaranteeing Subsidiary under its Guarantee or pursuant to its contribution obligations hereunder and under the Indenture, will result in the obligations of such Guaranteeing Subsidiary under its Guarantee not constituting such fraudulent transfer or conveyance.

(ii) Each Guaranteeing Subsidiary that makes a payment or distribution under its Guarantee shall be entitled to a contribution from each other Guaranteeing Subsidiary, if any, in a pro rata amount based on the net assets of each Guarantor and Guaranteeing Subsidiary, determined in accordance with GAAP.

(iii) Each Guaranteeing Subsidiary hereby waives all rights of subrogation or contribution, whether arising by contract or operation of law (including, without limitation, any such right arising under federal bankruptcy law) or otherwise by reason of any payment by it pursuant to the provisions of this Section Two until payment in full of all Indenture Obligations.

(h) Guarantee Is in Addition to Other Security. This Guarantee shall be in addition to and not in substitution for any other guarantees or other security which the Trustee may now or

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hereafter hold in respect of the Indenture Obligations owing to the Trustee or the Holders by the Company and (except as may be required by law) the Trustee shall be under no obligation to marshal in favor of each of the Guaranteeing Subsidiaries any other guarantees or other security or any moneys or other assets which the Trustee may be entitled to receive or upon which the Trustee or the Holders may have a claim.

(i) Release of Security Interests. Without limiting the generality of the foregoing and except as otherwise provided herein and in the Indenture, each Guaranteeing Subsidiary hereby consents and agrees, to the fullest extent permitted by applicable law, that the rights of the Trustee hereunder, and the liability of the Guaranteeing Subsidiaries hereunder, shall not be affected by any and all releases for any purpose of any collateral, if any, from the Liens and security interests created by any collateral document and that this Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Indenture Obligations is rescinded or must otherwise be returned by the Trustee upon the insolvency, bankruptcy or reorganization of the Company or otherwise, all as though such payment had not been made.

(j) No Bar to Further Actions. Except as provided by law, no action or proceeding brought or instituted under this Section 2, Article Thirteen of the Indenture and this Guarantee and no recovery or judgment in pursuance thereof shall be a bar or defense to any further action or proceeding which may be brought under Section Two, Article Thirteen of the Indenture and this Guarantee by reason of any further default or defaults under Section Two, Article Thirteen of the Indenture and this Guarantee or in the payment of any of the Indenture Obligations owing by the Company.

(k) Failure to Exercise Rights Shall Not Operate as a Waiver, No Suspension of Remedies.

(i) No failure to exercise and no delay in exercising, on the part of the Trustee or the Holders, any right, power, privilege or remedy under this Section 2, Article Thirteen of the Indenture and this Guarantee shall

operate as a waiver thereof, nor shall any single or partial exercise of any rights, power, privilege or remedy preclude any other or further exercise thereof, or the exercise of any other rights, powers, privileges or remedies. The rights and remedies herein provided for are cumulative and not exclusive of any rights or remedies provided in law or equity.

(ii) Nothing contained in this Section 2 shall limit the right of the Trustee or the Holders to take any action to accelerate the maturity of the Securities pursuant to Article Five of the Indenture or to pursue any rights or remedies hereunder or under applicable law.

(l) Trustee's Duties; Notice to Trustee.

(i) Any provision in this Section 2 or elsewhere in the Indenture allowing the Trustee to request any information or to take any action authorized by, or on behalf of any Guaranteeing Subsidiary, shall be permissive and shall not be obligatory on the Trustee except as the Holders may direct in accordance with the provisions of the Indenture or where the failure of the Trustee to request any such information or to take any such action arises from the Trustee's negligence, bad faith or willful misconduct.

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(ii) The Trustee shall not be required to inquire into the existence, powers or capacities of the Company, any Guarantor, any Guaranteeing Subsidiary or the officers, directors or agents acting or purporting to act on their respective behalf.

(m) Successors and Assigns. All terms, agreements and conditions of this Section 2 shall extend to and be binding upon each Guaranteeing Subsidiary and its successors and permitted assigns and shall enure to the benefit of and may be enforced by the Trustee and its successors and assigns, provided, however, that the Guaranteeing Subsidiaries may not assign any of their rights or obligations hereunder other than in accordance with Article Eight of the Indenture.

(n) Release of Guarantee.

(i) Concurrently with the payment in full of all of the Indenture Obligations, the Guarantors shall be released from and relieved of their obligations under this Section 2. Upon the delivery by the Company to the Trustee of an Officers' Certificate and, if requested by the Trustee, an Opinion of Counsel to the effect that the transaction giving rise to the release of this Guarantee was made by the Company in accordance with the provisions of the Indenture and the Securities, the Trustee shall execute any documents reasonably required in order to evidence the release of the Guaranteeing Subsidiaries from their obligations under this Guarantee. If any of the Indenture Obligations are revived and reinstated after the termination of this Guarantee, then all of the obligations of the Guaranteeing Subsidiaries under this Guarantee shall be revived and reinstated as if this Guarantee had not been terminated until such time as the Indenture Obligations are paid in full, and each Guaranteeing Subsidiary shall enter into an amendment to this Guarantee, reasonably satisfactory to the Trustee, evidencing such revival and reinstatement.

(ii) This Guarantee shall terminate with respect to each Guaranteeing Subsidiary and shall be automatically and unconditionally released and discharged as provided in Section 1013(c) of the Indenture.

(o) Execution and Delivery of Guarantee. Each of the Guaranteeing Subsidiaries agrees that their Guarantee hereunder shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of their Guarantee. Pursuant to Section 1315(b) of the Indenture, each Guaranteeing Subsidiary agrees to be subject to the provisions (including the representations and warranties) of the Indenture as of the date of this Supplemental Indenture as if named as a Guarantor therein.

Section 3. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUCE THIS FIRST SUPPLEMENTAL INDENTURE BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 4. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

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Section 5. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 6. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this

Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiaries and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the 15th day of September, 2000.

THE COMPANY:

SONIC AUTOMOTIVE, INC.

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: President

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

GUARANTEEING SUBSIDIARIES:

COBB PONTIAC CADILLAC, INC.
FA THOUSAND OAKS BNG, INC.
FA THOUSAND OAKS COLR, INC.
FA THOUSAND OAKS H, INC.
FA THOUSAND OAKS L, INC.
FA THOUSAND OAKS MBJ, INC.

[Signatures continued on next page]

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FA THOUSAND OAKS MSS, INC.
FAA CAPITOL F, INC.
FAA MARIN LR, INC.
HMC FINANCE ALABAMA, INC.
RIVERSIDE NISSAN, INC.
ROYAL MOTOR COMPANY, INC.
SONIC - GLOVER, INC.
SONIC - MONTGOMERY FLM, INC.
SONIC - RIVERSIDE, INC.
SONIC - RIVERSIDE AUTO FACTORY, INC.
SOUTH CAROLINA AUTOMOBILE ENTERPRISES,
INCORPORATED
SPEEDWAY CHEVROLET, INC.

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: Vice President

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

SONIC AUTOMOTIVE F&I, LLC
SONIC AUTOMOTIVE SERVICING COMPANY, LLC
SONIC AUTOMOTIVE WEST, LLC
SONIC - FITZGERALD CHEVROLET, LLC
SONIC - LAS VEGAS C EAST, LLC
SONIC - LAS VEGAS C WEST, LLC
SRE ALABAMA - 1, LLC
SRE ALABAMA - 2, LLC
SRE ALABAMA -3, LLC
SREALESTATE ARIZONA -1, LLC
SREALESTATE ARIZONA - 2, LLC
SREALESTATE ARIZONA - 3, LLC
SREALESTATE ARIZONA - 4, LLC
SRE FLORIDA - 1, LLC
SRE FLORIDA - 2, LLC
SRE FLORIDA - 3, LLC
SRE HOLDING, LLC
SRE NEVADA - 1, LLC

[Signatures continued on next page]

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SRE NEVADA - 2, LLC
SRE NEVADA - 3, LLC
SRE SOUTH CAROLINA - 1, LLC
SRE SOUTH CAROLINA - 2, LLC
SRE VIRGINIA - 1, LLC

By: /s/ Theodore M. Wright

Name: Theodore M. Wright
Title: Vice President and Manager

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

SRE TENNESSEE - 1, LLC
SRE TENNESSEE - 2, LLC
SRE TENNESSEE - 3, LLC

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: Vice President and Governor

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

SRE GEORGIA - 1, L.P.
SRE GEORGIA - 2, L.P.
SRE GEORGIA - 3, L.P.

Sonic Automotive of Georgia, Inc., their
general partner

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: Vice President

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

[Signatures continued on next page]

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SONIC - CARROLLTON V, L.P.
SONIC - FORT WORTH T, L.P.
SONIC - DALLAS AUTO FACTORY, L.P.
SRE TEXAS - 1, L.P.
SRE TEXAS - 2, L.P.
SRE TEXAS - 3, L.P.

Sonic of Texas, Inc., their general partner

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: Vice President

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

GUARANTORS:

AUTOBAHN, INC.
CAPITOL CHEVROLET AND IMPORTS, INC.
DON LUCAS INTERNATIONAL, INC.
FA SERVICE CORPORATION
FAA AUTO FACTORY, INC.
FAA BEVERLY HILLS, INC.
FAA CAPITOL N, INC.
FAA CONCORD H, INC.
FAA CONCORD N, INC.
FAA CONCORD T, INC.

FAA DUBLIN N, INC.
FAA DUBLIN VWD, INC.
FAA HOLDING CORP.
FAA MARIN D, INC.
FAA MARIN F, INC.
FAA MONTEREY F, INC.
FAA POWAY D, INC.
FAA POWAY G, INC.
FAA POWAY H, INC.
FAA POWAY T, INC.
FAA SAN BRUNO, INC.

[Signatures continued on next page]

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FAA SANTA MONICA V, INC.
FAA SERRAMONTE H, INC.
FAA SERRAMONTE L, INC.
FAA SERRAMONTE, INC.
FAA STEVENS CREEK, INC.
FAA TORRANCE CPJ, INC.
FAA WOODLAND HILLS VW, INC.
FORT MILL CHRYSLER-PLYMOUTH-DODGE INC.
FORT MILL FORD, INC.
FRANCISCAN MOTORS, INC.
FRONTIER OLDSMOBILE-CADILLAC, INC.
KRAMER MOTORS INCORPORATED
L DEALERSHIP GROUP, INC. (f/k/a Lucas
Dealership Group, Inc.)
MARCUS DAVID CORPORATION
SANTA CLARA IMPORTED CARS, INC.
SMART NISSAN, INC.
SONIC AUTOMOTIVE OF GEORGIA, INC.
SONIC AUTOMOTIVE - 1400 AUTOMALL DRIVE, COLUMBUS, INC.
SONIC AUTOMOTIVE - 1455 AUTOMALL DRIVE, COLUMBUS, INC.
SONIC AUTOMOTIVE - 1495 AUTOMALL DRIVE, COLUMBUS, INC.
SONIC AUTOMOTIVE - 1500 AUTOMALL DRIVE, COLUMBUS, INC.
SONIC AUTOMOTIVE 2424 LAURENS RD., GREENVILLE,
INC.
SONIC AUTOMOTIVE 2752 LAURENS RD., GREENVILLE,
INC.
SONIC AUTOMOTIVE - 3700 WEST BROAD STREET, COLUMBUS, INC.
SONIC AUTOMOTIVE - 4000 WEST BROAD STREET, COLUMBUS, INC.
SONIC - CLASSIC DODGE, INC.
SONIC - MANHATTAN FAIRFAX, INC.
SONIC - MANHATTAN WALDORF, INC.
SONIC - NEWSOME CHEVROLET WORLD, INC.
SONIC - NEWSOME OF FLORENCE, INC.
SONIC - NORTH CHARLESTON, INC.
SONIC - NORTH CHARLESTON DODGE, INC.
SONIC - ROCKVILLE IMPORTS, INC.
SONIC - ROCKVILLE MOTORS, INC.

[Signatures continued on next page]

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SONIC OF TEXAS, INC.
SONIC - WILLIAMS BUICK, INC.
SONIC - WILLIAMS CADILLAC, INC.
SONIC - WILLIAMS IMPORTS, INC.
STEVENS CREEK CADILLAC, INC.
TOWN AND COUNTRY CHRYSLER-PLYMOUTH-JEEP OF ROCK HILL, INC.
TOWN AND COUNTRY FORD, INCORPORATED
TRANSCAR LEASING, INC.
VILLAGE IMPORTED CARS, INC.
WINDWARD, INC.

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: Vice President

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

FAA LAS VEGAS H, INC.
FIRSTAMERICA AUTOMOTIVE, INC.

FREEDOM FORD, INC.
SONIC AUTOMOTIVE - BONDESEN, INC.
SONIC AUTOMOTIVE - CLEARWATER, INC.
SONIC AUTOMOTIVE COLLISION CENTER OF CLEARWATER, INC.
SONIC AUTOMOTIVE OF NEVADA, INC.
SONIC AUTOMOTIVE OF TENNESSEE, INC.
SONIC AUTOMOTIVE - 1307 N. DIXIE HWY., NSB, INC.
SONIC AUTOMOTIVE - 1720 MASON AVE., DB, INC.
SONIC AUTOMOTIVE - 1919 N. DIXIE HWY., NSB, INC.
SONIC AUTOMOTIVE - 21699 U.S. HWY 19 N., INC.
SONIC AUTOMOTIVE - 241 RIDGEWOOD AVE., HH, INC.
SONIC AUTOMOTIVE - 3741 S. NOVA RD., PO, INC.
SONIC AUTOMOTIVE - 6008 N. DALE MABRY, FL, INC.
SONIC - FM , INC.
SONIC - FM NISSAN, INC.
SONIC - FM VW, INC.
SONIC - FREELAND, INC.

[Signatures continued on next page]

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SONIC - LLOYD NISSAN, INC.
SONIC - LLOYD PONTIAC-CADILLAC, INC.
SONIC - SHOTTENKIRK, INC.

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: President

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

SONIC AUTOMOTIVE OF CHATTANOOGA, LLC
SONIC AUTOMOTIVE OF NASHVILLE, LLC
SONIC AUTOMOTIVE - 2490 SOUTH LEE HIGHWAY, LLC
SONIC AUTOMOTIVE - 5260 PEACHTREE INDUSTRIAL BLVD., LLC
SONIC AUTOMOTIVE - 5585 PEACHTREE INDUSTRIAL BLVD., LLC
SONIC AUTOMOTIVE - 6025 INTERNATIONAL DRIVE, LLC
SONIC - 2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC - SUPERIOR OLDSMOBILE, LLC
TOWN AND COUNTRY CHRYSLER-PLYMOUTH-JEEP, LLC
TOWN AND COUNTRY DODGE OF CHATTANOOGA, LLC
TOWN AND COUNTRY FORD OF CLEVELAND, LLC
TOWN AND COUNTRY JAGUAR, LLC

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: Vice President and Governor

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

SONIC AUTOMOTIVE - 1720 MASON AVE., DB, LLC
SONIC - FM AUTOMOTIVE, LLC

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: President and Manager

[Signatures continued on next page]

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Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

SONIC AUTOMOTIVE - 9103 E. INDEPENDENCE , NC. LLC
SONIC CHRYSLER-PLYMOUTH-JEEP, LLC

SONIC DODGE, LLC
SONIC - WILLIAMS MOTORS, LLC

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: Vice President and Manager

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

SONIC - INTEGRITY DODGE LV, LLC
SONIC - VOLVO LV, LLC

By: /s/ Theodore M. Wright

Name: Theodore M. Wright
Title: Vice President and Manager

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

SONIC - GLOBAL IMPORTS, L.P.
SONIC PEACHTREE INDUSTRIAL BLVD., L.P.

Sonic Automotive of Georgia, Inc., their general partner

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: Vice President

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

[Signatures continued on next page]

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SONIC AUTOMOTIVE OF TEXAS, L.P.
SONIC AUTOMOTIVE - 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE - 4701 I-10 EAST, TX, L.P.
SONIC AUTOMOTIVE - 5221 I-10 EAST, TX, L.P.
SONIC - CAMP FORD, L.P.
SONIC - LUTE RILEY, L.P.
SONIC - READING, L.P.
SONIC - SAM WHITE NISSAN, L.P.
SONIC - SAM WHITE OLDSMOBILE, L.P.

Sonic of Texas, Inc., their general partner

By: /s/ B. Scott Smith

Name: B. Scott Smith
Title: Vice President

Attest: /s/ Stephen K. Coss

Name: Stephen K. Coss
Title: Secretary

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TRUSTEE:

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee.

By: /s/ Lori-Anne Rosenberg

Authorized Signatory

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CREDIT AGREEMENT

Dated as of August 10, 2000

between

SONIC AUTOMOTIVE, INC.
as Borrower

and

FORD MOTOR CREDIT COMPANY,
CHRYSLER FINANCIAL COMPANY, L.L.C. and
the other Lenders party hereto,

as the Lenders

and

FORD MOTOR CREDIT COMPANY,
as Agent.
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EXHIBITS AND SCHEDULES

Exhibits

EXHIBIT A	--	Form of Note
EXHIBIT B	--	Form of Borrowing Notice
EXHIBIT C-1	--	Form of Dealership Guaranty
EXHIBIT C-2	--	Form of Subsidiary Holding Company Guaranty
EXHIBIT C-3	--	Form of Non-Dealership Guaranty
EXHIBIT D-1	--	Form of Dealership Security Agreement
EXHIBIT D-2	--	Form of Subsidiary Holding Company Security Agreement
EXHIBIT D-3	--	Form of Non-Dealership Security Agreement
EXHIBIT E	--	Closing Statement
EXHIBIT F	--	Form of Officer's Certificate

Schedules

- Schedule 1.1.0 -- Irregular Franchise Agreements
- Schedule 1.1.1 -- Permitted Existing Indebtedness
- Schedule 1.1.2 -- Permitted Existing Investments
- Schedule 1.1.3 -- Permitted Existing Liens
- Schedule 1.1.4 -- Lender's Commitments
- Schedule 1.1.5 -- Dealership Guarantors
- Schedule 1.1.6 -- Non-Dealership Guarantors
- Schedule 4.8 -- Subsidiaries

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CREDIT AGREEMENT

This Credit Agreement dated August 10, 2000 is entered into among SONIC AUTOMOTIVE, INC., a Delaware corporation, (the "Borrower") FORD MOTOR CREDIT COMPANY, a Delaware corporation, ("Ford Credit") CHRYSLER FINANCIAL COMPANY, L.L.C., a Michigan limited liability company, ("Chrysler Financial"), the other Lenders from time to time party hereto, and Ford Credit, as administrative agent and collateral agent (in such capacity and together with any Successor Agent appointed pursuant to Article VII, the "Agent") for the Secured Parties. The parties hereto agree as follows:

ARTICLE I: DEFINITIONS

1.1 Certain Defined Terms. The following terms used in this Agreement shall have the following meanings, applicable both to the singular and the plural forms of the terms defined.

As used in this Agreement:

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Borrower or a Subsidiary of the Borrower (i) acquires any going business or all or substantially all of the assets of any automobile dealership and/or related operations (e.g. body shop and service repair centers), whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of such a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage of voting power) of the outstanding equity interests of such an entity.

"Acquisition Documents" means all documents, instruments and agreements entered into in connection with any Acquisition.

"Additional Subordinated Debt" means indebtedness of the Borrower which (i) Required Lenders have determined to be sufficiently subordinate to the payment of the Obligations, (ii) Required Lenders have consented to in writing, and (iii) Required Lenders have agreed to deduct from the calculation of Total Adjusted Debt (as defined herein).

"Advance" means any Advance made under Section 2.1 hereof or otherwise deemed made under the Loan Documents.

"Adjusted Leverage Ratio" is defined in Section 5.4(F) hereof.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of greater than five percent (5%) or more of any class of voting securities (or other voting interests) of the controlled Person or possesses,

directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of Capital Stock, by contract or otherwise.

"Agent" has the meaning set forth in the recital of parties to this

Agreement.

"Agent's Account" means any account maintained in the name of the Agent of which the Agent gives written notice to the Borrower or any Lender, as applicable, is the Agent's Account.

"Agreement" means this Credit Agreement, as it may be amended, restated or otherwise modified and in effect from time to time.

"Agreement Accounting Principles" means generally accepted accounting principles in effect from time to time, applied in a manner consistent with that used in preparing the financial statements referred to in Section 5.1(A) hereof, provided, however, that with respect to the calculation of financial ratios and other financial tests required by this Agreement, "Agreement Accounting Principles" means generally accepted accounting principles as in effect as of the date of this Agreement, applied in a manner consistent with that used in preparing the financial statements referred to in Section 5.1(A) hereof; provided, further, however, all pro forma financial statements reflecting Acquisitions shall be prepared in accordance with the requirements established by the Commission for acquisition accounting for reporting acquisitions by public companies (whether or not such Acquisitions are required to be publicly reported).

"Applicable LIBOR Rate" means as of any Payment Date, the LIBOR Rate plus two and fifty hundredths percent (2.50%) per annum."

"Asset Sale" means, with respect to any Person, the sale, lease, conveyance, disposition or other transfer by such Person of any of its assets (including by way of a sale-leaseback transaction and including the sale or other transfer of any of the Equity Interests of any Subsidiary of such Person).

"Assignment and Acceptance" has the meaning set forth in Section 10.3 (a) hereof.

"Authorized Officer" means any executive officer or assistant treasurer of the Borrower, acting singly.

"Benefit Plan" means a defined benefit plan as defined in Section 3(35) of ERISA (other than a Multi-employer Plan) in respect of which the Borrower or any other member of the Controlled Group is, or within the immediately preceding six (6) years was, an "employer" as defined in Section 3(5) of ERISA.

"Borrower" means Sonic Automotive, Inc., a Delaware corporation, together with its successors and assigns, including a debtor-in-possession on behalf of the Borrower.

"Borrower Pledges" means each of (i) that certain Pledge Agreement, dated as of even date herewith, from the Borrower to the Agent pursuant to which the Borrower pledges the Capital Stock of certain corporate Subsidiaries, as it may be amended, restated or otherwise modified and in effect from time to time, (ii) that certain Pledge Agreement, dated as of even

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date herewith, from the Borrower to the Agent pursuant to which the Borrower pledges the Capital Stock of certain limited liability company Subsidiaries, as it may be amended, restated or otherwise modified and in effect from time to time and (iii) any other pledge of Capital Stock delivered by a member of the Sonic Group from time to time to the Agent.

"Borrower Security Agreement" means that certain Security Agreement, dated as of even date herewith from the Borrower to the Agent pursuant to which the Borrower has pledged all of its assets to secure the Obligations hereunder, as it may be amended, restated or otherwise modified and in effect from time to time.

"Borrowing" means a borrowing consisting of either (i) simultaneous Advances by the Lenders pursuant to Section 2.1 (A), (ii) any Advance by Ford Credit under Section 2.1 (B) or (iii) Advances collectively made by Ford Credit and the other Lenders after giving effect to purchases by such Lenders pursuant to Section 2.2 (C).

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 2.4 hereof.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for business in both Dearborn, Michigan and Charlotte, North Carolina.

"Capital Expenditures" means, for any period, the aggregate of all expenditures (other than in connection with Permitted Acquisitions), whether paid in cash or accrued as liabilities, including Capitalized Lease Obligations, by the Borrower and its Subsidiaries during that period that, in conformity with Agreement Accounting Principles, are required to be included in or reflected by

the property, plant, equipment or similar fixed asset accounts reflected in the consolidated balance sheet of the Borrower and its Subsidiaries.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership, partnership interests (whether general or limited), (iv) in the case of a limited liability company, any and all membership interests or other equivalents (however designated) and (v) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Capitalized Lease" of a Person means any lease of property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Cash Equivalents" means (i) marketable direct obligations issued or unconditionally guaranteed by the United States government and backed by the full faith and credit of the United States government; (ii) domestic and Eurodollar certificates of deposit and time deposits, bankers' acceptances and floating rate certificates of deposit issued by any commercial bank

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organized under the laws of the United States, any state thereof, the District of Columbia, or its branches or agencies; (iii) shares of money market, mutual or similar funds having assets in excess of \$100,000,000.00 and the investments of which are limited to investment grade securities (i.e., securities rated at least Baa by Moody's Investors Service, Inc. or at least BBB by Standard & Poor's Corporation); (iv) commercial paper of United States and foreign banks and bank holding companies and their subsidiaries and United States and foreign finance, commercial industrial or utility companies which, at the time of acquisition, are rated A-1 (or better) by Standard & Poor's Ratings Group or P-1 (or better) by Moody's Investors Services, Inc.; (v) corporate bonds, mortgage-backed securities and municipal bonds in each case of a domestic issuer rated at the date of acquisition not less than Aaa by Moody's Investor Services, Inc. or AAA by Standard & Poor's Corporation with maturities of no more than two (2) years from the date of acquisition; and (vi) money market funds with respect to which not less than 90% of such funds are invested in the type of investments specified in clauses (i) through (v) above; provided, unless the context otherwise requires, that the maturities of such Cash Equivalents shall not exceed 365 days.

"Change of Control" means an event or series of events by which:

(i) the Principals and their Related Parties cease to own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the Borrower's Capital Stock ordinarily having the right to vote at an election of directors;

(ii) during any period of 24 consecutive calendar months, individuals:

(a) who were directors of the Borrower on the first day of such period, or

(b) whose election or nomination for election to the board of directors of the Borrower was recommended or approved by at least a majority of the directors then still in office who were directors of the Borrower on the first day of such period, or whose election or nomination for election was so approved,

shall cease to constitute a majority of the board of directors of the Borrower; and

(iii) the Borrower consolidates with or merges into another corporation or conveys, transfers or leases all or substantially all of its property to any Person, or any corporation consolidates with or merges into the Borrower, in either event pursuant to a transaction in which the outstanding Capital Stock of the Borrower is reclassified or changed into or exchanged for (A) cash or Cash Equivalents or (B) securities, and the holders of the Capital Stock in the Borrower immediately prior to such transaction do not, as a result of such transaction, own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the Borrower's Capital Stock or the Capital Stock of its successor entity in such transaction.

"Charter Documents" means (i) in the case of a corporation, such entity's articles of incorporation and by-laws, (ii) in the case of a limited liability company, such entity's articles of organization and operating agreement or equivalent (however designated), (iii) in the case of a partnership, such entity's partnership agreement or equivalent (however designated) and (iv) in the case of an association or other business entity not described above, such entity's founding documents (however designated).

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"Chrysler Financial" means Chrysler Financial Company, L.L.C., a Michigan limited liability company, and its successors and assigns.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time, or any successor statute.

"Collateral" means all property and interests in property now owned or hereafter acquired by the Borrower or any of its Subsidiaries in or upon which a security interest, lien or mortgage is granted to the Agent, whether under the Borrower Security Agreement, under any of the other Collateral Documents or under any of the other Loan Documents.

"Collateral Documents" means all agreements, instruments and documents executed in connection with this Agreement that are intended to create or evidence Liens to secure the Obligations, including, without limitation, the Borrower Security Agreement, the Borrower Pledges, the Subsidiary Holding Company Pledges, the Cross Agreement, the Waiver, Guaranty and Disbursement Agreement, Sonic Financial's Pledge, each Dealership Security Agreement, Subsidiary Holding Company Security Agreement and all other security agreements, mortgages, deeds of trust, loan agreements, notes, guaranties, subordination agreements, pledges, powers of attorney, consents, assignments, contracts, fee letters, notices, leases, financing statements and all other written matter whether heretofore, now, or hereafter executed by or on behalf of the Borrower or any of its Subsidiaries and delivered to the Agent, together with all agreements and documents referred to therein or contemplated thereby.

"Commission" means the Securities and Exchange Commission and any Person succeeding to the functions thereof.

"Commitment" means (a) with respect to any Lender other than Ford Credit at any time, the amount set forth opposite such Lender's name on Schedule I hereto under the caption "Commitment" or, if such Lender has entered into one or more Assignment and Acceptances, set forth for such Lender in the Register maintained by the Agent pursuant to Section 9.2, 10.3, and (b) with respect to Ford Credit at any time, the difference between the Maximum Availability minus the aggregate outstanding sum of the Advances made by all Lenders (whether pursuant to Section 2.1(A), 2.1(B), 2.2(C) or otherwise) at such time, in either case as any such amount may be reduced pursuant to Section 2.5.

"Consolidated Net Worth" means, at a particular date, the amount by which the total consolidated assets of the Borrower and its consolidated Subsidiaries exceeds the total consolidated liabilities of the Borrower and its consolidated Subsidiaries.

"Contaminant" means any waste, pollutant, hazardous substance, toxic substance, hazardous waste, special waste, petroleum or petroleum-derived substance or waste, asbestos, polychlorinated biphenyls ("PCBs"), or any constituent of any such substance or waste, and includes but is not limited to these terms as defined in Environmental, Health or Safety Requirements of Law.

"Contingent Obligation", as applied to any Person, means any Contractual Obligation, contingent or otherwise, of that Person with respect to any Indebtedness of another or other

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obligation or liability of another, including, without limitation, any such Indebtedness, obligation or liability of another directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable, including Contractual Obligations (contingent or otherwise) arising through any agreement to purchase, repurchase, or otherwise acquire such Indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, or other financial condition, or to make payment other than for value received.

"Contractual Obligation" as applied to any Person, means any material provision of any equity or debt securities issued by that Person or any material indenture, mortgage, deed of trust, security agreement, pledge agreement, guaranty, contract, undertaking, agreement or instrument, in each case in writing, to which that Person is a party or by which it or any of its properties

is bound, or to which it or any of its properties is subject.

"Contribution Agreement" means that certain Contribution Agreement, dated as of even date herewith, and as such agreement may be further amended, restated or otherwise modified and in effect from time to time.

"Controlled Group" means the group consisting of (i) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Borrower; (ii) a partnership or other trade or business (whether or not incorporated) which is under common control (within the meaning of Section 414(c) of the Code) with the Borrower; and (iii) a member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as the Borrower, any corporation described in clause (i) above or any partnership or trade or business described in clause (ii) above.

"Controlled Subsidiary" of any Person means a Subsidiary of such Person (i) 80% or more of the total Equity Interests or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more wholly-owned Subsidiaries of such Person and (ii) of which such Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies, whether through the ownership of voting securities, by agreement or otherwise.

"Cross Agreement" means that certain Cross Default Agreement dated as of even date herewith, as such agreement may be amended, restated or otherwise modified from time to time.

"Current Assets" means, at a particular date, all amounts which would, in conformity with Agreement Accounting Principles, be included under current assets on a balance sheet as at such date.

"Current Liabilities" means, at a particular date, all amounts which would, in conformity with Agreement Accounting Principles, be included under current liabilities on a balance sheet as at such date.

"Current Ratio" is defined in Section 5.4(C) hereof.

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"Customary Permitted Liens" means:

(i) Liens (other than Environmental Liens, Liens in favor of the IRS and Liens in favor of the PBGC) with respect to the payment of taxes, assessments or governmental charges in all cases which are not yet due or (if foreclosure, distraint, sale or other similar proceedings shall not have been commenced) which are being contested in good faith by appropriate proceedings properly instituted and diligently conducted and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with Agreement Accounting Principles;

(ii) statutory Liens of landlords and Liens of suppliers, mechanics, carriers, materialmen, warehousemen or workmen and other similar Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith by appropriate proceedings properly instituted and diligently conducted and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with Agreement Accounting Principles;

(iii) Liens (other than Environmental Liens, Liens in favor of the IRS and Liens in favor of the PBGC) incurred or deposits made, in each case, in the ordinary course of business in connection with worker's compensation, unemployment insurance or other types of social security benefits or to secure the performance of bids, tenders, sales, contracts (other than for the repayment of borrowed money), surety, appeal and performance bonds; provided that (A) all such Liens do not in the aggregate materially detract from the value of the Borrower's or such Subsidiary's assets or property taken as a whole or materially impair the use thereof in the operation of the businesses taken as a whole, and (B) with respect to Liens securing bonds to stay judgments or in connection with appeals do not secure at any time an aggregate amount exceeding \$2,500,000.00;

(iv) Liens arising with respect to zoning restrictions, easements, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar charges or encumbrances on the use of real property which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(v) Liens of attachment or judgment with respect to judgments, writs or warrants of attachment, or similar process against the

Borrower or any of its Subsidiaries which do not constitute an Event of Default under Section 6.1(h) hereof; and

(vi) any interest or title of the lessor in the property subject to any operating lease entered into by the Borrower or any of its Subsidiaries in the ordinary course of business.

"Dealership Guarantors" means each entity listed on Schedule 1.1.5 hereof providing a Dealership Guaranty and a Dealership Security Agreement to the Agent, and each other entity providing a Dealership Guaranty and a Dealership Security Agreement to Agent pursuant to Section 5.2 (L) of this Agreement, and their respective successors and assigns.

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"Dealership Guaranty" means each Guaranty in the form attached hereto as Exhibit C-1, provided by a Sonic Dealership to the Agent, as the same may be amended, modified, supplemented, reaffirmed and/or restated, and as in effect from time to time.

"Dealership Security Agreement" means any Security Agreement in the form attached hereto as Exhibit D-1, pursuant to which a Sonic Dealership grants the Agent a security interest in all of its assets, as the same may be amended, modified, supplemented and/or restated, and as in effect from time to time.

"Debt Offering Notes" means, collectively, each of these certain promissory notes from the Borrower to various investors issued in accordance with and pursuant to the terms of either Indenture.

"Decision Period" is defined in Section 5.2(G) hereof.

"Decision Reserve" is defined in Section 5.2(G) hereof.

"Defaulted Amount" means, with respect to any Lender, any amount required to be paid by such Lender to the Agent or any other Lender hereunder or under any other Loan Document at or prior to such time that has not been so paid as of such time. In the event that a portion of a Defaulted Amount shall be deemed paid pursuant to Section 2-15, the remaining portion of such Defaulted Amount shall be considered a Defaulted Amount originally required to be paid hereunder or under any other Loan Document on the same date as the Defaulted Amount so deemed paid in part.

"Defaulted Advance" means, with respect to any Lender at any time, the portion of any Advance which such Lender has not purchased upon demand by Ford Credit pursuant to Section 2.1 (B) (2) (b) or which otherwise is required to be made by such Lender at or prior to such time that has not been made by such Lender as of such time.

"Defaulting Lender" means, at any time, any Lender that, at such time, (a) owes a Defaulted Advance or (b) shall take any action or be the subject of any action or proceeding of a type described in Section 6.1(f) or 6.1(g).

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days after the Termination Date.

"DOL" means the United States Department of Labor and any Person succeeding to the functions thereof.

"Dollar" and "\$" means dollars in the lawful currency of the United States.

"EBITDA" means, for any period, on a consolidated basis for the Borrower and its Subsidiaries, the sum of the amounts for such period, without duplication, of:

(i) Net Income,

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plus (ii) Interest Expense, to the extent deducted in computing Net Income,

plus (iii) charges against income for foreign, federal, state and local taxes, to the extent deducted in computing Net Income,

plus (iv) depreciation expense, to the extent deducted in computing Net Income,

plus (v) amortization expense, including, without limitation, amortization of goodwill, other

intangible assets and Transaction Costs, to the extent deducted in computing Net Income,

plus (vi) other non-cash charges classified as long-term deferrals in accordance with Agreement Accounting Principles, to the extent deducted in computing Net Income,

minus (vii) all extraordinary gains (and any nonrecurring unusual gains arising in or outside of the ordinary course of business not included in extraordinary gains determined in accordance with Agreement Accounting Principles which have been included in the determination of Net Income).

EBITDA shall be calculated for any period by including the actual amount for the applicable period ending on such day, including the EBITDA attributable to Permitted Acquisitions occurring during such period on a pro forma basis for the period from the first day of the applicable period through the date of the closing of each Permitted Acquisition, utilizing (a) where available or required pursuant to the terms of this Agreement, historical audited and/or reviewed unaudited financial statements obtained from the seller, broken down by fiscal quarter in the Borrower's reasonable judgment or (b) unaudited financial statements (where no audited or reviewed financial statements are required pursuant to the terms of this Agreement) reviewed internally by the Borrower, broken down in the Borrower's reasonable judgment.

"EBITDAR" means, for any period, on a consolidated basis for the Borrower and its Subsidiaries, the sum of the amounts for such period, without duplication, of (i) EBITDA and (ii) Rentals.

"Effective Date" is defined in Section 1.3 hereof.

"Eligible Assignee" is defined in Section 10.3 hereof.

"Environmental, Health or Safety Requirements of Law" means all Requirements of Law derived from or relating to federal, state and local laws or regulations relating to or addressing pollution or protection of the environment, or protection of worker health or safety, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. ss. 9601 et seq., the Occupational Safety and Health Act of 1970, 29 U.S.C. ss. 651 et seq., and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. ss.

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6901 et seq., in each case including any amendments thereto, any successor statutes, and any regulations or guidance promulgated thereunder, and any state or local equivalent thereof.

"Environmental Property Transfer Act" means any applicable requirement of law that conditions, restricts, prohibits or requires any notification or disclosure triggered by the closure of any property or the transfer, sale or lease of any property or deed or title for any property for environmental reasons, including, but not limited to, any so-called "Industrial Site Recovery Act" or "Responsible Property Transfer Act."

"Equipment" means all of the Borrower's and each Dealership Guarantor's present and future furniture, machinery, service vehicles, supplies and other equipment and any and all accessions, parts and appurtenances attached to any of the foregoing or used in connection therewith, and any substitutions therefor and replacements, products and proceeds thereof.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time including (unless the context otherwise requires) any rules or regulations promulgated thereunder.

"Event of Default" means an event described in Article VI hereof.

"Fair Value" means (a) with respect to the Capital Stock of the Borrower, the closing price for such Capital Stock on the trading date immediately preceding the date of the applicable acquisition agreement; and (b) with respect to other assets, the value of the relevant asset as of the date of acquisition or sale determined in an arm's-length transaction conducted in good faith between an informed and willing buyer and an informed and willing seller under no compulsion to buy.

"Fixed Charge Coverage Ratio" is defined in Section 5.4(D) hereof.

"Floor Plan Indebtedness" means any and all loans, advances, debts,

liabilities and obligations, owing by a Sonic Dealership to GMAC or any Lender or any Affiliate or Subsidiary thereof, of any kind or nature, present or future, arising under a Wholesale Line, whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, attorneys' fees and disbursements, paralegals' fees (in each case whether or not allowed), and any other sum chargeable to the Borrower, a Sonic Dealership or Sonic Financial under this Agreement or any other Loan Document.

"Ford Credit" means Ford Motor Credit Company, a Delaware corporation, and its successors and assigns.

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"Governmental Authority" means any nation or government, any federal, state, local or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Gross Negligence" means recklessness, the absence of the slightest care or the complete disregard of consequences. Gross Negligence does not mean the absence of ordinary care or diligence, or an inadvertent act or inadvertent failure to act. If the term "gross negligence" is used with respect to the Lender or any indemnitee in any of the other Loan Documents, it shall have the meaning set forth herein.

"Guarantor" means each Dealership Guarantor, Subsidiary Holding Company Guarantor and Non-Dealership Guarantor.

"Guaranty" means each Dealership Guaranty, Subsidiary Holding Company Guaranty and Non-Dealership Guaranty.

"Hedging Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefore), under (i) any and all agreements, devices or arrangements designed to protect at least one of the parties thereto from the fluctuations of interest rates, exchange rates or forward rates applicable to such party's assets, liabilities or exchange transactions, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any of the foregoing.

"Indebtedness" of any Person means, without duplication, such Person's (a) obligations for borrowed money, (b) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (c) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from property or assets now or hereafter owned or acquired by such Person, (d) obligations which are evidenced by notes, acceptances or other instruments, (e) Capitalized Lease Obligations, (f) reimbursement obligations with respect to letters of credit (other than commercial letters of credit) issued for the account of such Person, (g) Hedging Obligations, (h) Off Balance Sheet Liabilities and (i) Contingent Obligations in respect of obligations of another Person of the type described in the foregoing clauses (a) through (h). The amount of Indebtedness of any Person at any date shall be without duplication (i) the outstanding balance at such date of all unconditional obligations as described above and the maximum liability of any such Contingent Obligations at such date and (ii) in the case of Indebtedness of others secured by a Lien to which the property or assets owned or held by such Person is subject, the lesser of the fair market value at such date of any asset subject to a Lien securing the Indebtedness of others and the amount of the Indebtedness secured.

"Indemnified Matters" is defined in Section 9.6(B) hereof.

"Indemnitees" is defined in Section 9.6(B) hereof.

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"Indenture" means, collectively, (i) the Indenture dated as of July 1, 1998 and entered into by and among Borrower, certain of its Subsidiaries and U.S. Bank Trust National Association, as trustee (the "1998 Indenture"), or (ii) upon its execution and delivery, the Indenture to be entered into by and among Borrower, certain of its Subsidiaries of Borrower and U.S. Bank Trust National Association, as trustee, providing for the issuance of an aggregate of no more than \$150,000,000.00 of senior subordinated debt of the Borrower, which such debt will be subordinated in right of payment to the Indebtedness under this

Agreement and the Notes, on terms identical to those in the 1998 Indenture (the "2000 Indenture").

"Interest Expense" means, for any period, the total interest expense of the Borrower and its consolidated Subsidiaries, whether paid or accrued (including the interest component of Capitalized Leases, commitment and letter of credit fees), but excluding interest expense not payable in cash (including amortization of discount), all as determined in conformity with Agreement Accounting Principles.

"Interest Reconciliation Date" is defined in Section 2.1 (B) hereof.

"Inventory" shall mean any and all motor vehicles, tractors, trailers, service parts and accessories and other inventory of the Borrower and each Dealership Guarantor.

"Investment" means, with respect to any Person, (i) any purchase or other acquisition by that Person of any Indebtedness, Equity Interests or other securities, or of a beneficial interest in any Indebtedness, Equity Interests or other securities, issued by any other Person, (ii) any purchase by that Person of all or substantially all of the assets of a business conducted by another Person, and (iii) any loan, advance (other than deposits with financial institutions available for withdrawal on demand, prepaid expenses, accounts receivable, advances to employees and similar items made or incurred in the ordinary course of business) or capital contribution by that Person to any other Person, including all Indebtedness to such Person arising from a sale of property by such Person other than in the ordinary course of its business.

"Irregular Franchise Agreement" means any franchise agreement listed on Schedule 1.1.0.

"IRS" means the Internal Revenue Service and any Person succeeding to the functions thereof.

"Lenders" means, collectively, Ford Credit, and Chrysler Financial, and their respective successors and Eligible Assignees; each of the Lenders may be referred to individually as a "Lender."

"Lender's Commitment" means, with respect to any Lender at any time, the amount set forth opposite such Lender's name on Schedule 1.1.4 hereto under the caption "Commitment" or, if such Lender has entered into one or more Assignment and Acceptances, set forth for such Lender in the Register maintained by the Agent pursuant to Section 10.3 (b) hereof as such lender's "Commitment," as such amount may be reduced pursuant to Section 2.3.

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"LIBOR Rate" means the monthly arithmetic average of the per annum interest rate announced from time to time as the one month London Interbank Offered Rates quoted each Monday for the previous Friday under the Money Rates Column of the Wall Street Journal, or, if the Wall Street Journal is unavailable for any reason, as published in such other publications as Lender may designate. In the event such rate is not quoted on Monday for the previous Friday, the rate quoted on the first business day of the week for the last business day of the previous week shall be utilized.

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, encumbrance or security agreement or preferential arrangements of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Loan Documents" means this Agreement, the Notes, the Sonic Guaranties, the Collateral Documents and all other documents, instruments and agreements executed in connection therewith or contemplated thereby, as the same may be amended, restated or otherwise modified and in effect from time to time.

"Loan to Value Ratio" is defined in Section 5.4(G) hereof.

"Margin Stock" shall have the meaning ascribed to such term in Regulation U.

"Material Adverse Effect" means a material adverse effect upon (a) the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower, any Material Subsidiary of the Borrower, or the Borrower and its Subsidiaries, taken as a whole, (b) the ability of the Borrower or any of its Subsidiaries to perform their respective obligations under the Loan Documents in any material respect, or (c) the ability of the Lender to enforce in any material respect the Obligations or its rights with respect to the Collateral.

"Material Subsidiary" means (a) any "Significant Subsidiary" as defined in Regulation S-X issued pursuant to the Securities Act and the Exchange Act and (b) any other Subsidiary of the Borrower which at any time comprises five

percent (5%) or more of the Borrower's Tangible Base Capital.

"Maximum Availability" means the lesser of (a) \$500,000,000.00 and (b) the sum of (1) the Scaled Assets of the Sonic Group, plus (2) fifty percent (50%) of the Speedway Stock Value, and plus (3) \$170,000,000.00, as either such amount may be reduced pursuant to Section 2.3 hereof.

"Maximum Rate" means the maximum nonusurious interest rate under applicable law.

"Minority Holder" means any holder of an Equity Interest in a Subsidiary which such Equity Interest may not exceed 20% of the Capital Stock of such Subsidiary.

"Multi-employer Plan" means a "Multi-employer Plan" as defined in Section 4001(a)(3) of ERISA which is, or within the immediately preceding six (6) years was, contributed to by either the Borrower or any member of the Controlled Group.

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"Net Income" means, for any period, the net earnings (or loss) after taxes of the Borrower and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with Agreement Accounting Principles.

"New Subsidiary" is defined in Section 5.3(F)(ii).

"Non-Dealership Guarantor" means each entity listed on Schedule 1.1.6 and each other Subsidiary which is not a Sonic Dealership or Subsidiary Holding Company but which has been designated as a "Non-Dealership Guarantor" pursuant to Section 5.2 (L) (ii).

"Non-Dealership Guaranty" means each Guaranty in the form attached hereto as Exhibit C-3, provided by a Non-Dealership Guarantor to Agent, as the same may be amended, modified, supplemented, reaffirmed and/or restated, and as in effect from time to time.

"Non-Dealership Security Agreement" means each Security Agreement, in the form attached hereto as Exhibit C-4, provided by a Non-Dealership Guarantor to Agent, as the same may be amended, modified, supplemented, reaffirmed and/or restated, and as in effect from time to time.

"Notes" means collectively, all promissory notes of the Borrower payable to the order of a Lender, in substantially the form of Exhibit A hereto, evidencing the indebtedness of the Borrower to such Lender, including any amendment, restatement, modification, renewal, increase or replacement thereof.

"Obligations" means all Advances, debts, liabilities, obligations, covenants and duties owing by the Borrower, a Non-Dealership Guarantor, a Sonic Dealership or Sonic Financial to the Lenders or any Indemnitee, of any kind or nature, present or future, arising under this Agreement, the Notes, the Collateral Documents or any other Loan Document, whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, attorneys' fees and disbursements, paralegals' fees (in each case whether or not allowed), and any other sum chargeable to the Borrower, a Non-Dealership Guarantor, a Sonic Dealership or Sonic Financial under this Agreement or any other Loan Document.

"Off Balance Sheet Liabilities" of a Person means (a) any repurchase obligation or liability of such Person or any of its Subsidiaries with respect to accounts or notes receivable sold by such Person or any of its Subsidiaries, (b) any liability under any sale and leaseback transactions which do not create a liability on the consolidated balance sheet of such Person, (c) any liability under any financing lease or so-called "synthetic" lease transaction, or (d) any obligations arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the consolidated balance sheets of such Person and its Subsidiaries.

"Original Credit Agreement" means that certain Credit Agreement between Borrower and Ford Credit, dated as of October 15, 1997, as amended by that certain Credit Agreement dated as of November 12, 1997, as amended by that certain Amended and restated Credit

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Agreement dated as of December 15, 1997, as amended by that certain Letter Agreement dated July 28, 1998, as amended by that certain Letter Agreement dated September 21, 1998, as amended by that certain Letter Agreement dated October

15, 1998, as amended by that certain Amendment to Amended and Restated Credit Agreement dated March 2, 1999, as further amended by that certain Second Amended and Restated Credit Agreement dated July 28, 1999, as amended by the First Amendment to Second Amended and Restated Credit Agreement dated December 6, 1999, as amended by that certain Letter Agreement dated February 21, 2000, and as amended by that certain Letter Agreement dated May 31, 2000.

"Other Taxes" is defined in Section 2.11(B) hereof.

"Participants" is defined in Section 10.2(A) hereof.

"Payment Date" means the fifteenth day of each calendar month, provided, however if such day is not a Business Day, then the Payment Date shall be the next succeeding Business Day following such fifteenth day.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permitted Acquisition" is defined in Section 5.3(F)(iii) hereof.

"Permitted Existing Indebtedness" means the Indebtedness of the Borrower and its Subsidiaries identified as such on Schedule 1.1.1 to this Agreement.

"Permitted Existing Investments" means the Investments of the Borrower and its Subsidiaries identified as such on Schedule 1.1.2 to this Agreement.

"Permitted Existing Liens" means the Liens on assets of the Borrower and its Subsidiaries identified as such on Schedule 1.1.3 to this Agreement.

"Permitted Refinancing Indebtedness" means any replacement, renewal, refinancing or extension of any Indebtedness permitted by this Agreement that (i) does not exceed the aggregate principal amount (plus associated fees and expenses) of the Indebtedness being replaced, renewed, refinanced or extended, (ii) does not rank at the time of such replacement, renewal, refinancing or extension senior to the Indebtedness being replaced, renewed, refinanced or extended, and (iii) does not contain terms (including, without limitation, terms relating to security, amortization, interest rate, premiums, fees, covenants, event of default and remedies) materially less favorable to the Borrower or to the Lenders than those applicable to the Indebtedness being replaced, renewed, refinanced or extended.

"Person" means any individual, corporation, firm, enterprise, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company or other entity of any kind, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means an employee benefit plan defined in Section 3(3) of ERISA in respect of which the Borrower or any member of the Controlled Group is, or within the immediately preceding six (6) years was, an "employer" as defined in Section 3(5) of ERISA.

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"Principal Reconciliation Date" is defined in Section 2.1 (B) hereof.

"Principals" means O. Bruton Smith and B. Scott Smith.

"Ratable Share" means with respect to any Lender at any time, a percentage represented by a fraction the numerator of which is the amount of such Lender's Commitment at such time and the denominator of which is the sum of all Commitments at such time, in either case as reduced pursuant to the terms hereof.

"Receivable(s)" means and includes all of the Borrower's and each Dealership Guarantor's presently existing and hereafter arising or acquired accounts, contract rights, chattel paper, instruments, notes, letters of credit, documents, documents of title, investment property, deposit accounts, other bank accounts, general intangibles, tax refunds and other obligations of third persons of any kind, now or hereafter existing, whether arising out of or in connection with the sale or lease of goods, the rendering of services or otherwise, and all rights now or hereafter existing in and to all security agreements, leases, and other contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, instruments, notes, letters of credit, documents, documents of title, investment property, deposit accounts, other bank accounts, general intangibles, tax refunds or obligations of third persons.

"Register" has the meaning set forth in Section 10.3 (b).

"Regulation G" means Regulation G of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by nonbank, nonbroker lenders for the purpose of purchasing

or carrying margin stock (as defined therein).

"Regulation T" means Regulation T of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by and to brokers and dealers of securities for the purpose of purchasing or carrying margin stock (as defined therein).

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying Margin Stock applicable to member banks of the Federal Reserve System.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by foreign lenders for the purpose of purchasing or carrying margin stock (as defined therein).

"Related Party" with respect to any Principal means (i) any spouse or immediate family member of such Principal or (ii) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding the outstanding

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Equity Interest of which consist of such Principal and/or such other Persons referred to in the immediately preceding clause (i).

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including the movement of Contaminants through or in the air, soil, surface water or groundwater.

"Rentals" of a Person means the aggregate fixed amounts payable by such Person under any lease of real or personal property but does not include any amounts payable under Capitalized Leases of such Person.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days after such event occurs, provided, however, that a failure to meet the minimum funding standards of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Required Lenders" means, at any time, Lenders owed or holding at least a majority in interest of the sum of (a) the aggregate principal amount of the Advances outstanding at such time, and (b) the Commitments at such time; provided, however, that if any Lender shall be a Defaulting Lender at such time, there shall be excluded from the determination of Required Lenders at such time (X) the aggregate principal amount of the Advances owing to such Lender (in its capacity as a Lender) and outstanding at such time, (Y) the Unused Commitment of such Lender at such time.

"Requirements of Law" means, as to any Person, the charter and by-laws or other organizational or governing documents of such Person, and any law, rule or regulation, or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject including, without limitation, the Securities Act of 1933, the Securities Exchange Act of 1934, Regulations G, T, U and X, ERISA, the Fair Labor Standards Act, the Worker Adjustment and Retraining Notification Act, Americans with Disabilities Act of 1990, and any certificate of occupancy, zoning ordinance, building, environmental or land use requirement or permit or environmental, labor, employment, occupational safety or health law, rule or regulation, including Environmental, Health or Safety Requirements of Law.

"Restricted Payment" means (i) any dividend or other distribution, direct or indirect, on account of any Equity Interests of the Borrower now or hereafter outstanding, except a dividend payable solely in the Borrower's Capital Stock (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock, (ii) any redemption, retirement, purchase or other acquisition for value, direct or indirect, of any Equity Interests of the Borrower or any of its Subsidiaries now or hereafter outstanding, other than in exchange for, or out of the proceeds of, the substantially concurrent sale (other than to a Subsidiary of the Borrower) of other Equity Interests of the Borrower (other than Disqualified Stock), and (iii) any payment of a claim for the rescission of the purchase or sale of, or for material damages arising from the

purchase or sale of any Equity Interests of the Borrower or any of the Borrower's Subsidiaries, or of a claim for reimbursement, indemnification or contribution arising out of or related to any such claim for damages or rescission.

"Restricted Franchise Agreement" is defined in Section 5.3(F) (iii) (b).

"Revolving Credit Availability" means, at any particular time, the amount by which the Commitment at such time exceeds the Revolving Credit Obligations at such time.

"Revolving Credit Obligations" means, at any particular time, the sum of the outstanding principal amount of all Advances at such time.

"Scaled Assets" means with respect to the Sonic Group, the sum of (A) an amount equal to 75% of the Sonic Group's Receivables which constitute factory receivables, (B) an amount equal to 60% of the Sonic Group's Receivables which constitute current finance receivables, (C) an amount equal to 60% of the Sonic Group's Receivables which constitute receivables for parts and services (after netting any amounts payable in connection with such parts and services by any member of the Sonic Group), (D) an amount equal to 55% of the Sonic Group's Inventory which constitutes parts and accessories, (E) an amount equal to 80% of the that portion of the Sonic Group's Inventory which constitutes used vehicles less the amount of any outstanding Floor Plan Indebtedness of any member of the Sonic Group incurred in connection with such used vehicles, and (F) an amount equal to 45% of the difference between (i) the value of the Sonic Group's Equipment and (ii) the amount of Indebtedness of any member of the Sonic Group incurred in connection with such Equipment. The value of the Sonic Group's Scaled Assets shall be calculated by the Agent and shall be determined based on the financial statements and monthly factory statements delivered to the Agent pursuant to Section 5.1(A). Scaled Assets shall be measured as of the most recent quarterly report of Scaled Assets published by Borrower prior to the date of this Agreement and as of the end of each calendar quarter.

"Secretary's Certificate" with respect to any entity in the Sonic Group, means any certificate, delivered by a secretary, assistant secretary, managing member, general partner or governor of such entity which certifies (i) the names and true signatures of the incumbent officers or managers of such entity authorized to sign each Transaction Document to which it is a party and the other documents to be executed thereunder, (ii) a true and correct copy of such entity's Certificate of Incorporation, or similar charter document and all amendments thereto, (iii) a true and correct copy of the by-laws or similar governing document of such entity and all amendments thereto, and (iv) a true and correct copy of the resolutions of such entity's board of directors or members approving and authorizing the execution, delivery and performance by such entity of each Transaction Document to which it is a party and the other documents to be executed thereunder;

"Secured Parties" means the Lenders and the Agent.

"Single Employer Plan" means a Plan maintained by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

"Solvent" means, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities,

including, without limitation, contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Sonic Dealership" means any Subsidiary dealership and/or related body shop or service repair center owned, operated or acquired by the Borrower or any Subsidiary of the Borrower.

"Sonic Financial" means Sonic Financial Corporation, a Delaware corporation.

"Sonic Financial's Pledge" means that certain Pledge Agreement, dated

as of even date herewith, from Sonic Financial to the Agent pursuant to which Sonic Financial pledges 5,000,000 shares of capital stock in Speedway Motor Sports, Inc., as it may be amended, restated or otherwise modified and in effect from time to time.

"Sonic Group" means each of the Borrower and each Subsidiary of the Borrower.

"Sonic Guaranties" means each Subsidiary Holding Company Guaranty, each Dealership Guaranty, each Non-dealership Guaranty and the Contribution Agreement.

"Speedway Stock Value" means the value of the 5,000,000 shares of stock in Speedway Motor Sports, Inc., pledged by Sonic Financial to Lender pursuant to the terms of Sonic Financial's Pledge, and determined by multiplying 5,000,000 by the closing price for Speedway Motor Sports Inc. stock as reported on the New York Stock Exchange on the last trading day of the month. Any such calculation of the Speedway Stock Value will be in effect for the next calendar month until the final trading day of such month, upon which Agent will recalculate the Speedway Stock Value.

"Successor Agent" is defined in Section 7.6 of this Agreement.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Borrower.

"Subsidiary Holding Companies" means each of Sonic Automotive of Tennessee, Inc., a corporation organized under the laws of the State of Tennessee, Sonic Automotive of Nevada, Inc., a corporation organized under the laws of the State of Nevada, Sonic Automotive of Georgia, Inc., a corporation organized under the laws of the State of Georgia, Sonic of

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Texas, Inc., a corporation organized under the laws of the State of Texas, and any other Subsidiary of Borrower which owns any Equity Interests in any other entity in the Sonic Group, in each case together with its successors and assigns.

"Subsidiary Holding Company Guaranty" means each Guaranty in the form attached hereto as Exhibit C-2, provided by a Subsidiary Holding Company to Agent, as the same may be amended, modified, supplemented, reaffirmed and/or restated, and in effect from time to time.

"Subsidiary Holding Company Pledges" means each Pledge Agreement delivered by any Subsidiary Holding Company to Lender, pursuant to which such Persons pledge their Capital Stock of certain corporation, limited liability company and/or partnership subsidiaries, as such pledge agreement may be amended, restated or otherwise modified from time to time.

"Subsidiary Holding Company Security Agreements" means any Security Agreement in the form attached hereto as exhibit D-2, pursuant to which a Subsidiary Holding company grants the Lender a security interest in all of its assets, as the same may be amended, modified, supplemented and/or restated, and in effect from time to time.

"Tangible Base Capital" means, at a particular date of calculation, the amount determined by the Lender to be equal to :

(i) Consolidated Net Worth

plus

(ii) the sum of

- (A) Indebtedness of the Borrower or its Subsidiaries to officers of the Borrower, which Indebtedness is subordinated in writing to the Obligations on terms and conditions acceptable to the Lender; and
- (B) an amount equal to 64% of the LIFO reserve (as determined in accordance with Agreement Accounting Principles) reflected on the Borrower's balance sheet;
- (C) Indebtedness of the Borrower and/or its Subsidiaries evidenced by the Debt Offering Notes;

minus

(iii) the sum of

- (A) Receivables with respect to which the account debtor is a director, officer, employee, Subsidiary or Affiliate of the Borrower or other amounts (whether or not classified as Receivables) from Affiliates of the Borrower or its Subsidiaries (other than those payable within 30 days and incurred in the ordinary course of business); and

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- (B) the value of leasehold improvements after deductions for depreciation of the Borrower and its Subsidiaries on a consolidated basis;
- (C) that part of the Borrower's and its Subsidiaries (on a consolidated basis) capitalization or reserves attributable to any writing up of book values on any fixed assets after the date of the most recently delivered financial statements of the Borrower and its Subsidiaries;
- (D) the aggregate amount of the Borrower's and its Subsidiaries Investments in Affiliates (other than the Borrower's Subsidiaries);
- (E) organizational expenses related to start-up of operations with respect to the Borrower and its Subsidiaries;
- (F) goodwill and other intangible assets (as determined in accordance with Agreement Accounting Principles);
- (G) any amount paid to a third-party as consideration for no-competition agreements;
- (H) the value of daily rental franchise payments made by the Borrower or its Subsidiaries under any franchise agreements (net of any amounts owed by a franchisor to Borrower or its Subsidiaries); and
- (I) other assets (including, without limitation, airplanes, cattle, etc.) not related to the operations of the Dealerships as automobile dealerships.

"Taxes" is defined in Section 2.11(A) hereof.

"Termination Date" means the earlier of (a) October 31, 2003 or such other "Termination Date" specified in an Extension Notice and agreed to by Lender and (b) the date of termination of the Commitment pursuant to either of Section 2.3 or Section 8.1 hereof.

"Termination Event" means (i) a Reportable Event with respect to any Benefit Plan; (ii) the withdrawal of the Borrower or any member of the Controlled Group from a Benefit Plan during a plan year in which the Borrower or such Controlled Group member was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or the cessation of operations which results in the termination of employment of twenty percent (20%) of Benefit Plan participants who are employees of the Borrower or any member of the Controlled Group; (iii) the imposition of an obligation on the Borrower or any member of the Controlled Group under Section 4041 of ERISA to provide affected parties written notice of intent to terminate a Benefit Plan in a distress termination described in Section 4041(c) of ERISA; (iv) the institution by the PBGC of proceedings to terminate a Benefit Plan; (v) any event or condition which might constitute grounds under Section 4042 of ERISA for the Termination of, or the appointment of a trustee to administer, any Benefit Plan; or (vi) the partial or complete withdrawal of the Borrower or any member of the Controlled Group from a Multi-employer Plan.

"Total Adjusted Debt" means, for any period, on a consolidated basis for the Borrower and its Subsidiaries, the amount of Total Debt less any Floor Plan Indebtedness, less the

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outstanding principal balance of the Debt Offering Notes, and less the outstanding principal balance of any Additional Subordinated Debt, and further less accounts payable and accruals.

"Total Debt" means, for any period, on a consolidated basis for the Borrower and its Subsidiaries, the sum of Indebtedness of the Borrower and its Subsidiaries, other than Hedging Obligations.

"Transaction Costs" means the fees, costs and expenses payable by the Borrower in connection with the execution, delivery and performance of the Transaction Documents.

"Transaction Documents" means the Loan Documents and the Acquisition Documents.

"Unfunded Liabilities" means (i) in the case of Single Employer Plans, the amount (if any) by which the present value of all vested nonforfeitable benefits under all Single Employer Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans, and (ii) in the case of Multi-employer Plans, the withdrawal liability that would be incurred by the Controlled Group if all members of the Controlled Group completely withdrew from all Multi-employer Plans.

"Unmatured Default" means an event which, but for the lapse of time or the giving of notice, or both, would constitute an Event of Default.

"Unused Commitment" means, with respect to any Lender, such Lender's Commitment at such time minus the aggregate principal amount of Advances made by such Lender and outstanding at such time.

"Waiver, Guaranty and Disbursement Agreement" means each Waiver, Guaranty and Disbursement Agreement delivered by Borrower or any Subsidiary Holding Company in the form attached hereto as Exhibit G to Lender, as the same may be amended, restated, or otherwise modified from time to time.

"Wholesale Line" means any automotive floor plan wholesale credit line made by Ford Credit, Chrysler Financial, General Motors Acceptance Corporation, any Lender or any affiliate or subsidiary thereof to a Sonic Dealership.

Any accounting terms used in this Agreement which are not specifically defined herein shall have the meanings customarily given them in accordance with generally accepted accounting principles in existence as of the date hereof.

1.2 References. The existence throughout the Agreement of references to the Borrower's Subsidiaries is for a matter of convenience only. Any references to Subsidiaries of the Borrower set forth herein shall (i) with respect to representations and warranties which deal with historical matters be deemed to include each of the Subsidiaries existing on the date hereof; and (ii) shall not in any way be construed as consent by a Lender to the establishment, maintenance or acquisition of any Subsidiary, except as may otherwise be permitted hereunder.

1.3 Effectiveness of this Agreement. Upon the satisfaction of all of the conditions precedent set forth in Section 3.1 of this Agreement (the date upon which such conditions

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precedent are satisfied being hereinafter referred to as the "Effective Date"), this Agreement shall become effective.

ARTICLE II: THE LOAN FACILITIES

2.1 Making Advances; Accounting for Advances.

(A) Making Advances.

(1) Initial Advance. On the Effective Date, (a) Chrysler Financial will make an Advance in an amount (as notified in writing by Ford Credit prior to the Effective Date) sufficient to retire 50% of the outstanding principal indebtedness owed by Borrower to Ford Credit pursuant to the terms of, and as evidenced by that certain Fourth Amended and Restated Promissory Note dated December 6, 1999, plus other amounts due and owing thereunder on the Effective Date (all such Indebtedness evidenced by such note is referred to herein as the "Existing Sonic Indebtedness"); Borrower authorizes Chrysler Financial to fund such Advance directly to Ford Credit (via wire transfer, pursuant to wire transfer instructions provided by Ford Credit to Chrysler Financial in writing prior to the Effective Date), and (b) Ford Credit will make an Advance in an amount sufficient to retire 50% of the Existing Sonic Indebtedness; Borrower acknowledges that such Advance will be in the form of an internal balance transfer performed by Ford Credit;

(2) Additional Advances. Upon satisfaction of the conditions precedent set forth in Sections 3.1 and 3.2, from and including the date of this Agreement and prior to the Termination Date, Agent will (on behalf of each Lender) on the terms and conditions set forth in this Agreement, make Advances to the Borrower from time to time, in Dollars, in an amount not to exceed the

Revolving Credit Availability at such time; provided, however, at no time shall the Revolving Credit Obligations exceed the Commitment at such time. Subject to the terms of this Agreement, the Borrower may borrow, repay and re-borrow Advances at any time prior to the Termination Date. The Borrower shall repay in full the outstanding principal balance of each Advance on or before the Termination Date. Agent may make Advances (on behalf of each Lender) in reliance upon the agreement of each Lender to make available to Agent funds required to perform the accounting as described in the following Section 2.1 (B), unless all Lenders will have jointly decided, as provided for in Section 8.1 hereof, to terminate or suspend their obligations to make Advances hereunder.

(B) Accounting for Advances. From the date hereof until the Termination Date, Agent and Lenders will account for all activity under this Article II in the following manner:

(1) Interest. (a) On the tenth (10th) day of each month, or if such day is not a Business Day, on the next succeeding Business Day, no later than 12:00 noon (Eastern Standard Time), Agent will provide to each Lender a written statement identifying the amount of interest payment to be received from Borrower by Agent on each such Lender's Ratable Share of the Advances outstanding on the immediately succeeding Payment Date, pursuant to section 2.9 (B) (i) hereof (such amount is referred to herein as the "Interest Due Lenders");

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(b) No later than 12:00 noon (Eastern Standard Time) on the first Business Day following a Payment Date upon which Agent has received payment in full from Borrower of the amount required pursuant to Section 2.9 (b) (ii) hereof (each such date being referred to herein as an "Interest Reconciliation Date"), Agent will make remittance to each Lender (via wire transfer, pursuant to wire transfer instructions provided to Agent by each Lender in writing from time to time) of each such Lender's Ratable Share of the Interest Due Lenders; provided, however that the Administration Fee due to Agent (pursuant to Section 2.13 hereof) for the month immediately preceding such Interest Reconciliation Date will be netted out of the Interest Due Lenders and be maintained by Agent for the benefit of Agent; and

(2) Principal.

(a) Ford Credit will make a written demand (which demand shall be made in accordance with Section 2.1 (B) (2) (c); (the date each such demand is made is referred to herein as a "Principal Reconciliation Date")) with a copy of such demand to the Agent, which such demand will identify (a) the then current (as of such Principal Reconciliation Date) outstanding aggregate amount of Advances made to Borrower under this Agreement and the Notes (the "Balance Due"), and (b) the aggregate amount of Advances made to Borrower by Ford Credit from and after the immediately preceding Principal Reconciliation Date (or if no previous demand has been made, since the Effective Date).

(b) No later than 12:00 noon (Eastern Standard Time) on the first Business Day following the Principal Reconciliation Date, each Lender will purchase, and Ford Credit shall sell and assign to each other Lender, its Ratable Share of the Balance Due not theretofore sold by Ford Credit to, or otherwise held by such Lender, by making available to Ford Credit, in same day funds, an amount equal to the portion of the Balance Due to be purchased by such Lender, provided, however, that the aggregate principal amount of all Advances purchased by an Lender may not at any time exceed the amount of such Lender's Commitment. Upon any such assignment by Ford Credit to any other Lender of a portion of Advance pursuant to this Section 2.2(B) (2) (b), Ford Credit represents and warrants to such other Lender that Ford Credit is the legal and beneficial owner of such interest being assigned by it, but makes no other representation or warranty and assumes no responsibility with respect to such Advance, the Loan Documents, the Borrower or its Subsidiaries. If and to the extent that any Lender shall not have so made the amount of such Advance available, such Lender shall become a Defaulting Lender. If such Lender shall have made such amount available to Ford Credit, such amount so paid in respect of principal shall constitute an Advance made by such Lender on such Business Day for purposes of this Agreement, and the aggregate outstanding principal amount of the Advances made by Ford Credit shall be reduced by such amount on such Business Day. Ford Credit shall notify the agent of all Advances sold by Ford Credit pursuant to this Section 2.2(B) (2) (b).

(c) Ford Credit may make demand under Section 2.1 (B) (2) (b) on (i) any Business Day on which the aggregate Revolving Credit Obligations owing

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to Ford Credit on such Business Day (after giving effect to any Advances to be made by Ford Credit on such Business Day) exceed \$250,000,000.00 and otherwise (ii) the last Business Day of any month, in each case no later than 5:00 p.m. Eastern Standard Time on such Business Day.

2.2 Optional Payments; Mandatory Prepayments

2.2 (A) Optional Payments. The Borrower may from time to time repay or prepay, without penalty or premium all or any part of outstanding Advances; provided, however, that the Borrower may not so prepay Advances unless it shall have provided notice to Agent of such prepayment by 12:00 p.m. on the day such payment will be made, and the amount of such prepayment is not less than \$500,000.00.

(B) Mandatory Prepayments. If at any time and for any reason the Revolving Credit Obligations are greater than the Maximum Availability, the Borrower shall immediately make a mandatory prepayment of the Obligations in an amount equal to such excess. Amounts equal to a Decision Reserve or net cash proceeds of an Asset Sale in connection with or following restoration, rebuilding or replacement of insured property shall be mandatorily applied against the Revolving Credit Obligations in the amounts and in the manner set forth in Section 5.2(G) hereof.

2.3 Changes in the Commitment. Reduction of Commitment. The Borrower may permanently reduce the Commitment in whole, or in part, in an aggregate minimum amount of \$50,000,000.00 and integral multiples of \$10,000,000.00 in excess of that amount (unless the Commitment is reduced in whole); any reductions in the Commitment will be made ratably among the Lenders in accordance with each Lender's Commitment. Any such reduction may be made only upon at least three (3) Business Day's written notice to Agent, which notice shall specify the amount of any such reduction, and upon payment of a termination/reduction fee (payable to Agent for the account of each Lender) equal to the amount by which the Commitment is reduced multiplied by:

- (a) one-half of one percent (.50%), if Borrower terminates/reduces the Commitment on or before October 31, 2001; or
- (b) three-eighths of one percent (.375%), if Borrower terminates/reduces the Commitment after October 31, 2001 but on or before October 31, 2002; or
- (c) one-quarter of one percent (0.25%), if Borrower terminates/reduces the Commitment after October 31, 2002 but before October 31, 2003.

Notwithstanding the foregoing, the amount of the Commitment may not be reduced below the aggregate principal amount of the outstanding Revolving Credit Obligations. All accrued commitment fees and termination fees shall be payable on the effective date of any partial or complete termination of the obligations of the Lenders to make Advances hereunder. Lenders will share in any termination/reduction fee paid under this Section 2.3 in proportion with each such Lender's Commitment. On the first Business Day following Agent's receipt of a termination/reduction fee hereunder, Agent will remit to each Lender its portion of the termination/reduction fee received by Agent hereunder.

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2.4 Method of Borrowing. The Borrower shall give Agent irrevocable notice in substantially the form of Exhibit B hereto (a "Borrowing Notice") not later than 12:00 noon (Eastern Standard Time) on the Borrowing Date of each Advance, specifying: (i) the Borrowing Date (which must be a Business Day) of such Advance; (ii) the aggregate amount of such Advance; (iii) the use of proceeds of such Advance, and (iv) the account or accounts into which the Advances should be funded. Each Borrowing Notice shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made on such date. Not later than 2:00 p.m. (Eastern Standard Time) on each Borrowing Date, Agent (on behalf of each Lender) shall make available the Advance, in funds immediately available to the Borrower at such account or accounts as shall have been notified to the Agent. Each Advance shall bear interest from and including the date of the making of such Advance to (but not including) the date or repayment thereof at the Applicable LIBOR Rate, changing when and as the underlying LIBOR Rate changes, which such interest shall be payable in accordance with Section 2.9(B).

2.5 Minimum Amount of Each Advance. Except with respect to any Advance to be made pursuant to Section 2.1 (a) (1), Borrower may request Ford Credit to make, and Ford Credit will make, on the terms and conditions hereinafter set forth, Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an amount not to exceed the aggregate of the Unused Commitment of Ford Credit at such time. Each Advance shall be in the minimum amount of \$500,000.00, provided, however, that any Advance may be in the amount of the unused Commitment.

2.6 Default Rate: Late Payment Fee. After the occurrence and during the continuation of an Event of Default, at the option of the Required Lenders, the interest rate(s) applicable to the Advances shall be equal to the Applicable LIBOR Rate plus three percent (3.0%) per annum. To the extent not in excess of the Maximum Rate and in accordance with applicable law, any amount not paid by the Borrower when due shall accrue interest at an additional five percent (5.0%) per annum above the rate applicable thereto until such amounts have been paid in full and shall be payable on demand by the Agent, at the direction of the Required Lenders, and at any rate no later than the next succeeding Payment Date.

2.7 Method of Payment. (A) All payments of principal, interest, and fees hereunder shall be made, without setoff, deduction or counterclaim, in immediately available funds to Agent at the Agent's address specified pursuant to Article XI, at any other address specified in writing by Agent to the Borrower, or via wire transfer pursuant to wire transfer instructions provided by Agent from time to time, by 12:00 noon (Eastern Standard Time) on the date when due. Agent will promptly thereafter cause like funds to be distributed (i) if such payment by the Borrower is in respect of principal, interest, commitment fees or any other Obligation then payable hereunder and under the Notes to more than one Lender, to such Lender for its account ratably in accordance with the amounts of such respective Obligations then payable to such Lenders and (ii) if such payment by the Borrower is in respect of any Obligation then payable hereunder to one Lender, to such Lender for its account, in each case to be applied in

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accordance with the terms of this Agreement; provided, however that the Administration Fee due to Agent (pursuant to Section 2.13 hereof) for the month immediately preceding such date will be netted out of such amounts and be maintained in or remitted to the Agent's Account by and for the benefit of the Agent. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 10.3 from and after the effective date of such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(B) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to any Lender hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may (but shall not be obligated to), in reliance upon such assumption, cause to be distributed to each such Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each such Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Applicable LIBOR Rate.

2.8 Advances, Telephonic Notices. Agent is authorized to record the principal amount of each Advance and each repayment with respect to its Advances on the schedules attached to the Notes; provided, however, that the failure to so record shall not affect the Borrower's obligations under the Notes. The Borrower authorizes the Lender to extend Advances and Agent to transfer funds based on telephonic notices made by any person or persons Agent in good faith believes to be acting on behalf of the Borrower. The Borrower agrees to deliver promptly to Agent a written confirmation, signed by an Authorized Officer, if such confirmation is requested by Agent, of each telephonic notice. If the written confirmation differs in any material respect from the action taken by Agent, (i) the telephonic notice shall govern absent manifest error and (ii) Agent shall promptly notify the Authorized Officer who provided such confirmation of such difference.

2.9 Promise to Pay; Interest and Commitment Fees; Interest Payment Dates; Interest and Fee Basis; Taxes.

(A) Promise to Pay. The Borrower shall repay to the Agent, for the ratable account of the Lenders, on the Termination Date, the aggregate principal amount of the Advances then outstanding. The Borrower unconditionally promises to pay when due the principal amount of each Advance and all other Obligations incurred by it, and to pay all unpaid interest accrued thereon, in accordance

with the terms of this Agreement, the Notes and the other Loan Documents.

(B) Interest Payment Date.

(i) Interest Payable on Advances. Interest accrued on each Advance, owing to each Lender shall be payable to the Agent on each Payment Date, commencing with the first such date to occur after the date hereof and on the Termination Date (whether by acceleration

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or otherwise). Borrower will make interest payments to the Agent on each Payment Date via wire transfer (pursuant to wire transfer instructions provided to Borrower by Agent from time to time).

(ii) Interest on other Obligations. Interest accrued on the principal balance of all other Obligations shall be payable in arrears (i) on the last Business Day of each calendar month, commencing on the first such day following the incurrence of such Obligation, (ii) upon repayment thereof in full or in part, and (iii) if not theretofore paid in full, at the time such other Obligation becomes due and payable (whether by acceleration or otherwise).

(C) Commitment Fees; Accounting for Commitment Fees; Previously Accrued Commitment Fees.

(i) Commitment Fees. The Borrower shall pay to Agent (for the account of the Lenders), from and after the date hereof and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender (in the case of each other Lender) until the date on which the Commitment shall be terminated in whole, a commitment fee equal to one-quarter of one percent (0.25%) per annum, on the amount by which (A) the Commitment in effect from time to time exceeds (B) the Revolving Credit Obligations in effect from time to time, provided, however, that any commitment fee accrued with respect to any of the Commitments of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Borrower so long as such Lender shall be a defaulting Lender except to the extent that such commitment fee shall otherwise have been due and payable by the Borrower prior to such time; and provided, further that no commitment fee shall accrue on any of the Commitments of a Defaulting Lender so long as such Lender shall be a Defaulting Lender. All such commitment fees payable under this clause (C) shall be payable annually in arrears (via wire transfer, pursuant to wire transfer instructions provided to Borrower by Agent in writing from time to time) on each November 15th occurring after the Effective Date (provided, however, that if any such November 15th is not a Business Day, the commitment fee must be paid on the next succeeding Business Day) and, in addition, on the date on which the Commitment shall be terminated in whole.

(ii) Accounting for Commitment Fees. On the first Business Day after each Principal Reconciliation Date following the date of a payment of the commitment fee provided for in the preceding section, Agent will remit to each Lender such Lender's Ratable Share of the commitment fee received by Agent, based on each such Lender's Commitment (via wire transfer, pursuant to wire transfer instructions provided to Agent by Lender in writing from time to time).

(iii) Previously Accrued Commitment Fees. Borrower acknowledges that commitment fees have accrued under the Original Credit Agreement and pursuant to Section 2.9 (C) of the Original Credit Agreement, Ford Credit could require payment of those commitment fees on the Effective Date of this Agreement. Ford Credit agrees to postpone payment of such commitment fees until November 15, 2000, at which time Borrower must pay Ford Credit the full amount of such commitment fees (via wire transfer pursuant to wire transfer instructions provided by Ford Credit to Borrower). No Lender other than Ford Credit may share in such previously accrued commitment fees.

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(D) Interest and Fee Basis. Agent will calculate interest and fees for actual days elapsed on the basis of a 365 day year. Interest shall be payable for the day an Obligation is incurred but not for the day of any payment on the amount paid if payment is received prior to 12:00 noon (Eastern Standard Time) at the place of payment. If any payment of principal or of interest on an Advance or any payment of any other Obligations shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment. Absent manifest error, each determination by the Agent of an interest rate, fee or commission hereunder shall be conclusive and binding for all purposes.

2.10 Termination Date. This Agreement shall be effective until the Termination Date. The Borrower shall have the right to submit a notice (an "Extension Notice") requesting an extension of the initial Termination Date for additional one-year periods. The Borrower shall deliver the Extension Notice to Agent on or before the date that is at least 45 and not more than 90 days prior

to the first anniversary of the Effective Date (and each like period in each subsequent year thereafter in which such option is available). Required Lenders, acting jointly, shall, on or before the date that is 30 days after receipt of any such Extension Notice notify the Borrower in writing whether or not the then applicable Termination Date is extended for one year; provided, however, failure to give such notice shall mean that no such extension shall have been granted; and provided further, nothing herein shall obligate the Lenders to extend the initial Termination Date or any other Termination Date and any determination whether or not to so extend the Termination Date shall be made by the Lenders in their sole discretion. Notwithstanding the termination of this Agreement on the Termination Date, until all of the Obligations (other than contingent indemnity obligations, but including all Floor Plan Indebtedness owed to either (i) Ford Credit and any of its Subsidiaries or Affiliates, or (ii) Chrysler Financial and any of its Subsidiaries or Affiliates) shall have been fully and indefeasibly paid and satisfied and all financing arrangements between the Borrower and each Lender in connection with this Agreement shall have been terminated (other than with respect to Hedging Obligations), all of the rights and remedies under this Agreement and the other Loan Documents shall survive and each Lender shall be entitled to retain its security interest in and to all existing and future Collateral.

2.11 Taxes. (A) Any and all payments by the Borrower hereunder shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings or any liabilities with respect thereto including those arising after the date hereof as a result of the adoption of or any change in any law, treaty, rule, regulation, guideline or determination of a Governmental Authority or any change in the interpretation or application thereof by a Governmental Authority but excluding such taxes (including income taxes, franchise taxes and branch profit taxes) as are imposed on or measured by any Lender's income by the United States of America or any Governmental Authority of the jurisdiction under the laws of which any Lender is organized or having jurisdiction over any Lender by virtue of any Lender's location(s) (other than solely as a result of the transaction evidenced by this Agreement) (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings, and liabilities which any Lender determines to be applicable to this Agreement, the other Loan Documents, the Commitment or the Advances being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the other Loan Documents to any Lender, (i) the sum payable shall be increased as may be necessary so that after making

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all required deductions (including deductions applicable to additional sums payable under this Section 2.11(A)) any Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(B) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges, or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, the other Loan Documents, the Commitment or the Advances (hereinafter referred to as "Other Taxes").

(C) The Borrower indemnifies each Lender for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any Governmental Authority on amounts payable under this Section 2.11 paid by any Lender and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within thirty (30) days after the date a Lender makes written demand therefor. A certificate as to any additional amount payable to a Lender under this Section 2.11 submitted to the Borrower by such Lender shall show in reasonable detail the amount payable and the calculations used to determine such amount and shall, absent manifest error, be final, conclusive and binding upon each of the parties hereto. With respect to such deduction or withholding for or on account of any Taxes and to confirm that all such Taxes have been paid to the appropriate Governmental Authorities, the Borrower shall promptly (and in any event not later than thirty (30) days after receipt) furnish to such Lender such certificates, receipts and other documents as may be required (in the judgment of the Lender) to establish any tax credit to which such Lender may be entitled.

(D) Within thirty (30) days after the date of any payment of Taxes or Other Taxes by the Borrower, the Borrower shall furnish to the Lender having made such payment and seeking reimbursement the original or a certified copy of a receipt evidencing payment thereof.

(E) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.11 shall survive the payment in full of principal and interest hereunder and the termination of this Agreement.

2.12 Loan Account. Each Lender may maintain, in accordance with its respective usual practices, an account or accounts (a "Loan Account") evidencing the Obligations of the Borrower to such Lender owing to such Lender from time to time, including the amount of principal and interest payable and paid to such Lender from time to time hereunder and under the Notes. The entries made in any Loan Account maintained by Agent shall be conclusive and binding for all purposes, absent manifest error, unless the Borrower objects to information contained in such Loan Account within thirty (30) days of the Borrower's receipt of such information. Any Lender's failure to maintain such an account not affect the Borrower's obligations under the Notes

2.13 Loan Administration Fee. On each Interest Reconciliation Date, each Lender will pay Agent a fee in consideration for Agent's performance of the administrative functions more particularly described herein (the "Administration Fee"). With respect to each Lender, such fee

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will be in an amount equal to one tenth of one percent (0.1%) per annum on such Lender's Ratable Share of the Balance Due for the month immediately preceding such Interest Reconciliation Date. Each Lender agrees to pay Agent the Administration Fee, on each Interest Reconciliation Date, by allowing Agent to net the Administration Fee out of the Interest Due Lenders.

2.14. Defaulting Lenders. (A) In the event that, at any one time, (i) any Lender shall be a Defaulting Lender, (ii) such Defaulting Lender shall owe a Defaulted Amount to the Agent or any of the other Lenders and (iii) the Borrower shall make any payment hereunder or under any other Loan Document to the Agent for the account of such Defaulting Lender, then (1) the Agent may, on its behalf or on behalf of such other Lenders and to the fullest extent permitted by applicable law, apply at such time the amount so paid by the Borrower to or for the account of such Defaulting Lender to the payment of each such Defaulted Amount to the extent required to pay such Defaulted Amount, and (2) such Defaulting Lender shall be liable to the Agent or any other Lender with respect to such Defaulted Advance for an amount equal to the Applicable LIBOR Rate plus two and fifty hundredths percent (2.5%) per annum on the Defaulted Advance for so long as such Defaulted Advance remains outstanding. In the event that the Agent shall so apply any such amount to the payment of any such Defaulted Amount on any date, the amount so applied by the Agent shall constitute for all purposes of this Agreement and the other Loan Documents payment, to such extent, of such Defaulted Amount on such date. Any such amount so applied by the Agent shall be retained by the Agent or distributed by the Agent to such other Agent or such other Lenders, ratably in accordance with the respective portions of such Defaulted Amounts payable at such time to the Agent, such other Agent and such other Lenders and, if the amount of such payment made by the Borrower shall at such time be insufficient to pay all Defaulted Amounts owing at such time to the Agent, such other Agent and such other Lenders, in the following order of priority:

(i) first, to the Agent for any Defaulted Amounts then owing to it, in its capacity as such, ratably in accordance with such respective Defaulted Amounts then owing to the Agent; and

(ii) second, to any other Lenders for any Defaulted Amounts then owing to such other Lenders, ratably in accordance with such respective Defaulted Amounts then owing to such other Lenders.

Any portion of such amount paid by the Borrower for the account of such Defaulting Lender remaining, after giving effect to the amount applied by the Agent pursuant to this subsection (a), shall be applied by the Agent as specified in subsection (b) of this Section 2.14.

(b) In the event that, at any one time, (i) any Lender shall be a Defaulting Lender, (ii) such Defaulting Lender shall not owe a Defaulted Advance or a Defaulted Amount and (iii) the Borrower, any Agent or any other Lender shall be required to pay or distribute any amount hereunder or under any other Loan Document to or for the account of such Defaulting Lender, then the Borrower or such Agent or such other Lender shall pay such amount to the Agent to be held by the Agent, to the fullest extent permitted by applicable law, in escrow or the Agent shall, to the fullest extent permitted by applicable law, hold in escrow such amount otherwise held by it. Any funds held by the Agent in escrow under this subsection (b) shall be deposited by the Agent in an account with an escrow agent (which is a bank or financial institution which acts as escrow agent in the ordinary course of its business and is reasonably

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acceptable to the Agent and the Required Lenders), in the name and under the control of the Agent, but subject to the provisions of this subsection (b). The terms applicable to such escrow account, including the rate of interest payable with respect to the credit balance of such account from time to time, shall be such escrow agent's standard terms applicable to escrow accounts maintained with

it. Any interest credited to such account from time to time shall be held by the Agent in escrow under, and applied by the Agent from time to time in accordance with the provisions of, this subsection (b). The Agent shall, to the fullest extent permitted by applicable law, apply all funds so held in escrow from time to time to the extent necessary to make any Advances required to be made by such Defaulting Lender and to pay any amount payable by such Defaulting Lender hereunder and under the other Loan Documents to the Agent or any other Lender, as and when such Advances or amounts are required to be made or paid and, if the amount so held in escrow shall at any time be insufficient to make and pay all such Advances and amounts required to be made or paid at such time, in the following order of priority:

(i) first, to the Agent for any amounts then due and payable by such Defaulting Lender to it hereunder, in its capacity as such, ratably in accordance with such amounts then due and payable to the Agent; and

(ii) second, to any other Lenders for any amount then due and payable by such Defaulting Lender to such other Lenders hereunder, ratably in accordance with such respective amounts then due and payable to such other Lenders.

In the event that any Lender that is a Defaulting Lender shall, at any time, cease to be a Defaulting Lender, any funds held by the Agent in escrow at such time with respect to such Lender shall be distributed by the Agent to such Lender and applied by such Lender to the Obligations owing to such Lender at such time under this Agreement and the other Loan Documents ratably in accordance with the respective amounts of such Obligations outstanding at such time.

(c) The rights and remedies against a Defaulting Lender under this Section 2.14 are in addition to other rights and remedies that the Borrower may have against such Defaulting Lender with respect to any Defaulted Advance and that any Agent or any Lender may have against such Defaulting Lender with respect to any Defaulted Amount.

2.15. Evidence of Debt. (A) The Register maintained by the Agent pursuant to Section 10.3 shall record (i) the date and amount of each Advance made hereunder, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, and (iv) the amount of any sum received by the Agent from the Borrower hereunder and each Lender's share thereof.

(B) Entries made in good faith by the Agent in the Register pursuant to subsection (A) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement.

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(C) The Agent is authorized to record the principal amount of each Advance and each repayment with respect to its Advances on the schedules attached to the Notes; provided, however, that the failure to so record shall not affect the Borrower's obligations under the Notes; and provided further that notwithstanding the face amount of any Note, the aggregate principal amount of all Advances outstanding at any time to a Lender under a Note shall not exceed the aggregate principal amount of all Advances outstanding to such Lender. The Borrower authorizes the Lenders to extend Advances and the Agent to transfer funds based on telephonic notices made by any person or persons the Agent in good faith believes to be acting on behalf of the Borrower. The Borrower agrees to deliver promptly to Agent a written confirmation, signed by an Authorized Officer, if such confirmation is requested by Agent, of each telephonic notice. If the written confirmation differs in any material respect from the action taken by Agent, (i) the telephonic notice shall govern absent manifest error and (ii) Agent shall promptly notify the Authorized Officer who provided such confirmation of such difference.

ARTICLE III: CONDITIONS PRECEDENT

3.1 Conditions of Effectiveness. The Effective Date of this Agreement shall be _____, 2000 or any such later date on which all of the following conditions shall have been satisfied:

(A) no law, regulation, order, judgment or decree of any Governmental Authority shall, and no Lender shall have received any notice that litigation is pending or threatened which is likely to, (a) enjoin, prohibit or restrain the making of an Advance hereunder or (b) impose or result in the imposition of a Material Adverse Effect;

(B) all due diligence materials requested by the Lenders from the

Borrower shall have been delivered to the Lenders and such due diligence materials shall be in form and substance satisfactory to the Lenders;

(C) the Borrower has furnished to the Agent each of the following, all in form and substance satisfactory to the Agent:

- (i) this Agreement, duly executed by the Borrower;
- (ii) the Notes, duly executed by the Borrower in favor of each Lender;
- (iii) the Cross Agreement executed by Borrower, each Dealership Guarantor, each Non-Dealership Guarantor and each Subsidiary Holding Company;
- (iv) a Dealership Guaranty executed by each Sonic Dealership to the Agent;
- (v) a Dealership Security Agreement executed by each Sonic Dealership to the Agent;
- (vi) a Subsidiary Holding Company Guaranty executed by each Subsidiary Holding Company to Agent;

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(vii) a Subsidiary Holding Company Security Agreement executed by each Subsidiary Holding Company to Agent;

(viii) the Contribution Agreement;

(ix) the Borrower Pledges, the Subsidiary Holding Company Pledges and Sonic Financial's Pledge, together with, for each corporate entity so acquired, a stock certificate evidencing the issued and outstanding pledged stock and undated stock powers executed in blank;

(x) to the extent any Sonic Dealership, Non-Dealership Guarantor or Subsidiary Holding Company has any Indebtedness other than Permitted Indebtedness, pay-out letters, releases and UCC-3 Termination Statements, where applicable, from all third-party creditors releasing all Liens securing any such Indebtedness;

(xi) Certificates of good standing for the Borrower, and if requested by Lender, each Subsidiary Holding Company, each Non-Dealership Guarantor and each Dealership Guarantor from its jurisdiction of incorporation and each other jurisdiction where the nature of its business requires it to be qualified as a foreign corporation;

(xii) a Secretary's Certificate from the Borrower, each Subsidiary Holding Company, each Non-Dealership Guarantor and each Sonic Dealership acquired by the Borrower on or prior to the date hereof.

(xiii) a certificate, in form and substance satisfactory to the Lender, signed by the chief financial officer of the Borrower stating that as of the Effective Date, no Event of Default or Unmatured Default has occurred and is continuing and setting forth the calculation of the Sonic Group's Scaled Assets as of most recent quarterly report of Scaled Assets published by Borrower prior to the date of this Agreement, and the representations and warranties of the Borrower are true and correct with full force and effect as if made on the Effective Date;

(xiv) to the extent not included in the foregoing, the documents, instruments and agreements set forth on the closing list attached as Exhibit E hereto;

(xv) such consents, waivers or other documents as the Lender or its counsel may have reasonably requested;

(xvi) a Non-Dealership Guaranty executed by each Non-Dealership Guarantor to the Agent; and

(xvii) a Non-Dealership Security Agreement executed by each Non-Dealership Guarantor to the Agent.

3.2 Conditions Precedent to Each Advance. No Lender shall be required to make any Advance, unless on the applicable Borrowing Date:

- (i) There exists no Event of Default or Unmatured Default; and

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(ii) The representations and warranties contained in Article IV are true and correct as of such Borrowing Date (unless such representation and warranty expressly relates to an earlier date or is no longer true solely as a result of transactions permitted by this Agreement).

Each Borrowing Notice with respect to each such Advance shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 3.2(i) and (ii) have been satisfied. If Agent has a reasonable basis for believing an Event of Default or Unmatured Default may have occurred and is continuing or that the Borrower is not able to make one or more of the representations and warranties set forth in Article IV, Agent may require a duly completed officer's certificate in substantially the form of Exhibit F hereto as a condition to making an Advance.

3.3 Condition Precedent to Additional Advance. Notwithstanding anything to the contrary in this Agreement, Agent (on behalf of the Lenders) shall be under no obligation to make an Advance to the Borrower hereunder, until and unless the following requirements shall have been satisfied:

(i) There shall exist no Liens on the Collateral other than Permitted Existing Liens and those Permitted Existing Liens appearing on Schedule 1.1.3 marked with an asterisk shall have been released and or terminated, and the Borrower shall have confirmed delivery of such releases, UCC-3 termination statements or other documentation reasonably requested by the Agent evidencing such release or termination; and

(ii) The loss payable endorsements referenced in Section 5.2(G) shall have been delivered to Agent.

3.4 Obligations to Purchase Advances. Notwithstanding any term or condition of this Agreement to the contrary, if, on the date that any Advance is made by Ford Credit pursuant to section 2.2(B) the Agent deemed each of the conditions in Sections 3.1 and 3.2 applicable to such Advance satisfied or waived in accordance with this Agreement, then each Lender other than Ford Credit shall be obligated to purchase Advances pursuant to Section 2.2(C) regardless of whether such conditions have been satisfied or waived as of the date such purchase under Section 2.2(C) is required to be made.

ARTICLE IV: REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants as follows to the Lenders as of the date hereof and as of the Effective Date:

4.1 Organization; Corporate Powers. The Borrower and each of its Subsidiaries (i) is a corporation, limited liability company or limited partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) is duly qualified to do business and is in good standing under the laws of each jurisdiction in which failure to be so qualified and in good standing could not reasonably be expected to have a Material Adverse Effect and (iii) has all requisite corporate, company or partnership power and authority to own,

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operate and encumber its property and to conduct its business as presently conducted and as proposed to be conducted.

4.2 Authority.

(A) The execution, delivery, performance and filing, as the case may be, of each of the Transaction Documents which must be executed or filed by the Borrower or any of its Subsidiaries or which have been executed or filed as required by this Agreement and to which the Borrower or any of its Subsidiaries is party, and the consummation of the transactions contemplated thereby, have been duly approved by the respective boards of directors or managers, or by the partners, as applicable, and, if necessary, the shareholders, members or partners, as applicable, of the Borrower and its Subsidiaries, and such approvals have not been rescinded. No other corporate, company or partnership action or proceedings on the part of the Borrower or its Subsidiaries are necessary to consummate such transactions.

(B) Each of the Transaction Documents to which the Borrower or any of its Subsidiaries is a party has been duly executed, delivered or filed, as the case may be, by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, is in full force and effect and no material term or condition thereof has been amended, modified or waived without the prior written consent of the Required Lenders, and the Borrower and its Subsidiaries have, and, to the best of the Borrower's and its Subsidiaries' knowledge, all other parties thereto have, performed and complied with all the material terms, provisions, agreements and conditions set forth therein and required to be performed or complied with by such parties on or before the date

hereof, and no unmatured default, default or breach of any material covenant by any such party exists thereunder.

4.3 No Conflict; Governmental Consents. The execution, delivery and performance of each of the Loan Documents and other Transaction Documents to which the Borrower or any of its Subsidiaries is a party do not and will not (i) conflict with the Charter Documents of the Borrower or any such Subsidiary, (ii) constitute a tortious interference with any Contractual Obligation of any Person or conflict with, result in a breach of or constitute (with or without notice or lapse of time or both) a default under any Requirement of Law (including, without limitation, any Environmental Property Transfer Act) or Contractual Obligation of the Borrower or any such Subsidiary, or require termination of any Contractual Obligation, (iii) result in or require the creation or imposition of any Lien whatsoever upon any of the property or assets of the Borrower or any such Subsidiary, other than Liens permitted by the Loan Documents, or (iv) require any approval of the Borrower's or any such Subsidiary's shareholders except such as have been obtained. The execution, delivery and performance of each of the Transaction Documents to which the Borrower or any of its Subsidiaries is a party do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by any Governmental Authority, including under any Environmental Property Transfer Act, except (i) filings, consents or notices which have been made, obtained or given, or which, if not made, obtained or given, individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect and (ii) filings necessary to create or perfect security interests in the Collateral.

4.4 Financial Statements. All balance sheets, statements of profit and loss and other financial data that have been given to each Lender by or on behalf of Borrower and the Subsidiaries (the "Financial Information") are complete and correct in all material respects,

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accurately present the financial condition of Borrower and the Subsidiaries as of the dates, and the results of its operations for the periods specified in the Financial Information, and have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods covered thereby. Except as specifically disclosed as to creditor, debtor, amount and security) by the Financial Information, Borrower and Subsidiaries do not have outstanding any loan or indebtedness, direct or contingent, to any party, other than the indebtedness due and owing to Lenders, and none of its assets is subject to any security interest, lien or other encumbrance in favor of anyone other than Agent (except for the Permitted Existing Liens). There has been no change in the assets, liabilities or financial condition of Borrower from that set forth in the Financial Information other than changes in the ordinary course of affairs, none of which changes has been materially adverse to Borrower. After giving effect to the Acquisitions, neither Borrower nor any of the Guarantors are or will be rendered insolvent by the indebtedness incurred in connection therewith, will be left with unreasonably small capital with which to engage its business or will have incurred debts beyond its ability to pay such debts as they mature.

4.5 No Material Adverse Change Since the date hereof, there has occurred no event or circumstance which has had or could reasonably be expected to have a Material Adverse Effect.

4.6 Taxes.

(A) Tax Examinations. All material deficiencies which have been asserted against the Borrower or any of the Borrower's Subsidiaries as a result of any federal, state, local or foreign tax examination for each taxable year in respect of which an examination has been conducted have been fully paid or finally settled or are being contested in good faith, and as of the date hereof no issue has been raised by any taxing authority in any such examination which, by application of similar principles, reasonably can be expected to result in assertion by such taxing authority of a material deficiency for any other year not so examined which has not been reserved for in the Borrower's consolidated financial statements to the extent, if any, required by Agreement Accounting Principles.

(B) Payment of Taxes. All tax returns and reports of the Borrower and its Subsidiaries required to be filed have been timely filed, and all taxes, assessments, fees and other governmental charges thereupon and upon their respective property, assets, income and franchises which are shown in such returns or reports to be due and payable have been paid except those items which are being contested in good faith and have been reserved for in accordance with Agreement Accounting Principles or for which the failure to file could not be reasonably expected to result in the payment of amounts by the Borrower and its Subsidiaries in the aggregate in excess of \$2,500,000.00. The Borrower has no knowledge of any proposed tax assessment against the Borrower or any of its Subsidiaries that will have or could reasonably be expected to have a Material Adverse Effect.

4.7 Litigation; Loss Contingencies and Violations. There is no action,

suit, proceeding, arbitration or (to the Borrower's knowledge after diligent inquiry) investigation before or by any Governmental Authority or private arbitrator pending or, to the Borrower's knowledge after diligent inquiry, threatened against the Borrower or any of its Subsidiaries or any property of any of them (i) challenging the validity or the enforceability of any material provision of the Transaction Documents or (ii) which will have or could reasonably be expected to have a

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Material Adverse Effect. There is no material loss contingency within the meaning of Agreement Accounting Principles which has not been reflected in the consolidated financial statements of the Borrower and its Subsidiaries prepared and delivered pursuant to Section 5.1(A) for the fiscal period during which such material loss contingency was incurred. Neither the Borrower nor any of its Subsidiaries is (A) in violation of any applicable Requirements of Law which violation will have or could reasonably be expected to have a Material Adverse Effect, or (B) subject to or in default with respect to any final judgment, writ, injunction, restraining order or order of any nature, decree, rule or regulation of any court or Governmental Authority which will have or could reasonably be expected to have a Material Adverse Effect.

4.8 Subsidiaries. Schedule 4.8 to this Agreement (i) contains a description as of the Effective Date (or as of the date of any supplement thereto) of the corporate structure of, the Borrower and its Subsidiaries and any other Person in which the Borrower or any of its Subsidiaries holds an Equity Interest; and (ii) accurately sets forth as of the Effective Date (or as of the date of any supplement thereto) (A) the correct legal name, the jurisdiction of incorporation or formation and the jurisdictions in which each of the Borrower and the Subsidiaries of the Borrower is qualified to transact business as a foreign corporation or other foreign entity and (B) a summary of the direct and indirect partnership, joint venture, or other Equity Interests, if any, of the Borrower and each Subsidiary of the Borrower in any Person that is not a corporation. After the formation or acquisition of any New Subsidiary permitted under Section 5.3(F) (ii), if requested by the Agent, the Borrower shall provide a supplement to Schedule 4.8 to this Agreement. None of the issued and outstanding Capital Stock of the Borrower or any of its Subsidiaries is subject to any redemption or repurchase agreement. The outstanding Capital Stock of the Borrower and each of the Borrower's Subsidiaries is duly authorized, validly issued, fully paid and nonassessable. The Borrower has no Subsidiaries other than (i) the Subsidiaries set forth on Schedule 4.8 and (ii) any Subsidiaries acquired in connection with a Permitted Acquisition, in connection with which the Borrower shall have provided all of the documents, instruments and agreements as required by this Agreement.

4.9 ERISA. No Benefit Plan has incurred any material accumulated funding deficiency (as defined in Sections 302(a) (2) of ERISA and 412(a) of the Code) whether or not waived. Neither the Borrower nor any member of the Controlled Group has incurred any material liability to the PBGC which remains outstanding other than the payment of premiums, and there are no premium payments which have become due which are unpaid. Schedule B to the most recent annual report filed with the IRS with respect to each Benefit Plan and, if so requested, furnished to the Lender, is complete and accurate. Since the date of each such Schedule B, there has been no material adverse change in the funding status or financial condition of the Benefit Plan relating to such Schedule B. Neither the Borrower nor any member of the Controlled Group has (i) failed to make a required contribution or payment to a Multiemployer Plan or (ii) made a complete or partial withdrawal under Sections 4203 or 4205 of ERISA from a Multiemployer Plan, in either event which could result in any material liability. Neither the Borrower nor any member of the Controlled Group has failed to make a required installment or any other required payment under Section 412 of the Code, in either case involving any material amount, on or before the due date for such installment or other payment. Neither the Borrower nor any member of the Controlled Group is required to provide security to a Benefit Plan under Section 401(a) (29) of the Code due to a Plan amendment that results in an increase in current liability for the plan year. Neither the Borrower nor any of its Subsidiaries maintains or contributes to any employee welfare benefit plan within the meaning of Section 3(1) of ERISA which provides benefits to employees after termination of employment other than as required by Section 601 of

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ERISA. Each Plan which is intended to be qualified under Section 401(a) of the Code as currently in effect is so qualified, and each trust related to any such Plan is exempt from federal income tax under Section 501(a) of the Code as currently in effect. The Borrower and all Subsidiaries are in compliance in all material respects with the responsibilities, obligations and duties imposed on them by ERISA and the Code with respect to all Plans. Neither the Borrower nor any of its Subsidiaries nor any fiduciary of any Plan has engaged in a nonexempt prohibited transaction described in Sections 406 of ERISA or 4975 of the Code which could reasonably be expected to subject the Borrower or any Dealership Guarantor to material liability. Neither the Borrower nor any member of the

Controlled Group has taken or failed to take any action which would constitute or result in a Termination Event, which action or inaction could reasonably be expected to subject the Borrower to material liability. Neither the Borrower nor any Subsidiary is subject to any liability under Sections 4063, 4064, 4069, 4204 or 4212(c) of ERISA and no other member of the Controlled Group is subject to any liability under Sections 4063, 4064, 4069, 4204 or 4212(c) of ERISA which could reasonably be expected to subject the Borrower or any Dealership Guarantor to material liability. Neither the Borrower nor any of its Subsidiaries has, by reason of the transactions contemplated hereby, any obligation to make any payment to any employee pursuant to any Plan or existing contract or arrangement. For purposes of this Section 4.9 "material" means any noncompliance or basis for liability which could reasonably be likely to subject the Borrower or any of its Subsidiaries to liability individually or in the aggregate for all such matters in excess of \$2,500,000.00.

4.10 Accuracy of Information. The information, exhibits and reports furnished by or on behalf of the Borrower and any of its Subsidiaries to the Lenders in connection with the negotiation of, or compliance with, the Loan Documents, the representations and warranties of the Borrower and its Subsidiaries contained in the Transaction Documents, and all certificates and documents delivered to the Lenders pursuant to the terms thereof, taken as a whole, do not contain as of the date furnished any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein or therein, taken as a whole, in light of the circumstances under which they were made, not misleading.

4.11 Securities Activities. Neither the Borrower nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

4.12 Material Agreements. Neither the Borrower nor any of its Subsidiaries is a party to any Contractual Obligation or subject to any charter or other corporate restriction which individually or in the aggregate will have or could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any of its Subsidiaries has received notice or has knowledge that (i) it is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contractual Obligation applicable to it, or (ii) any condition exists which, with the giving of notice or the lapse of time or both, would constitute a default with respect to any such Contractual Obligation, in each case, except where such default or defaults, if any, individually or in the aggregate will not have or could not reasonably be expected to have a Material Adverse Effect.

4.13 Compliance with Laws; Compliance with Franchise Agreements. The Borrower and its Subsidiaries are in compliance with all Requirements of Law applicable to them and their respective businesses, in each case where the failure to so comply individually or in the aggregate could reasonably be expected to have a Material Adverse Effect. The execution, delivery and performance by each Sonic Dealership of any Loan Document to which it is a party

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does not and will not conflict with the franchise agreement to which it is a party. Each Sonic Dealership is, other than with respect to any Sonic Dealership operating under an Irregular Franchise Agreement from the date hereof until the condition set forth in Section 3.3(i) has been satisfied, operating under a valid and enforceable franchise agreement.

4.14 Assets and Properties. The Borrower and each of its Subsidiaries has good and marketable title to all of its assets and properties (tangible and intangible, real or personal) owned by it or a valid leasehold interest in all of its leased assets (except insofar as marketability may be limited by any laws or regulations of any Governmental Authority affecting such assets), except where the failure to have any such title will not have or could not reasonably be expected to have a Material Adverse Effect, and all such assets and property are free and clear of all Liens, except Liens permitted under Section 5.3(C). Substantially all of the assets and properties owned by, leased to or used by the Borrower and/or each such Subsidiary of the Borrower are in adequate operating condition and repair, ordinary wear and tear excepted. Neither this Agreement nor any other Transaction Document, nor any transaction contemplated under any such agreement, will affect any right, title or interest of the Borrower or such Subsidiary in and to any of its assets in a manner that will have or could reasonably be expected to have a Material Adverse Effect.

4.15 Statutory Indebtedness Restrictions. Neither the Borrower nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, or the Investment Company Act of 1940, or any other federal, state or local statute, ordinance or regulation which limits its ability to incur indebtedness or its ability to consummate the transactions contemplated hereby.

4.16 Insurance. The Borrower's and its Subsidiaries' insurance policies and programs reflect coverage that is reasonably consistent with prudent industry practice.

4.17 Labor Matters. As of the date hereof, to the Borrower's and its Subsidiaries' knowledge, there are no material labor disputes to which the Borrower or any of its Subsidiaries may become a party, including, without limitation, any strikes, lockouts or other disputes relating to such Persons' plants and other facilities.

4.18 Acquisitions. As of the Effective Date and as of the date of each Acquisition, all material conditions precedent to, all consents from applicable Governmental Authorities, and all other material consents necessary to permit, the Acquisitions pursuant to the Acquisition Documents have been or will be satisfied or waived by the Borrower with the prior written consent of the Lender.

4.19 Environmental Matters. (a) (i) The operations of the Borrower and its Subsidiaries comply in all material respects with Environmental, Health or Safety Requirements of Law;

(ii) the Borrower and its Subsidiaries have all material permits, licenses or other authorizations required under Environmental, Health or Safety Requirements of Law and are in material compliance with such permits;

(iii) neither the Borrower, any of its Subsidiaries nor any of their respective present property or operations, or, to the best of, the Borrower's or any of its Subsidiaries' knowledge, any of their respective past property or operations, are subject

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to or the subject of, any investigation known to the Borrower or any of its Subsidiaries, any judicial or administrative proceeding, order, judgment, decree, settlement or other agreement respecting: (A) any material violation of Environmental, Health or Safety Requirements of Law; (B) any material remedial action; or (C) any material claims or liabilities arising from the Release or threatened Release of a Contaminant into the environment;

(iv) there is not now, nor to the best of the Borrower's or any of its Subsidiaries' knowledge has there ever been on or in the property of the Borrower or any of its Subsidiaries any landfill, waste pile, underground storage tanks, aboveground storage tanks, surface impoundment or hazardous waste storage facility of any kind, any polychlorinated biphenyls (PCBs) used in hydraulic oils, electric transformers or other equipment, or any asbestos containing material that in the case of any of the foregoing could be reasonably expected to result in any material claims or liabilities; and

(v) neither the Borrower nor any of its Subsidiaries has any material Contingent Obligation in connection with any Release or threatened Release of a Contaminant into the environment.

(b) For purposes of this Section 4.19 "material" means any noncompliance or basis for liability which could reasonably be likely to subject the Borrower or any of its Subsidiaries to liability individually or in the aggregate in excess of \$5,000,000.00.

4.20 Benefits. The Borrower, each of its Subsidiaries and Sonic Financial will benefit from the financing arrangement established by this Agreement. Each Lender has stated and the Borrower acknowledges that, but for the agreement by each of the Subsidiary Holding Companies, the Non-Dealership Guarantors and the Dealership Guarantors to execute and deliver their respective Subsidiary Holding Company Guaranty, Non-Dealership Guaranty, Dealership Guaranty, Subsidiary Holding Company Security Agreement, Non-Dealership Security Agreement and Dealership Security Agreement, and Sonic Financial's agreement to deliver Sonic Financial's Pledge, no Lender would have made available the credit facilities established hereby on the terms set forth herein.

4.21 Solvency. The Borrower and each of its Subsidiaries executing and delivering any Loan Document is Solvent.

ARTICLE V: COVENANTS

The Borrower covenants and agrees that so long as any Commitment is outstanding and thereafter until payment in full of all of the Obligations (other than contingent indemnity obligations, but including Floor Plan Indebtedness owed to either (i) Ford Credit or any of its Subsidiaries or Affiliates, or (ii) Chrysler Financial or any of its Affiliates or Subsidiaries), unless each Lender shall otherwise give its prior written consent (or, in those instances as more particularly described in Section 7.1 hereof, unless Ford Credit (in its capacity as Agent) alone shall otherwise give its prior written consent):

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5.1 Reporting. The Borrower shall:

(A) Financial Reporting. Furnish to Agent (with sufficient copies for each Lender), or with respect to subsection (iii) below, to each Lender in the manner more particularly set forth therein:

(i) Quarterly Reports. As soon as practicable, and in any event within forty five (45) days after the end of each fiscal quarter in each fiscal year, the consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as at the end of such period and the related consolidated and consolidating statements of income and cash flows of the Borrower and its Subsidiaries for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter, certified by the chief financial officer of the Borrower on behalf of the Borrower as fairly presenting the consolidated and consolidating financial position of the Borrower and its Subsidiaries as at the dates indicated and the results of their operations and cash flows for the periods indicated in accordance with Agreement Accounting Principles, subject to normal year end adjustments.

(ii) Annual Reports. As soon as practicable, and in any event within ninety (90) days after the end of each fiscal year, (a) the consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year and the related consolidated and consolidating statements of income, stockholders' equity and cash flows of the Borrower and its Subsidiaries for such fiscal year, and in comparative form the corresponding figures for the previous fiscal year and (b) an audit report on the items listed in clause (a) hereof (other than the consolidating statements) of independent certified public accountants of recognized national standing, which audit report shall be unqualified and shall state that such financial statements fairly present the consolidated financial position of the Borrower and its Subsidiaries as of the dates indicated and the results of their operations and cash flows for the periods indicated in conformity with Agreement Accounting Principles and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards. The deliveries made pursuant to this clause (ii) shall be accompanied by any management letter prepared by the above-referenced accountants.

(iii) Monthly Statements. As soon as practicable after a Lender's request, and in any event within five (5) Business Days after such request, with respect to a Sonic Dealership with which such Lender has outstanding a Wholesale Line, certified copies of direct (factory) statements provided by such Sonic Dealership to a manufacturer.

(iv) Officer's Certificate. Together with each delivery of any financial statement pursuant to clauses (i) and (ii) of this Section 5.1(A), an Officer's Certificate of the Borrower, substantially in the form of Exhibit F attached hereto and made a part hereof, stating that no Event of Default or Unmatured Default exists, or if any Event of Default or Unmatured Default exists, stating the nature and status thereof and setting forth (X) such financial statements and information as shall be reasonably acceptable to the Lender and (Y) a valuation of the Collateral.

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(B) Notice of Event of Default. Promptly upon any of the chief executive officer, chief operating officer, chief financial officer, treasurer or controller of the Borrower or any of its Subsidiaries obtaining knowledge (i) of any condition or event which constitutes an Event of Default or Unmatured Default, or (ii) that any Person has given any written notice to the Borrower or any Subsidiary of the Borrower or taken any other action with respect to a claimed default or event or condition of the type referred to in Section 6.1(e), deliver to the Agent a notice specifying (a) the nature and period of existence of any such claimed default, Event of Default, Unmatured Default, condition or event, (b) the notice given or action taken by such Person in connection therewith, and (c) what action the Borrower has taken, is taking and proposes to take with respect thereto.

(C) Lawsuits. (i) Promptly upon the Borrower obtaining knowledge of the institution of, or written threat of, any action, suit, proceeding, governmental investigation or arbitration against or affecting the Borrower or any of its Subsidiaries or any property of the Borrower or any of its Subsidiaries, which action, suit, proceeding, governmental investigation or arbitration exposes, or in the case of multiple actions, suits, proceedings, governmental investigations or arbitrations arising out of the same general allegations or circumstances which expose, in the Borrower's reasonable judgment, the Borrower or any of its Subsidiaries to liability in an amount aggregating \$5,000,000.00 or more, give written notice thereof to Agent and provide such other information as may be reasonably available to enable each Lender and its respective counsel to

evaluate such matters; and (ii) in addition to the requirements set forth in clause (i) of this Section 5.1(C), upon request of Agent, promptly give written notice of the status of any action, suit, proceeding, governmental investigation or arbitration covered by a report delivered pursuant to clause (i) above or disclosed in any filing with the Commission and provide such other information as may be reasonably available to it that would not violate any attorney-client privilege by disclosure to each Lender and the Agent to enable each Lender or the Agent and its counsel to evaluate such matters.

(D) ERISA Notices. Deliver or cause to be delivered to Agent, at the Borrower's expense, the following information and notices as soon as reasonably possible, and in any event:

(i) (a) within ten (10) Business Days after the Borrower obtains knowledge that a Termination Event has occurred, a written statement of the chief financial officer of the Borrower describing such Termination Event and the action, if any, which the Borrower has taken, is taking or proposes to take with respect thereto, and when known, any action taken or threatened by the IRS, DOL or PBGC with respect thereto and (b) within ten (10) Business Days after any member of the Controlled Group obtains knowledge that a Termination Event has occurred which could reasonably be expected to subject the Borrower or any member of the Controlled Group to liability individually or in the aggregate in excess of \$2,500,000.00, a written statement of the chief financial officer of the Borrower describing such Termination Event and the action, if any, which the member of the Controlled Group has taken, is taking or proposes to take with respect thereto, and when known, any action taken or threatened by the IRS, DOL or PBGC with respect thereto;

(ii) within ten (10) Business Days after the Borrower or any of its Subsidiaries obtains knowledge that a prohibited transaction (defined in Sections 406 of ERISA and Section 4975 of the Code) has occurred, a statement of the chief financial

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officer of the Borrower describing such transaction and the action which the Borrower or such Subsidiary has taken, is taking or proposes to take with respect thereto;

(iii) within ten (10) Business Days after the Borrower or any of its Subsidiaries receives notice of any unfavorable determination letter from the IRS regarding the qualification of a Plan under Section 401(a) of the Code, copies of each such letter;

(iv) within ten (10) Business Days after the filing thereof with the IRS, a copy of each funding waiver request filed with respect to any Benefit Plan and all communications received by the Borrower or a member of the Controlled Group with respect to such request;

(v) within ten (10) Business Days after receipt by the Borrower or any member of the Controlled Group of the PBGC's intention to terminate a Benefit Plan or to have a trustee appointed to administer a Benefit Plan, copies of each such notice;

(vi) within ten (10) Business Days after receipt by the Borrower or any member of the Controlled Group of a notice from a Multi-employer Plan regarding the imposition of withdrawal liability, copies of each such notice;

(vii) within ten (10) Business Days after the Borrower or any member of the Controlled Group fails to make a required installment or any other required payment under Section 412 of the Code on or before the due date for such installment or payment, a notification of such failure; and

(viii) within ten (10) Business Days after the Borrower or any member of the Controlled Group knows or has reason to know that (a) a Multi-employer Plan has been terminated, (b) the administrator or plan sponsor of a Multi-employer Plan intends to terminate a Multi-employer Plan, or (c) the PBGC has instituted or will institute proceedings under Section 4042 of ERISA to terminate a Multi-employer Plan.

For purposes of this Section 5.1(D), the Borrower, any of its Subsidiaries and any member of the Controlled Group shall be deemed to know all facts known by the Administrator of any Plan of which the Borrower or any member of the Controlled Group or such Subsidiary is the plan sponsor.

(E) Labor Matters. Notify Agent in writing, promptly upon the Borrower's learning thereof, of (i) any material labor dispute to which the Borrower or any of its Subsidiaries may become a party, including, without limitation, any strikes, lockouts or other disputes relating to such Persons' plants and other facilities and (ii) any material liability incurred under the

Worker Adjustment and Retraining Notification Act with respect to the closing of any plant or other facility of the Borrower or any of its Subsidiaries.

(F) Other Indebtedness. Deliver to Agent (i) a copy of each notice or communication regarding potential or actual defaults (including any accompanying officer's certificate) delivered by or on behalf of the Borrower or any of its Subsidiaries to the holders of funded Indebtedness pursuant to the terms of the agreements governing such Indebtedness, such delivery to be made at the same time and by the same means as such notice or other communication is

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delivered to such holders, and (ii) a copy of each notice or other communication regarding potential or actual defaults received by the Borrower or any of its Subsidiaries from the holders of funded Indebtedness pursuant to the terms of such Indebtedness, such delivery to be made promptly after such notice or other communication is received by the Borrower or any such Subsidiary.

(G) Other Reports. Deliver or cause to be delivered to Agent copies of all financial statements, reports and notices, if any, sent or made available generally by the Borrower to its securities holders or filed with the Commission by the Borrower, all press releases made available generally by the Borrower or any of the Borrower's Subsidiaries to the public concerning material developments in the business of the Borrower or any such Subsidiary and all notifications received from the Commission by the Borrower or its Subsidiaries pursuant to the Securities Exchange Act of 1934 and the rules promulgated thereunder (other than customary comment letters received in connection with registration statements or other routine communications between the Commission and the Borrower).

(H) Environmental Notices. As soon as possible and in any event within ten (10) days after receipt by the Borrower or any of its Subsidiaries, a copy of (i) any notice or claim to the effect that the Borrower or any of its Subsidiaries is or may be liable to any Person as a result of the Release by the Borrower, any of its Subsidiaries, or any other Person of any Contaminant into the environment, and (ii) any notice alleging any violation of any Environmental, Health or Safety Requirements of Law by the Borrower or any of its Subsidiaries if, in either case, such notice or claim relates to an event which could reasonably be expected to subject the Borrower or any Subsidiary to liability individually or in the aggregate in excess of \$5,000,000.00.

(I) Other Information. Promptly upon receiving a request therefore from Agent, prepare and deliver to Agent such other information with respect to the Borrower, any of its Subsidiaries, or the Collateral, including, without limitation, schedules identifying and describing the Collateral and any dispositions thereof, as from time to time may be reasonably requested by Agent.

5.2 Affirmative Covenants.

(A) Existence, Etc. Except for mergers permitted pursuant to Section 5.3(H), the Borrower shall, and shall cause each of its Subsidiaries to, at all times maintain its corporate company or partnership existence, as applicable, and preserve and keep, or cause to be preserved and kept, in full force and effect its rights and franchises material to its businesses.

(B) Powers; Conduct of Business. The Borrower shall, and shall cause each of its Subsidiaries to, qualify and remain qualified to do business in each jurisdiction in which the nature of its business requires it to be so qualified and where the failure to be so qualified will have or could reasonably be expected to have a Material Adverse Effect. The Borrower will, and will cause each Subsidiary to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted.

(C) Compliance with Laws, Etc. The Borrower shall, and shall cause its Subsidiaries to, (a) comply with all Requirements of Law and all restrictive covenants affecting such Person or the business, properties, assets or operations of such Person, and (b) obtain as needed all permits necessary for its operations and maintain such permits in good standing, unless failure to comply or obtain could not reasonably be expected to have a Material Adverse Effect.

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(D) Payment of Taxes and Claims; Tax Consolidation. The Borrower shall pay, and cause each of its Subsidiaries to pay, (i) all taxes, assessments and other governmental charges imposed upon it or on any of its properties or assets or in respect of any of its franchises, business, income or property before any penalty or interest accrues thereon, and (ii) all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien (other than a Lien permitted by Section 5.3(C)) upon any of the Borrower's or such Subsidiary's property or assets, prior to the time when any penalty or fine shall be incurred with respect thereto; provided, however, that no such taxes,

assessments and governmental charges referred to in clause (i) above or claims referred to in clause (ii) above (and interest, penalties or fines relating thereto) need be paid if being contested in good faith by appropriate proceedings diligently instituted and conducted and if such reserve or other appropriate provision, if any, as shall be required in conformity with Agreement Accounting Principles shall have been made therefor. The Borrower will not, nor will it permit any of its Subsidiaries to, file or consent to the filing of any consolidated income tax return with any other Person other than the consolidated return of the Borrower.

(E) Insurance. The Borrower shall maintain for itself and its Subsidiaries, or shall cause each of its Subsidiaries to maintain in full force and effect, insurance policies and programs reflecting coverage that is reasonably consistent with prudent industry practice.

(F) Inspection of Property; Books and Records; Discussions. The Borrower shall permit and cause each of the Borrower's Subsidiaries to permit, any authorized representative(s) designated by Agent or any Lender to visit and inspect any of the properties of the Borrower or any of its Subsidiaries, to examine, audit, check and make copies of their respective financial and accounting records, books, journals, orders, receipts and any correspondence and other data relating to their respective businesses or the transactions contemplated hereby or by the Acquisitions (including, without limitation, in connection with environmental compliance, hazard or liability), and to discuss their affairs, finances and accounts with their officers and independent certified public accountants, all upon reasonable notice and at such reasonable times during normal business hours, as often as may be reasonably requested; provided, that while no Event of Default exists, all of the foregoing shall be at the joint expense of the Lenders. The Borrower shall keep and maintain, and cause each of the Borrower's Subsidiaries to keep and maintain, in all material respects, proper books of record and account in which entries in conformity with Agreement Accounting Principles shall be made of all dealings and transactions in relation to their respective businesses and activities, including, without limitation, transactions and other dealings with respect to the Collateral. If an Event of Default has occurred and is continuing, the Borrower, upon the request of Agent or any Lender, shall turn over any such records to Agent, such Lender, or their respective representatives.

(G) Insurance and Condemnation Proceeds. The Borrower directs (and, if applicable, shall cause its Subsidiaries to direct) all insurers under policies of property damage, boiler and machinery and business interruption insurance and payors of any condemnation claim or award relating to the property to pay all proceeds payable under such policies or with respect to such claim or award for any loss with respect to the Collateral directly to Agent (for the benefit of the Lenders); provided, however, in the event that such proceeds or award are less than \$250,000.00 ("Excluded Proceeds"), unless an Event of Default shall have occurred and be continuing, Agent shall remit such Excluded Proceeds to the Borrower or Subsidiary, as

applicable. Each such policy shall contain a long-form loss-payable endorsement naming Agent (for the benefit of the Lenders) as loss payee, which endorsement shall be in form and substance acceptable to Agent. Agent shall, upon receipt of such proceeds (other than Excluded Proceeds) and at the Borrower's direction, either apply the same to the principal amount of the Advances outstanding at the time of such receipt and create a corresponding reserve against the Commitment in an amount equal to such application (the "Decision Reserve") or hold them as cash collateral for the Obligations in an interest bearing account. For up to 150 days from the date of any loss (the "Decision Period"), the Borrower may notify Agent that it intends to restore, rebuild or replace the property subject to any insurance payment or condemnation award and shall, as soon as practicable thereafter, provide Agent detailed information, including a construction schedule and cost estimates. Should an Event of Default occur at any time during the Decision Period, should the Borrower notify Agent that it has decided not to rebuild or replace such property during the Decision Period, or should the Borrower fail to notify Agent of the Borrower's decision during the Decision Period, then the amounts held as cash collateral pursuant to this Section 5.2(G) or as the Decision Reserve shall be applied as a mandatory prepayment of the Advances pursuant to Section 2.2(B). Proceeds held as cash collateral pursuant to this Section 5.2(G) or constituting the Decision Reserve shall be disbursed as payments for restoration, rebuilding or replacement of such property become due; provided, however, should an Event of Default occur after the Borrower has notified Agent that it intends to rebuild or replace the property, the Decision Reserve or amounts held as cash collateral shall be applied as a mandatory prepayment of the Advances pursuant to Section 2.2(B). In the event the Decision Reserve is to be applied as a mandatory prepayment to the Advances, the Borrower shall be deemed to have requested Advances in an amount equal to the Decision Reserve, and such Advances shall be made regardless of any failure of the Borrower to meet the conditions precedent set forth in Article III. Upon completion of the restoration, rebuilding or replacement of such property, the unused proceeds shall constitute net cash proceeds of an Asset Sale and shall be applied as a mandatory prepayment of the Advances pursuant to Section 2.2(B).

(H) ERISA Compliance. The Borrower shall, and shall cause each of the Borrower's Subsidiaries to, establish, maintain and operate all Plans, if any, to comply in all material respects with the provisions of ERISA, the Code, all other applicable laws, and the regulations and interpretations thereunder and the respective requirements of the governing documents for such Plans, except where the failure to comply will not or could not reasonably be expected to subject the Borrower and its Subsidiaries to liability individually or in the aggregate in excess of \$2,500,000.00.

(I) Maintenance of Property. The Borrower shall cause all property used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section 5.2(H) shall prevent the Borrower from discontinuing the operation or maintenance of any of such property if such discontinuance is, in the judgment of the Borrower, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to any Lender.

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(J) Environmental Compliance. The Borrower and its Subsidiaries shall comply with all Environmental, Health or Safety Requirements of Law, except where noncompliance could not reasonably be expected to subject the Borrower and its Subsidiaries to liability individually or in the aggregate in excess of \$5,000,000.00. Neither the Borrower nor any of its Subsidiaries shall be the subject of any proceeding or investigation pertaining to (i) the Release by the Borrower or any of its Subsidiaries of any Contaminant into the environment or (ii) the liability of the Borrower or any of its Subsidiaries arising from the Release by any other Person of any Contaminant into the environment, which, in either case, subjects or is reasonably likely to subject the Borrower and its Subsidiaries individually or in the aggregate to liability in excess of the amount set forth above.

(K) Use of Proceeds. Except as otherwise provided in Section 2.1 (A) (1) hereof, the Borrower shall use the proceeds of Advances to (i) fund Permitted Acquisitions and (ii) provide funds for working capital needs and other general corporate purposes of the Borrower. The proceeds of Advances hereunder may not be used to make any mandatory prepayment under Section 2.2(B). The Borrower will not, nor will it permit any Subsidiary to, use any of the proceeds of the Loans to purchase or carry any "Margin Stock" or to make any Acquisition, other than any Permitted Acquisition pursuant to Section 5.3(F).

(L) Addition of Guarantors. (i) Dealership Guarantors and Subsidiary Holding Company Guarantors. The Borrower shall cause each present and future Subsidiary Holding Company and each Sonic Dealership which has not heretofore provided a Subsidiary Holding Company Guaranty or a Dealership Guaranty to Agent, to deliver to Agent a Subsidiary Holding Company Guaranty, in the form of Exhibit C-2, or a Dealership Guaranty, in the form of Exhibit C-1, a Subsidiary Holding Company Security Agreement, in the form of Exhibit D-2, or a Dealership Security Agreement, in the form of Exhibit D-1, UCC-1 Financing Statements, an acknowledgment to be bound by the Cross Agreement, and an acknowledgment to be bound by the Contribution Agreement, together with appropriate corporate resolutions, opinions and other documentation in form and substance reasonably satisfactory to Agent. Each Subsidiary Holding Company and each Sonic Dealership shall provide such Subsidiary Holding Company Guaranty or Dealership Guaranty and Collateral Documents prior to or simultaneously with its Acquisition.

(ii) Non-Dealership Guarantors. The Borrower may, but shall not be obligated to, designate from time to time by written notice to Agent, additional Subsidiaries whose principal line of business is incidental to the retail sales of automobiles and related services, to guaranty the Obligations as "Non-Dealership Guarantors." Upon such designation, Borrower will cause each such Non-Dealership Guarantor to deliver to Agent a Non-Dealership Guaranty, in the form of Exhibit C-3, a Non-Dealership Security Agreement, in the form of Exhibit D-3, UCC-1 Financing Statements, an acknowledgment to be bound by the Cross Agreement, and an acknowledgment to be bound by the Contribution Agreement, together with appropriate corporate resolutions, opinions and other documentation in form and substance reasonably satisfactory to Agent.

(M) Future Liens on Real Property. The Borrower shall, and shall cause each of its Subsidiaries that is required to guarantee the Obligations to, execute and deliver to Agent, immediately upon its acquisition or leasing of any real property after the date hereof, a mortgage, deed of trust, collateral assignment or other appropriate instrument evidencing a Lien upon any such acquired property, lease or interest, to be in form and substance reasonably

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acceptable to the Lenders and subject only to such Liens as otherwise shall be permitted by this Agreement and the Borrower or the applicable Subsidiary, as the case may be, shall have provided the Agent or any Lender with such opinions,

landlord and mortgagee waivers or title insurance as the Agent or any Lender shall have reasonably requested in connection with such acquisition or leasing of real property. The foregoing provision shall apply to the leasing of any real property only if (i) the term of such lease (without regard to any extension thereof at then current market rent) is more than five years or (ii) such lease has a material value by reason of a purchase option, below-market rent or otherwise.

(N) Franchise Agreements. The Borrower shall use its reasonable best efforts to obtain waivers under existing and future franchise agreements on terms and conditions acceptable to the Lenders sufficient to permit the security interests and liens contemplated hereunder. To the extent any franchise agreement materially limits the security interests and liens contemplated hereunder or under any Collateral Document, the Borrower shall notify the Agent of such restriction or limitation and to the extent such franchise agreement relates to an Acquisition to be effected by the Borrower, prior to such Acquisition becoming a Permitted Acquisition, the Initial Lender shall have provided their written approval of such franchise agreement.

(O) Pledge of Capital Stock. The Borrower shall, and shall cause each of the Subsidiary Holding Companies and any Subsidiary owning any Capital Stock in a Non-Dealership Guarantor to pledge to and grant Agent (for the benefit of the Lenders) a first perfected security interest in all of its Capital Stock in each Sonic Dealership and/or other Subsidiary Holding Company and/or Non-Dealership Guarantor, as the case may be; provided, however, such Capital Stock will be required to be pledged only to the extent permitted by the manufacturer under the applicable franchise agreement. In the event that a manufacturer refuses to consent to the pledge by the Borrower or a Subsidiary Holding Company of the Borrower's or Subsidiary Holding Companies' Capital Stock in a Sonic Dealership, the Borrower and/or Subsidiary Holding Company must execute a Waiver, Guaranty and Disbursement Agreement.

5.3 Negative Covenants.

(A) Indebtedness. Neither the Borrower nor any of its Subsidiaries shall directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, except:

(i) the Obligations;

(ii) Permitted Existing Indebtedness and Permitted Refinancing Indebtedness;

(iii) Indebtedness in respect of obligations secured by Customary Permitted Liens;

(iv) Indebtedness constituting Contingent Obligations in respect of Indebtedness otherwise permitted hereunder;

(v) Indebtedness arising from intercompany loans from the Borrower to any Guarantor or from any Subsidiary to the Borrower or any Guarantor; provided that in

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each case such Indebtedness is subordinated upon terms satisfactory to the Agent and the Required Lenders to the obligations of the Borrower and its Subsidiaries with respect to the Obligations;

(vi) Guaranties by the Borrower of Indebtedness permitted to be incurred by any Subsidiary;

(vii) Indebtedness with respect to surety, appeal and performance bonds obtained by the Borrower or any of its Subsidiaries in the ordinary course of business;

(viii) Indebtedness arising under any Guaranty;

(ix) Indebtedness constituting that portion of the deferred purchase price payable by the Borrower in connection with an Acquisition, which such Indebtedness shall not be secured by any of the Collateral;

(x) Indebtedness not in excess of \$2,500,000.00 in connection with the Liens set forth in Section 5.3(C)(iv);

(xi) Floor Plan Indebtedness incurred by a Subsidiary ;

(xii) Indebtedness existing under the Indentures;

(xiii) Indebtedness issued by Borrower (which may or may not be guaranteed by the Subsidiaries of Borrower) and otherwise pari passu or subordinated in right of payment to Indebtedness under the Indentures and subordinated to the Obligations on terms reasonably

satisfactory to the Required Lenders (it being acknowledged that the subordination provisions relating to the Indebtedness issued pursuant to the Indentures are and would be satisfactory to the Required Lenders), provided, however, that the aggregate amount of Indebtedness allowed under this Section 5.3 (a) (xiii) may not exceed in dollar amount the difference between \$300,000,000.00 and the amount of Indebtedness issued under the 2000 Indenture.

(B) Sales of Assets. Neither the Borrower nor any of its Subsidiaries shall sell, assign, transfer, lease, convey or otherwise dispose of any property (including the Capital Stock of any Subsidiary), whether now owned or hereafter acquired, or any income or profits therefrom, or enter into any agreement to do so, except:

- (i) sales of inventory in the ordinary course of business;
- (ii) the disposition in the ordinary course of business of equipment that is obsolete, excess or no longer useful in the Borrower's or its Subsidiaries' business; and
- (iii) sales, assignments, transfers, leases, conveyances or other dispositions of other assets (including sales of Capital Stock of a Subsidiary) if such transaction (a) is for all cash consideration, (b) is for not less than Fair Value, (c) when combined with all such other transactions (each such transaction being valued at book value) (i) during the immediately preceding twelve-month period, represents the disposition of not greater than \$2,500,000.00, and (ii) during the period from the date hereof to the date of such

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proposed transaction, represents the disposition of not greater than \$5,000,000.00 and (d) is a sale by the Borrower of Capital Stock in any Subsidiary, except as provided in subclause (c) above, the Borrower shall continue to own, of record and beneficially, with sole voting and dispositive power, 100% (unless required by the Subsidiary's franchise agreement to be less, in which event at least 80%) of the outstanding shares of Capital Stock of any such Subsidiary.

(C) Liens. Neither the Borrower nor any of its Subsidiaries shall directly or indirectly create, incur, assume or permit to exist any Lien on or with respect to any of their respective property or assets, except:

- (i) Permitted Existing Liens;
- (ii) Customary Permitted Liens;
- (iii) Liens securing the Obligations;
- (iv) Liens securing Floor Plan Indebtedness, provided, however, that with respect to Floor Plan Indebtedness owing to any finance source which is not a Lender, only the following assets may be encumbered by a Lien: (i) the Inventory specifically financed under the terms of such Floor Plan Indebtedness, and (ii) any and all proceeds of the sale or other disposition of or realization upon any such item of Inventory; and
- (v) Liens (other than on the stock of any Subsidiaries) securing other obligations not exceeding \$2,500,000.00 in the aggregate at any time outstanding.

In addition, neither the Borrower nor any of its Subsidiaries shall become a party to any agreement, note, indenture or other instrument, or take any other action, which would prohibit the creation of a Lien on any of its properties or other assets in favor of the Agent (for the benefit of the Lenders), as collateral for the Obligations; provided that any agreement, note, indenture or other instrument in connection with Liens permitted pursuant to clause (i) above may prohibit the creation of a Lien in favor of the Agent (for the benefit of the Lenders) on the items of property subject to such Lien.

(D) Investments. Except to the extent permitted pursuant to paragraph (G) below, neither the Borrower nor any of its Subsidiaries shall directly or indirectly make or own any Investment except:

- (i) Investments in Cash Equivalents;
- (ii) Permitted Existing Investments in an amount not greater than the amount thereof on the date hereof;
- (iii) Investments in trade receivables or received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(iv) Investments consisting of intercompany loans from any Subsidiary to the Borrower or any other Subsidiary permitted by Section 5.3(A) (v);

(v) Investments in any Guarantor;

(vi) Investments constituting Permitted Acquisitions; and

(vii) Investments in addition to those referred to elsewhere in this Section 5.3(D) in an amount not to exceed \$500,000.00 in the aggregate at any time outstanding;

provided, however, that the Investments described in clauses (vii) and (viii) above shall not be permitted if either an Event of Default or Unmatured Default shall have occurred and be continuing on the date thereof or would result therefrom.

(E) Restricted Payments. Neither the Borrower nor any of its Subsidiaries shall declare or make any Restricted Payments, except:

(i) where the consideration therefor consists solely of Equity Interests (but excluding Disqualified Stock) of the Borrower or its Subsidiaries provided no Change of Control would occur as a result thereof;

(ii) in connection with the payment of dividends by a Subsidiary to its parent provided such parent is a Guarantor; and

(iii) the redemption or repurchase by Borrower of any Equity Interests of the Borrower or a Subsidiary of Borrower, now or hereafter outstanding, provided that after giving effect to such redemption or repurchase, Borrower remains in compliance with the Financial Covenants set forth in Section 5.4 hereof.

(F) Conduct of Business; Subsidiaries; Acquisitions. (i) Neither the Borrower nor any of its Subsidiaries shall engage in any business other than the businesses engaged in by the Borrower on the date hereof and any business or activities which are substantially similar, related or incidental thereto.

(ii) The Borrower may create, acquire and/or capitalize any Subsidiary (a "New Subsidiary") after the date hereof pursuant to any transaction that is permitted by or not otherwise prohibited by this Agreement; provided that upon the creation or acquisition of each New Subsidiary, the requirements set forth in Section 5.2(L) hereof shall have been satisfied and all New Subsidiaries that are Material Subsidiaries shall be Controlled Subsidiaries. To the extent any Subsidiary has Equity Interests issued to a Minority Holder, the franchise agreement under which such Subsidiary operates shall be limited to a Restricted Franchise Agreement.

(iii) The Borrower shall not make any Acquisitions, other than Acquisitions meeting the following requirements (each such Acquisition constituting a "Permitted Acquisition"):

(a) no Event of Default or Unmatured Default shall have occurred and be continuing or would result from such Acquisition or the incurrence of any Indebtedness in connection therewith;

(b) in the case of an Acquisition of Equity Interests of an entity, such Acquisition shall be of one hundred percent (100%) of the Equity Interests of such entity or if so restricted by such entity's franchise agreement (a "Restricted Franchise Agreement"), such Acquisition shall be of at least eighty percent (80%) of the Equity Interests of such entity, provided, however, that such Equity Interests of Minority Holders will be required to be pledged directly to the Lender as a precondition to such Acquisition;

(c) the businesses being acquired shall be substantially similar, related or incidental to the businesses or activities engaged in by the Borrower and its Subsidiaries on the date hereof;

(d) after the end of each Quarter, or at such other frequency as Agent or an Initial Lender may request, the Borrower shall deliver to Agent a certificate from one of the Authorized Officers, demonstrating to the reasonable satisfaction of Agent and the Required Lenders that after giving effect to such Acquisition and the incurrence of any Indebtedness hereunder and in connection herewith, on a pro forma basis (both historically and on a projected basis), as if the Acquisition and such incurrence of Indebtedness had occurred on the first day of the twelve-month period ending on the last day of the Borrower's most recently completed fiscal quarter, the Borrower would

have been in compliance with all of the covenants contained in this Agreement, including, without limitation, the financial covenants set forth in Section 5.4;

(f) the purchase is consummated pursuant to a negotiated acquisition agreement on a non-hostile basis;

(g) after giving effect to such Acquisition, the representations and warranties set forth in Article IV hereof shall be true and correct in all material respects on and as of the date of such Acquisition with the same effect as though made on and as of such date; and

(h) the written consent of the Agent and the Required Lenders shall have been obtained, which such consent shall not be unreasonably withheld, in connection with any Acquisition if the acquisition price therefore (including the maximum amount of any deferred portion thereof or contingency payments payable in connection therewith) (computed with any non-cash portion of the acquisition price being valued at the fair value thereof as of the date of computation) exceeds \$3,000,000.00 for such Acquisition or series of related Acquisitions.

(i) the Borrower shall have obtained (and shall have based the calculations set forth above on) historical audited financial statements for the target and/or reviewed unaudited financial statements for the target for a period of not less than (A) two (2) years for Acquisitions in excess of \$20,000,000.00 and (B) one (1) year for any other Acquisition, together with tax returns for the one year prior to such year, in each case obtained from the seller or provided by independent certified public accountants retained

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for the purposes of such Acquisition, broken down by fiscal quarter in the Borrower's reasonable judgment, copies of which shall be provided to Agent.

(j) the Borrower shall have obtained either (i) a new franchise agreement between the Sonic Dealership and the manufacturer on substantially the same terms as the franchise agreement entered into between the manufacturer and the entity to be acquired in such Permitted Acquisition or (ii) any consent required from a manufacturer for the continued enforceability and validity of such franchise agreement after the completion of a Permitted Acquisition shall have been obtained.

(G) Transactions with Shareholders, Affiliates or Holders of Equity Interests. Neither the Borrower nor any of its Subsidiaries shall directly or indirectly enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with any holder or holders of any of the Equity Interests of the Borrower, or with any Affiliate of the Borrower which is not a Guarantor, on terms that are less favorable to the Borrower or any of its Subsidiaries, as applicable, than those that might be obtained in an arm's length transaction at the time from Persons who are not such a holder or Affiliate.

(H) Restriction on Fundamental Changes. Neither the Borrower nor any of its Subsidiaries shall enter into any merger or consolidation, or liquidate, wind-up or dissolve (or suffer any liquidation or dissolution), or convey, lease, sell, transfer or otherwise dispose of, in one transaction or series of transactions, all or substantially all of the Borrower's or any such Subsidiary's business or property, whether now or hereafter acquired, except (i) transactions permitted under Sections 5.3(B) or 5.3(G) (ii) the merger of a Subsidiary of the Borrower into a Person acquired in connection with a Permitted Acquisition; (iii) the merger of a wholly-owned Subsidiary of the Borrower with and into the Borrower; and (iv) the merger of a Subsidiary of the Borrower with another Subsidiary of the Borrower; provided, however, (i) with respect to any such permitted mergers involving any Guarantor, the surviving corporation in the merger shall also be or become a Guarantor; and (ii) after the consummation of any such transaction, the Borrower shall be in compliance with the provisions of Sections 5.2(K) and 5.3(E).

(I) Sales and Leasebacks. Except for transactions relating to any real property financed under either the Permanent Loan Agreement, between Ford Credit and certain Subsidiaries of Borrower, dated June 23, 2000, or the Master Construction Loan Agreement, between Ford Credit and certain Subsidiaries of Borrower, dated June 23, 2000, and subsequently sold by one of such Subsidiaries of Borrower, neither the Borrower nor any of its Subsidiaries shall, without the prior written consent of the Agent and the Required Lenders, become liable, directly, by assumption or by Contingent Obligation, with respect to any lease, whether an operating lease or a Capitalized Lease, of any property (whether real or personal or mixed) (i) which it or one of its Subsidiaries sold or transferred or is to sell or transfer to any other Person, or (ii) which it or

one of its Subsidiaries intends to use for substantially the same purposes as any other property which has been or is to be sold or transferred by it or one of its Subsidiaries to any other Person in connection with such lease.

(J) Margin Regulations. Neither the Borrower nor any of its Subsidiaries, shall use all or any portion of the proceeds of any credit extended under this Agreement to purchase or carry Margin Stock.

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(K) ERISA. The Borrower shall not

(i) engage, or permit any of its Subsidiaries to engage, in any prohibited transaction described in Sections 406 of ERISA or 4975 of the Code for which a statutory or class exemption is not available or a private exemption has not been previously obtained from the DOL;

(ii) permit to exist any accumulated funding deficiency (as defined in Sections 302 of ERISA and 412 of the Code), with respect to any Benefit Plan, whether or not waived;

(iii) fail, or permit any Controlled Group member to fail, to pay timely required contributions or annual installments due with respect to any waived funding deficiency to any Benefit Plan;

(iv) terminate, or permit any Controlled Group member to terminate, any Benefit Plan which would result in any liability of the Borrower or any Controlled Group member under Title IV of ERISA;

(v) fail to make any contribution or payment to any Multiemployer Plan which the Borrower or any Controlled Group member may be required to make under any agreement relating to such Multiemployer Plan, or any law pertaining thereto;

(vi) fail, or permit any Controlled Group member to fail, to pay any required installment or any other payment required under Section 412 of the Code on or before the due date for such installment or other payment; or

(vii) amend, or permit any Controlled Group member to amend, a Plan resulting in an increase in current liability for the plan year such that the Borrower or any Controlled Group member is required to provide security to such Plan under Section 401(a)(29) of the Code,

except where such transactions, events, circumstances, or failures will not have or is not reasonably likely to subject the Borrower and its Subsidiaries to liability individually or in the aggregate in excess of \$2,500,000.00.

(L) Issuance of Equity Interests. The Borrower shall not issue any Equity Interests if as a result of such issuance a Change of Control shall occur. None of the Borrower's Subsidiaries shall issue any Equity Interests other than to the Borrower or if required by the applicable manufacturer in connection with a Restricted Franchise Agreement or the state motor vehicle dealer licensing authority, to Minority Holders whose Equity Interests (i) do not exceed 20% of the Equity Interests of such Subsidiary and (ii) have been pledged to the Lender (other than with respect to Equity Interests held by Minority Holders as of the Effective Date); provided, however, that no such issuance of Equity Interests shall be permitted hereunder unless the Subsidiary with respect to which operates only under a Restricted Franchise Agreement.

(M) Corporate Documents; Franchise Agreements. Neither the Borrower nor any of its Subsidiaries shall amend, modify or otherwise change any of the terms or provisions in any of their respective constituent documents as in effect on the date hereof in any manner adverse in

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any material respect to the interests of either Initial Lender without the prior written consent of each Initial Lender. The Borrower shall not permit any Sonic Dealership to amend, modify or otherwise change any of the terms or provisions of such Sonic Dealership's franchise agreement in any manner adverse in any material respect to the interests of either Initial Lender without the prior written consent of each Initial Lender.

(N) Fiscal Year. Neither the Borrower nor any of its consolidated Subsidiaries shall change its fiscal year for accounting or tax purposes from a period consisting of the 12-month period ending on December 31 of each calendar year.

(O) Subsidiary Covenants. The Borrower will not, and will not permit any Subsidiary to, create or otherwise cause to become effective any consensual encumbrance or restriction of any kind on the ability of any Subsidiary to pay

dividends or make any other distribution on its stock, or make any other Restricted Payment, pay any Indebtedness or other Obligation owed to the Borrower or any other Subsidiary, make loans or advances or other Investments in the Borrower or any other Subsidiary, or sell, transfer or otherwise convey any of its property to the Borrower or any other Subsidiary.

(P) Hedging Obligations. The Borrower shall not and shall not permit any of its Subsidiaries to enter into any interest rate, commodity or foreign currency exchange, swap, collar, cap or similar agreements evidencing Hedging Obligations, other than interest rate, foreign currency or commodity exchange, swap, collar, cap or similar agreements entered into by the Borrower or a Subsidiary pursuant to which the Borrower or such Subsidiary has hedged its actual interest rate, foreign currency or commodity exposure.

(R) Payments on Subordinated Debt. The Borrower shall not make any payments on any of the Debt Offering Notes except in accordance with the Indenture.

5.4 Financial Covenants. The Borrower shall comply with the following:

(A) Current Ratio. The Borrower shall not at any time permit the ratio (the "Current Ratio") of Current Assets of the Sonic Group on a consolidated basis to Current Liabilities of the Sonic Group on a consolidated basis to be less than 1.23 : 1.

(B) Fixed Charge Coverage Ratio. The Borrower shall maintain a ratio ("Fixed Charge Coverage Ratio") of (i) EBITDAR less Capital Expenditures, to (ii) the sum of (a) Interest Expense plus (b) scheduled amortization of the principal portion of all Indebtedness for money borrowed plus (c) Rentals plus (d) taxes paid in cash during such period of the Borrower and its consolidated Subsidiaries of at least 1.4 : 1 for each fiscal quarter ending from and after the Effective Date. In each case the Fixed Charge Coverage Ratio shall be determined as of the last day of each fiscal quarter for the four-quarter period ending on such day.

(C) Interest Coverage Ratio. The Borrower shall maintain a ratio (the "Interest Coverage Ratio") of EBITDA to Interest Expense of at least 2 : 1 for each fiscal quarter ending from and after the Effective Date. In each case the Interest Coverage Ratio shall be determined as of the last day of each fiscal quarter for the four-quarter period ending on such day.

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(D) Total Adjusted Debt to EBITDA Ratio. The Borrower shall not at any time permit the ratio (the "Adjusted Leverage Ratio") of (i) Total Adjusted Debt of the Borrower and its consolidated Subsidiaries to (ii) EBITDA of the Borrower and its consolidated Subsidiaries, to be greater than 2.25 : 1. The Adjusted Leverage Ratio shall be calculated, in each case, determined as of the last day of each fiscal quarter based upon (a) for Total Adjusted Debt, Total Adjusted Debt as of the last day of each such fiscal quarter; and (b) for EBITDA, EBITDA for the twelve-month period ending on such day calculated as set forth in the definition thereof.

All financial covenants set forth in this Section 5.4 shall be calculated by Agent based on the calculations set forth in and the financial statements attached to Officer's Certificates delivered hereunder and shall be binding on the Borrower for all purposes of this Agreement absent manifest error.

ARTICLE VI: EVENT OF DEFAULTS

6.1 Event of Defaults. Each of the following occurrences shall constitute an Event of Default under this Agreement:

(a) Failure to Make Payments When Due. The Borrower shall (i) fail to pay when due any of the Obligations consisting of principal with respect to the Advances or (ii) shall fail to pay within ten (10) days of the date when due any of the other Obligations under this Agreement or the other Loan Documents.

(b) Breach of Certain Covenants. The Borrower shall fail duly and punctually to perform or observe any agreement, covenant or obligation binding on the Borrower under Sections 5.2(F), 5.2(K), 5.3 or 5.4.

(c) Breach of Representation or Warranty. Any representation or warranty made or deemed made by the Borrower to the Lenders herein or by the Borrower or any of its Subsidiaries in any of the other Loan Documents or in any written statement or certificate at any time given by any such Person pursuant to any of the Loan Documents shall be false or misleading in any material respect on the date as of which made (or deemed made).

(d) Other Defaults. The Borrower shall default in the performance of or compliance with any term contained in this Agreement (other than as covered by paragraphs (a), (b) or (c) of this Section 6.1), or the Borrower or any of its Subsidiaries shall default in the performance of or compliance with any term contained in any of the other Loan Documents, and such default shall continue

for thirty (30) days after the occurrence thereof.

(e) Default as to Other Indebtedness. The Borrower or any of its Subsidiaries shall fail to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) with respect to any Indebtedness (other than Indebtedness constituting the deferred portion of the purchase price of an asset which is subject to a good faith dispute, which, together with all such other outstanding disputed Indebtedness, is not in excess of \$5,000,000.00 and which is being contested by the Borrower, and provided that the Borrower has set aside adequate reserves covering such disputed Indebtedness) the outstanding principal amount of which Indebtedness is in excess of \$1,000,000.00; or any breach, default or event of default shall occur, or any other condition shall exist under any instrument, agreement or indenture pertaining to any such Indebtedness, if the effect thereof is

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to cause an acceleration, mandatory redemption, a requirement that the Borrower offer to purchase such Indebtedness or other required repurchase of such Indebtedness, or permit the holder(s) of such Indebtedness to accelerate the maturity of any such Indebtedness or require a redemption or other repurchase of such Indebtedness; or any such Indebtedness shall be otherwise declared to be due and payable (by acceleration or otherwise) or required to be prepaid, redeemed or otherwise repurchased by the Borrower or any of its Subsidiaries (other than by a regularly scheduled required prepayment) prior to the stated maturity thereof.

(f) Involuntary Bankruptcy; Appointment of Receiver, Etc.

(i) An involuntary case shall be commenced against the Borrower or any of the Borrower's Subsidiaries and the petition shall not be dismissed, stayed, bonded or discharged within sixty (60) days after commencement of the case; or a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower or any of the Borrower's Subsidiaries in an involuntary case, under any applicable bankruptcy, insolvency or other similar law now or hereinafter in effect; or any other similar relief shall be granted under any applicable federal, state, local or foreign law.

(ii) A decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Borrower or any of the Borrower's Subsidiaries or over all or a substantial part of the property of the Borrower or any of the Borrower's Subsidiaries shall be entered; or an interim receiver, trustee or other custodian of the Borrower or any of the Borrower's Subsidiaries or of all or a substantial part of the property of the Borrower or any of the Borrower's Subsidiaries shall be appointed or a warrant of attachment, execution or similar process against any substantial part of the property of the Borrower or any of the Borrower's Subsidiaries shall be issued and any such event shall not be stayed, dismissed, bonded or discharged within sixty (60) days after entry, appointment or issuance.

(g) Voluntary Bankruptcy; Appointment of Receiver, Etc. The Borrower or any of the Borrower's Subsidiaries shall (i) commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, (ii) consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, (iii) consent to the appointment of or taking possession by a receiver, trustee or other similar custodian for the benefit of creditors for all or a substantial part of its property, (iv) make any assignment for the benefit of creditors or (v) take any corporate action to authorize any of the foregoing.

(h) Judgments and Attachments. Any money judgment(s) (other than a money judgment covered by insurance as to which the insurance company has not disclaimed coverage or if it has reserved the right to disclaim coverage, such letter reserving the right to disclaim coverage is outstanding twelve months after such money judgment was rendered), writ or warrant of attachment, or similar process against the Borrower or any of its Subsidiaries or any of their respective assets involving in any single case or in the aggregate an amount in excess of \$2,500,000.00 is or are entered and shall remain undischarged, unvacated, unbonded or unstayed for a period of sixty (60) days or in any event later than fifteen (15) days prior to the date of any proposed sale thereunder.

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(i) Dissolution. Any order, judgment or decree shall be entered against the Borrower or any of its Subsidiaries decreeing its involuntary dissolution or split up and such order shall remain undischarged and unstayed for a period in excess of sixty (60) days; or the Borrower or any of its Subsidiaries shall otherwise dissolve or cease to exist except as specifically permitted by this Agreement.

(j) Loan Documents; Failure of. At any time, for any reason, (i) any Loan Document as a whole that materially affects the ability of the Lender to enforce the Obligations or enforce its rights against the Collateral ceases to be in full force and effect or the Borrower or any of the Borrower's Subsidiaries party thereto seeks to repudiate its obligations thereunder and the Liens intended to be created thereby are, or the Borrower or any such Subsidiary seeks to render such Liens, invalid or unperfected, or (ii) any Lien on Collateral in favor of Agent (for the benefit of the Lenders) contemplated by the Loan Documents shall, at any time, for any reason, be invalidated or otherwise cease to be in full force and effect or such Lien shall not have the priority contemplated by this Agreement or the Loan Documents and such failure shall continue for three (3) days after the occurrence thereof.

(k) Termination Event. Any Termination Event occurs which is reasonably likely to subject the Borrower or any of its Subsidiaries to liability individually or in the aggregate in excess of \$2,500,000.00, and such Termination Event shall continue for three (3) days after the occurrence thereof, provided however, if such Termination Event is a Reportable Event, then prior to such Termination Event causing an Event of Default under this Section 6.1(k), such Termination Event shall continue for ten (10) days after the occurrence thereof.

(l) Waiver of Minimum Funding Standard. If the plan administrator of any Plan applies under Section 412(d) of the Code for a waiver of the minimum funding standards of Section 412(a) of the Code and the Lenders believe the substantial business hardship upon which the application for the waiver is based could reasonably be expected to subject either the Borrower or any Controlled Group member to liability individually or in the aggregate in excess of \$2,500,000.00.

(m) Change of Control. A Change of Control shall occur.

(n) Hedging Agreements. Nonpayment by the Borrower or any Subsidiary of any obligation under any contract with respect to Hedging Obligations entered into by the Borrower or such Subsidiary with a Lender (or Affiliate thereof) or the breach by the Borrower or Subsidiary of any other term, provision or condition contained in any agreement and such nonpayment or breach shall continue for ten (10) days after the occurrence thereof.

(o) Guarantor Default or Revocation. Any Sonic Guaranty shall fail to remain in full force or effect or any action shall be taken by the Borrower or any Guarantor to discontinue or to assert the invalidity or unenforceability of any Sonic Guaranty or any Guarantor shall fail to comply with any of the terms or provisions of any Sonic Guaranty to which it is a party, or the Borrower or any Guarantor denies that it has any further liability under any Sonic Guaranty to which it is a party, or gives notice to such effect.

(p) Environmental Matters. The Borrower or any of its Subsidiaries shall be the subject of any proceeding or investigation pertaining to (i) the Release by the Borrower or any of its

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Subsidiaries of any Contaminant into the environment, (ii) the liability of the Borrower or any of its Subsidiaries arising from the Release by any other person of any Contaminant into the environment, or (iii) any violation of any Environmental, Health or Safety Requirements of Law by the Borrower or any of its Subsidiaries, which, in any case, has subjected or is reasonably likely to subject the Borrower or any of its Subsidiaries to liability individually or in the aggregate in excess of \$2,500,000.00.

An Event of Default shall be deemed "continuing" until cured or until waived in writing in accordance with Section 8.3.

ARTICLE VII: THE AGENT

7.1 Authorization and Action. (a) Each Lender hereby appoints and authorizes Agent to take such action as agent on its own behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Notes), Agent shall be required to exercise only such discretion or take only such action as is: (a) in accordance with the manner in which Agent acts or refrains from acting (and shall be fully protected in so acting or refraining from acting) in connection with matters in which it is the sole lender, and (b) jointly agreed upon by Agent and the Lenders in writing (such agreement will be binding upon each Lender and all holders of the Note); provided, however, that Agent shall not be required to take any action that exposes it to personal liability or that is contrary to this Agreement or applicable law.

(b) For so long as Ford Credit is acting as Agent hereunder, each Lender agrees that Ford Credit may unilaterally grant requests for and

waivers of, the following matters only, provided, however, that Ford Credit must notify each Lender prior to issuing such consents or waivers to Borrower:

(1) any Event of Default (as set forth in Article VI hereof) which can be cured, and which based upon the reasonable representation of Borrower will be cured, within ninety (90) days from the date upon which Ford Credit will have learned of the occurrence of such Event of Default. With respect to any Event of Default which, by its nature, cannot be cured, Ford Credit may not respond unilaterally to any request made by Borrower. If any such Event of Default is not cured within such ninety (90) day period, Ford Credit may not take any further action unilaterally;

(2) noncompliance with any covenant or obligation binding on the Borrower, provided Borrower has reasonably represented that the condition causing such noncompliance will last for no more than ninety (90) days. If any such condition causing noncompliance lasts more than ninety (90) days, Ford Credit may not take any further action unilaterally.

Nothing contained in this Section 7.1 (b) may be construed to obligate either Ford Credit or a Lender to grant any such consents or forbear from exercising any of its rights with respect to any Event of Default which may occur from time to time. The rights and powers set forth in this Section 7.1 (b) apply only to Ford Credit acting as Agent and are not intended to benefit any Successor Agent.

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(c) Agent will provide to each Lender the following:

- (1) copies of all reports and notices furnished by Borrower to Agent pursuant to the Loan Documents, within 5 Business Days after Agent's receipt thereof;
- (2) reports of the calculation of Scaled Assets and all other calculations made by Agent pursuant to Section 5.4 hereof, within 5 Business Days after Agent will have made such calculations; and
- (3) copies of all documents delivered to Agent by Borrower pursuant to Sections 5.2 (L), 5.2 (M) and 5.2 (O) hereof, within 5 Business Days after Agent's receipt thereof.

7.2 Agent's Reliance, Etc. Neither Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with the Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, Agent: (a) may treat the payee of the Note as the holder thereof until it receives written notice of the assignment thereof signed by such payee and including the agreement of the assignee to be bound thereby as it would have been if it had been an original party to this Agreement, in form satisfactory to Agent, as provided for in Section 10.3; (b) may consult with legal counsel (including counsel for any Lender), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with the Loan Documents; (d) shall not, other than as specifically set forth in the Loan Documents, have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Loan Document on the part of any party to any of the Loan Documents or to inspect the property of any party to any of the Loan Documents; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, any Loan Document or any other instrument or document furnished pursuant thereto; and (f) shall incur no liability under or in respect of any Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, telecopy or telex) believed by it to be genuine and signed or sent by the proper party or parties.

7.3 Agent and Affiliates. With respect to its Commitments, the Advances made by it and the Notes issued to it, Agent shall have the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not an agent.

7.4 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon Agent and based on the financial statements referred to in Section 4.4 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter

into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

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7.5 Indemnification. (a) Each Lender agrees to indemnify Agent and its directors, officers, agents and employees (to the extent not promptly reimbursed by the Borrower) from and against each Lender's Ratable Share (determined as provided below) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of the Loan Documents or any action taken or omitted by Agent under the Loan Documents (collectively, the "Indemnified Costs"); provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent's gross negligence or willful misconduct as found in a final, non-appealable judgment by a court of competent jurisdiction. Without limitation of the foregoing, each Lender agrees to reimburse Agent promptly upon demand for its Ratable Share of any costs and expenses (including, without limitation, fees and expenses of counsel) payable by the Borrower under Section 9.6 (A) , to the extent that Agent is not promptly reimbursed for such costs and expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.5 applies whether any such investigation, litigation or proceeding is brought by any Lender or any other Person.

(b) For purposes of this Section 7.5, each Lender's Ratable Share of any amount shall be determined, at any time, according to the aggregate principal amount of the Advances outstanding at such time and owing to the respective Lender. Without prejudice to the survival of any other agreement of any Lender hereunder, the agreement and obligations of Chrysler Financial contained in this Section 7.5 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the other Loan Documents.

7.6 Successor Agents. An Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, which resignation will become effective at such times as more specifically set forth in this Section 7.6. Upon any such resignation, the Required Lenders shall have the right to appoint a successor agent, provided, however, that any such appointment of a successor agent must have been consented to in writing by Borrower, which consent shall not be unreasonably withheld or delayed, unless an Event of Default shall have occurred and be continuing, in which case no consent of Borrower shall be required. If no successor agent shall have been so appointed by the Lenders, and shall have accepted such appointment, within 30 days after Agent's giving of notice of resignation, then Agent may, on behalf of the Lenders, appoint a successor agent, which shall be a commercial bank or finance company organized under the laws of the United States or of any State thereof and having a combined capital and surplus of at least \$250,000,000 (any successor agent appointed under this Section 7.6 is referred to herein as a "Successor Agent"). Upon the acceptance of any appointment as Agent hereunder by a Successor Agent and, in the case of a Successor Agent to Agent's agency duties with respect to the Collateral and as provided for in the Collateral Documents, upon the execution and filing or recording of such financing statements, or amendments thereto, and amendment to such other instruments or notices, as may be necessary or desirable, or as the Lenders may request, in order to continue the perfection of the Liens granted or purported to be granted by the Collateral Documents, such Successor Agent shall succeed to and become vested with such rights, powers, discretion, privileges and duties of Agent in its capacity as agent, and Agent shall be discharged from such duties and obligations as Agent under the Loan Documents. If within 45 days after written notice is given of the retiring Agent's resignation under this Section 7.6 no Successor Agent shall have been appointed and shall have accepted such appointment, then on such 45th day (a) Agent's

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resignation shall become effective, (b) Agent shall thereupon be discharged from such agency duties and obligations under the Loan Documents and as identified in its notice of resignation and (c) the Lenders shall thereafter perform all duties of Agent under the Loan Documents until such time, if any, as the Lenders appoint a Successor Agent as provided above. After Agent's resignation hereunder as agent shall have become effective, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting in its capacity as agent under this Agreement.

ARTICLE VIII: ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1 Termination of Commitments; Acceleration. If any Event of Default described in Section 6.1(f) or 6.1(g) occurs with respect to the Borrower, the obligations of any Lender to make Advances hereunder shall automatically terminate and the Obligations shall immediately become due and payable without

any election or action on the part of any Lender. If any other Event of Default occurs, Agent shall at the request, and may with the consent, of the Required Lenders, declare the obligations of the Lenders to make Advances hereunder to be terminated, whereupon the same shall be terminated, and/or shall at the request, and may with the consent, of the Required Lenders, declare the Obligations to be due and payable, or both, whereupon, after written notice to the Borrower, the Obligations shall become immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which the Borrower expressly waives.

8.2 Amendments. Other than as specifically set forth in Section 7.1 of this Agreement, no amendment or waiver of any provision of this Agreement or the Notes or any other Loan Document, nor consent to any departure, therefrom by the Borrower or any Affiliate or Subsidiary of the Borrower party thereto shall in any event be effective unless the same shall be in writing and signed (or, in the case of the Collateral Documents, consented to) by the Agent and the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that (a) no amendment, waiver or consent shall, unless in writing and signed by the Agent and all of the Lenders (other than any Lender that is, at such time, a Defaulting Lender), do any of the following at any time: (i) waive any of the conditions specified in Section 3.1 or, in the case of the initial Borrowing, Section 3.2, (ii) change the number of Lenders or the percentage of (x) the Commitments or (y) the aggregate unpaid principal amount of the Advances that, in each case, shall be required for the Lenders or any of them to take any action hereunder, (iii) reduce or limit the obligations of any Guarantor or otherwise limit such Guarantor's liability with respect to the Obligations owing to the Agent and the Lenders, (iv) release Collateral in any transaction or series of related transactions or permit the creation, incurrence, assumption or existence of any Lien on Collateral in any transaction or series of related transactions to secure any Obligations other than Obligations under the Loan Documents, (v) amend this Section 8.2, (vi) increase the Commitments of the Lenders other than in accordance with terms of the Loan Documents, (vii) reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (viii) postpone any date scheduled for any payment of principal of, or interest on, the Notes or any date fixed for payment of fees or other amounts payable hereunder, or (ix) limit the liability of the Borrower or any of its Affiliates under any of the Loan Documents and (b) no amendment, waiver or consent shall, unless in writing and signed by the Required Lenders and each Lender (other than any Lender that is, at such time, a Defaulting Lender) that has a Commitment if such Lender is directly affected by such amendment, waiver or consent, (i) increase the Commitments of such Lender, (ii) reduce the principal of, or interest on, the

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Notes held by such Lender or any fees or other amounts payable hereunder to such Lender, (iii) postpone any date fixed for any payment of principal of, or interest on, the Notes held by such Lender or any fees or other amounts payable hereunder to such Lender, (iv) change the order of application of any prepayment under the Loan Documents in any manner that materially affects such Lender; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or the other Loan Documents.

8.3 Preservation of Rights. No delay or omission of any Lender or Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Event of Default or an acquiescence therein, and the making of an Advance notwithstanding the existence of an Event of Default or the inability of the Borrower to satisfy the conditions precedent to such Advance shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Required Lenders, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to any Lender until the Obligations have been paid in full.

ARTICLE IX: GENERAL PROVISIONS

9.1 Survival of Representations. All representations and warranties of the Borrower contained in this Agreement shall survive delivery of the Note and the making of the Advances herein contemplated.

9.2 Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3 Performance of Obligations. The Borrower agrees that Agent may, at the direction of the Required Lenders, but shall have no obligation to (i) at

any time, pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against any Collateral, unless such claims are being contested in good faith by the Borrower and the Borrower has set aside adequate reserves covering such tax, lien, security interest or other encumbrance and no Event of Default has occurred and is outstanding and (ii) after the occurrence and during the continuance of an Event of Default to make any payment or perform any act required of the Borrower under any Loan Document or take any other action which the Required Lenders, in their reasonable discretion deem necessary or desirable to protect or preserve the Collateral, including, without limitation, any action to (y) effect any repairs or obtain any insurance called for by the terms of any of the Loan Documents and to pay all or any part of the premiums therefor and the costs thereof and (z) pay any rents payable by the Borrower which are more than 30 days past due, or as to which the landlord has given notice of termination, under any lease. Agent shall use its reasonable efforts to give the Borrower notice of any action taken under this Section 9.3 prior to the taking of such action or promptly thereafter provided the failure to give such notice shall not affect the Borrower's obligations in respect thereof. The Borrower agrees to pay Agent (for the benefit of the Lenders), upon

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demand, the principal amount of all funds advanced by each Lender under this Section 9.3, together with interest thereon at the rate from time to time applicable to Advances from the date of such advance until the outstanding principal balance thereof is paid in full. All outstanding principal of, and interest on, advances made under this Section 9.3 shall constitute Obligations for purposes hereof.

9.4 Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.5 Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Borrower and the Lenders and the Loan Documents delivered on the Effective Date supersede all prior agreements and understandings among the Borrower and the Lenders relating to the subject matter thereof.

9.6 Expenses; Indemnification.

(A) Expenses. The Borrower shall reimburse the Agent and each Lender for any reasonable costs, internal charges and out-of-pocket expenses (including reasonable attorneys' and paralegals' fees and time charges of attorneys and paralegals for the Agent or any Lender, which attorneys and paralegals may be employees of the Agent or any Lender) paid or incurred by Agent or any Lender in connection with the preparation, negotiation, execution, delivery, review, amendment, modification, and administration of the Loan Documents. The Borrower also agrees to reimburse the Agent and each Lender for any reasonable costs, internal charges and out-of-pocket expenses (including attorneys' and paralegals' fees and time charges of attorneys and paralegals for the Agent and each Lender, which attorneys and paralegals may be employees of the Agent or any Lender) paid or incurred by the Agent or any Lender in connection with the collection of the Obligations and enforcement of the Loan Documents. In addition to expenses set forth above, the Borrower agrees to reimburse the Agent and each Lender, promptly after the Agent's or any Lender's request therefor, for each audit or other business analysis performed by it in connection with this Agreement or the other Loan Documents at a time when an Event of Default exists in an amount equal to the Agent's or a Lender's then reasonable and customary charges for each person employed to perform such audit or analysis, plus all costs and expenses (including without limitation, travel expenses) incurred by the Agent or a Lender in the performance of such audit or analysis. The Agent or the Lender shall provide the Borrower with a detailed statement of all reimbursements requested under this Section 9.6(A).

(B) Indemnity. The Borrower further agrees to defend, protect, indemnify, and hold harmless the Agent, each Lender and each of its respective Affiliates, and each of the Agent's, Lender's, or Affiliate's respective officers, directors, employees, attorneys and agents (including, without limitation, those retained in connection with the satisfaction or attempted satisfaction of any of the conditions set forth in Article III) (collectively, the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses of any kind or nature whatsoever (including, without limitation, the fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitees shall be designated a party thereto), imposed on, incurred by, or asserted against such Indemnitees in any manner relating to or arising out of:

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(i) this Agreement, the other Loan Documents or any of the Transaction Documents, or any act, event or transaction related or attendant thereto, the making of the Advances, hereunder, the

management of such Advances, the use or intended use of the proceeds of the Advances hereunder, or any of the other transactions contemplated by the Transaction Documents; or

(ii) any liabilities, obligations, responsibilities, losses, damages, personal injury, death, punitive damages, economic damages, consequential damages, treble damages, intentional, willful or wanton injury, damage or threat to the environment, natural resources or public health or welfare, costs and expenses (including, without limitation, attorney, expert and consulting fees and costs of investigation, feasibility or remedial action studies), fines, penalties and monetary sanctions, interest, direct or indirect, known or unknown, absolute or contingent, past, present or future relating to violation of any Environmental, Health or Safety Requirements of Law arising from or in connection with the past, present or future operations of the Borrower, its Subsidiaries or any of their respective predecessors in interest, or, the past, present or future environmental, health or safety condition of any respective property of the Borrower or its Subsidiaries, the presence of asbestos-containing materials at any respective property of the Borrower or its Subsidiaries or the Release or threatened Release of any Contaminant into the environment (collectively, the "Indemnified Matters");

provided, however, the Borrower shall have no obligation to an Indemnitee hereunder with respect to Indemnified Matters caused by or resulting from the willful misconduct or Gross Negligence of such Indemnitee as determined by the final non-appealed judgment of a court of competent jurisdiction. If the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrower shall contribute the maximum portion which it is permitted to pay and satisfy under applicable law, to the payment and satisfaction of all Indemnified Matters incurred by the Indemnitees.

(C) Notwithstanding anything else in this Agreement to the contrary, no party shall have any obligation to reimburse any person for attorneys' fees and expenses unless such fees and expenses are (i) reasonable in amount, (ii) determined without reference to any statutory presumption and (iii) calculated using the actual time expended and the standard hourly rate for the attorneys and paralegals performing the tasks in question and the actual out-of-pocket expenses incurred.

(D) Waiver of Certain Claims; Settlement of Claims. The Borrower further agrees to assert no claim against any of the Indemnitees on any theory of liability for consequential, special, indirect, exemplary or punitive damages. No settlement shall be entered into by the Borrower or any of its Subsidiaries with respect to any claim, litigation, arbitration or other proceeding relating to or arising out of the transactions evidenced by this Agreement, the other Loan Documents (whether or not any Lender or any Indemnitee is a party thereto) unless such settlement releases all Indemnitees from any and all liability with respect thereto.

(E) Survival of Agreements. The obligations and agreements of the Borrower under this Section 9.6 shall survive the termination of this Agreement.

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9.7 Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles.

9.8 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.9 Nonliability of Lender. The relationship between the Borrower and each Lender shall be solely that of borrower and lender. No Lender shall have fiduciary responsibilities to the Borrower and no Lender takes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations.

9.10 GOVERNING LAW. ANY DISPUTE BETWEEN THE BORROWER AND A LENDER, OR ANY INDEMNITEE ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF NORTH CAROLINA.

9.11 CONSENT TO JURISDICTION; SERVICE OF PROCESS; JURY TRIAL. EXCEPT AS PROVIDED IN SUBSECTION (B), EACH OF THE PARTIES HERETO AGREES THAT ALL DISPUTES AMONG THEM ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF

THE OTHER LOAN DOCUMENTS WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED EXCLUSIVELY BY STATE OR FEDERAL COURTS LOCATED IN NORTH CAROLINA, BUT THE PARTIES HERETO ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NORTH CAROLINA. EACH OF THE PARTIES HERETO WAIVES IN ALL DISPUTES BROUGHT PURSUANT TO THIS SUBSECTION (A) ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT CONSIDERING THE DISPUTE.

(B) OTHER JURISDICTIONS. THE BORROWER AGREES THAT ANY LENDER OR ANY INDEMNITEE SHALL HAVE THE RIGHT TO PROCEED AGAINST THE BORROWER OR ITS PROPERTY IN A COURT IN ANY LOCATION TO ENABLE SUCH PERSON TO (1) OBTAIN PERSONAL JURISDICTION OVER THE BORROWER OR (2) REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS OR ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF SUCH PERSON. THE BORROWER AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY SUCH PERSON TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF SUCH PERSON. THE BORROWER WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH SUCH PERSON HAS COMMENCED A PROCEEDING DESCRIBED IN THIS SUBSECTION (B).

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(C) SERVICE OF PROCESS. THE BORROWER WAIVES PERSONAL SERVICE OF ANY PROCESS UPON IT AND IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY WRITS, PROCESS OR SUMMONSES IN ANY SUIT, ACTION OR PROCEEDING BY THE MAILING THEREOF BY AGENT BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE BORROWER ADDRESSED AS PROVIDED HEREIN. NOTHING HEREIN SHALL IN ANY WAY BE DEEMED TO LIMIT THE ABILITY OF AGENT TO SERVE ANY SUCH WRITS, PROCESS OR SUMMONSES IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW THE BORROWER IRREVOCABLY WAIVES ANY OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY OBJECTION OF THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith IN ANY JURISDICTION SET FORTH ABOVE.

(D) WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith. EACH OF THE PARTIES HERETO AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(E) WAIVER OF BOND. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER WAIVES THE POSTING OF ANY BOND OTHERWISE REQUIRED OF ANY PARTY HERETO IN CONNECTION WITH ANY JUDICIAL PROCESS OR PROCEEDING TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS OR TO ENFORCE ANY JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF SUCH PARTY, OR TO ENFORCE BY SPECIFIC PERFORMANCE, TEMPORARY RESTRAINING ORDER, PRELIMINARY OR PERMANENT INJUNCTION, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

(F) ADVICE OF COUNSEL. EACH OF THE PARTIES REPRESENTS TO EACH OTHER PARTY HERETO THAT IT HAS DISCUSSED THIS AGREEMENT AND, SPECIFICALLY, THE PROVISIONS OF THIS SECTION 9.11, WITH ITS COUNSEL.

9.12 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

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9.13 Subordination of Intercompany Indebtedness. The Borrower agrees that any and all claims of the Borrower against any Guarantor, any endorser or any other guarantor of all or any part of the Obligations, or against any of its properties, including, without limitation, pursuant to the any intercompany Indebtedness permitted under Section 5.3(A)(vi), shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Obligations. Notwithstanding any right of the Borrower to ask, demand, sue for, take or receive any payment from any Guarantor, all rights, liens and security interests of the Borrower, whether now or hereafter arising and howsoever existing, in any assets of any Guarantor shall be and are subordinated to the rights, if any, of the Lender in those assets. The Borrower shall have no right to possession of any such asset or to foreclose upon any such asset, whether by judicial action or otherwise, unless and until all of the Obligations shall have been paid in full in cash and satisfied and all financing arrangements under this Agreement and the other Loan Documents between the Borrower and each Lender have been terminated. If, during the continuance of an Event of Default, all or any part of the assets of any Guarantor, or the proceeds thereof, are subject to

any distribution, division or application to the creditors of any Guarantor, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, then, and in any such event, any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness of any Guarantor to the Borrower, including, without limitation, pursuant to the any intercompany Indebtedness permitted under Section 5.3(A)(vi) ("Intercompany Indebtedness") shall be paid or delivered directly to Agent (for the benefit of the Lenders) for application on any of the Obligations, due or to become due, until such Obligations shall have first been paid in full in cash and satisfied; provided, however, ordinary course payments or distributions made by any Guarantor to the Borrower shall be required to be paid or delivered to Agent (for the benefit of the Lenders) only upon Agent's request. The Borrower irrevocably authorizes and empowers Agent (if directed to do so by the Required Lenders) to demand, sue for, collect and receive every such payment or distribution and give acquittance therefor and to make and present for and on behalf of the Borrower such proofs of claim and take such other action, in Agent's own name or in the name of the Borrower or otherwise, as Required Lenders may deem necessary or advisable for the enforcement of this Section 9.13. Agent may vote such proofs of claim in any such proceeding, receive and collect any and all dividends or other payments or disbursements made thereon in whatever form the same may be paid or issued and apply the same on account of any of the Obligations. Should any payment, distribution, security or instrument or proceeds thereof be received by the Borrower upon or with respect to the Intercompany Indebtedness during the continuance of an Event of Default and prior to the satisfaction of all of the Obligations and the termination of all financing arrangements under this Agreement and the other Loan Documents between the Borrower and the Lenders, the Borrower shall receive and hold the same in trust, as trustee, for the benefit of each Lender and shall forthwith deliver the same to Agent (for the benefit of the Lenders), in precisely the form received (except for the endorsement or assignment of the Borrower where necessary), for application to any of the Obligations, due or not due, and, until so delivered, the same shall be held in trust by the Borrower as the property of each Lender; provided, however, ordinary course payments or distributions made to or by any Guarantor to the Borrower shall be required to be paid or delivered to Agent (for the benefit of the Lenders) only upon Initial Lender's request after the occurrence and Continuance of an Event of Default. If the Borrower fails to make any such endorsement or assignment to Agent (for the benefit of the Lenders), Agent or any of its officers or employees are irrevocably authorized to make the same. The Borrower agrees that until the Obligations have been paid in full in cash and

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satisfied and all financing arrangements under this Agreement and the other Loan Documents between the Borrower and the Lender have been terminated, the Borrower will not assign or transfer to any Person (other than Agent (for the benefit of the Lenders)) any claim the Borrower has or may have against any Guarantor.

9.14 Usury Not Intended. It is the intent of the Borrower and each Lender in the execution and performance of this Agreement and the other Loan Documents to contract in strict compliance with applicable usury laws, including conflicts of law concepts, governing the Advances of each Lender including such applicable laws of the State of North Carolina and the United States of America from time-to-time in effect. In furtherance thereof, each Lender and the Borrower stipulate and agree that none of the terms and provisions contained in this Agreement or the other Loan Documents shall ever be construed to create a contract to pay, as consideration for the use, forbearance or detention of money, interest at a rate in excess of the Maximum Rate and that for purposes hereof "interest" shall include the aggregate of all charges which constitute interest under such laws that are contracted for, charged or received under this Agreement; and in the event that, notwithstanding the foregoing, under any circumstances the aggregate amounts taken, reserved, charged, received or paid on the Advances, include amounts which by applicable law are deemed interest which would exceed the Maximum Rate, then such excess shall be deemed to be a mistake and each Lender receiving same shall credit the same on the principal of the Notes (or if the Notes shall have been paid in full, refund said excess to the Borrower). In the event that the maturity of the Notes is accelerated by reason of any election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest may never include more than the Maximum Rate and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited on the applicable Notes (or, if the Notes shall have been paid in full, refunded to the Borrower of such interest). In determining whether or not the interest paid or payable under any specific contingencies exceeds the Maximum Rate, the Borrower and each Lender shall to the maximum extent permitted under applicable law amortize, prorate, allocate and spread in equal parts during the period of the full stated term of the Notes all amounts considered to be interest under applicable law at any time contracted for, charged, received or reserved in connection with the Obligations. The provisions of this Section shall control over all other provisions of this Agreement or the other Loan Documents which

may be in apparent conflict herewith.

ARTICLE X: BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

10.1 Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower, each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or obligations under the Loan Documents.

10.2 Participations.

(A) Permitted Participants; Effect. Subject to the terms set forth in this Section 10.2, any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other financial institutions ("Participants") participating interests in any Advance owing to such Lender, the Notes, the Commitment or any other interest of such Lender under the Loan Documents on a pro rata or non-pro rata basis. Notice

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of such participation to the other Lenders and to the Borrower shall be required prior to any participation becoming effective. In the event of any such sale by any Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the holder of the Note for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower shall continue to deal solely and directly with Agent in connection with each Lender's rights and obligations under the Loan Documents.

(B) Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Advance or Commitment in which such Participant has an interest.

10.3 Assignments. (a) Each Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other financial institutions approved by the Borrower and each other Lender (each referred to as an "Eligible Assignee") within 10 days of notice to the Borrower by such Lender of such assignment (which such approval shall not be unreasonably withheld) all or a portion of its rights and obligations under this Agreement (including, without limitation, its Commitment and all Advances owing to it) pursuant to an assignment and acceptance agreement in form and substance satisfactory to each Initial Lender (each referred to as an "Assignment and Acceptance"). Notwithstanding the foregoing, the Borrower shall not have any right to approve an assignee under this Section 10.3, after the occurrence and continuance of an Event of Default or to the extent such assignee is an Affiliate of either Lender, provided, however, that to the extent either Lender assigns its obligations hereunder, such Affiliate shall be a United States Person and the Lender shall have provided such financial statements as the Borrower shall have reasonably requested.

(b) Upon such execution, delivery and acceptance of, and from and after the effective date specified in such Assignment and Acceptance, (i) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (ii) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Sections 2.11 and 9.6 to the extent any claim thereunder relates to an event arising prior to such assignment) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Lender's rights and obligation under this Agreement, such Lender shall cease to be a party hereto).

(c) By executing and delivering an Assignment and Acceptance, each Lender assignor thereunder and each assignee thereunder confirm to and agree with each other and the other parties thereto and hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest

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created or purported to be created under or in connection with, any Loan

Document or any other instrument or document furnished pursuant thereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower, any Guarantor or any other party to the Loan, or the performance or observance by Borrower, any Guarantor or any other party to the Loan of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.4 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to such Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Agent, acting for this purpose (but only for this purpose) as the agent of the Borrower, shall maintain at its address a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lender and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or Agent or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an assignment and acceptance agreement executed pursuant to the preceding subsection (a), together with any Note or Notes subject to such assignment, the Agent will (i) accept such assignment and acceptance agreement executed pursuant to the preceding subsection (a), (ii) record the information contained therein in the Register, and (iii) give prompt notice thereof to Borrower. In the case of any assignment by a Lender, within five (5) Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Agent in exchange for the surrendered Note or Notes a new Note to the order of such Eligible Assignee in an amount equal to the Lender's Commitment assumed by it pursuant to such assignment and acceptance agreement and, if any assigning Lender has retained a commitment hereunder, a new Note to the order of such assigning Lender in an amount equal to such assigning Lender's Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such assignment and acceptance agreement and shall be in substantially the form of Exhibit A hereto.

Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.3, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or

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on behalf of the Borrower; provided, however, that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information received by it from such Lender.

10.4 Confidentiality. Subject to Sections 10.3 and 10.5, each Lender shall hold all nonpublic information obtained pursuant to the requirements of this Agreement and identified as such by the Borrower in accordance with each respective Lender's customary procedures for handling confidential information of this nature and in any event may make disclosure reasonably required by a prospective Transferee in connection with the contemplated participation or as required or requested by any Governmental Authority or representative thereof or pursuant to legal process and shall require any such Transferee to agree (and require any of its Transferees to agree) to comply with this Section 10.4. In no event shall either Lender be obligated or required to return any materials furnished by the Borrower; provided, however, each prospective Transferee shall be required to agree that if it does not become a participant it shall return all materials furnished to it by or on behalf of the Borrower in connection with this Agreement.

10.5 Dissemination of Information. The Borrower authorizes each Lender to disclose to any Participant or Eligible Assignee or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in the

Lender's possession concerning the Borrower and its Subsidiaries; provided that prior to any such disclosure, such prospective Transferee shall agree to preserve in accordance with Section 10.4 the confidentiality of any confidential information described therein.

ARTICLE XI: NOTICES

11.1 Giving Notice. Except as otherwise permitted by Section 2.8 with respect to borrowing notices, all notices and other communications provided to any party hereto under this Agreement or any other Loan Documents shall be in writing or by telex or by facsimile and addressed or delivered to such party at its address set forth below its signature hereto or at such other address as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid, shall be deemed given when received; any notice, if transmitted by telex or facsimile, shall be deemed given when transmitted (answerback confirmed in the case of telexes).

11.2 Change of Address. The Borrower, the Agent and each Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XII: COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Borrower and each Lender.

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IN WITNESS WHEREOF, the Borrower, the Agent and each Lender have executed this Agreement as of the date first above written.

SONIC AUTOMOTIVE, INC.,
as the Borrower

By: /s/ Theodore M. Wright

Name: Theodore M. Wright
Title: Vice President

Address:
64215 Idlewild Road
Suite 109
Charlotte, North Carolina 28212
Attention: Theodore M. Wright
Telephone No.: (704) 566-2400
Facsimile No.: (704) 566-6031

FORD MOTOR CREDIT COMPANY,
as Lender, and as Agent

By: /s/ W. J. Beck IV

Name: W. J. Beck, IV
Title: National Account Manager

Address:
6302 Fairview Road
Suite 500
Charlotte, North Carolina 28210
Attention: Nancy Carner
Telephone No.: (704) 442-0371
Facsimile No.: (704) 442-1909

CHRYSLER FINANCIAL COMPANY, LLC,
as Lender

By: /s/ Mark A. Manzo

Name: Mark A. Manzo
Title: Vice President

Address:
27777 Franklin Road
Southfield, MI 48034
Attention: Michele Nowak
Telephone No.: (248) 948-4860
Facsimile No.: (248) 948-3848

PROMISSORY NOTE
(Acquisition/Revolving Line of Credit)
(LIBOR Rate)

\$500,000,000.00

Charlotte, North Carolina

August 10, 2000

FOR VALUE RECEIVED, SONIC AUTOMOTIVE, INC., a Delaware corporation ("Borrower"), whose address is 6415 Idlewild Road, Suite 109, Charlotte, North Carolina 28212, promises to pay to FORD MOTOR CREDIT COMPANY, a Delaware corporation, ("Lender"), or order, at 6302 Fairview Road, Suite 500, Charlotte, North Carolina 28210, or at such other place as Lender may from time to time in writing designate, in lawful money of the United States of America, the principal sum of FIVE HUNDRED MILLION AND 00/100 DOLLARS (\$500,000,000.00), or so much thereof as may be advanced from time to time, together with interest, adjusted monthly, on the principal balance outstanding from time to time (the "Principal Balance"), in like money, from the date of this Promissory Note (this "Note"), to and including the Termination Date, at the rate of two and fifty hundredths percent (2.50%) per annum above the LIBOR Rate (as defined herein) in effect from time to time (the "Applicable Interest Rate").

Capitalized terms used herein and not otherwise defined herein shall have the meaning given to such terms in the Credit Agreement dated as of even date herewith, among Borrower, the Lender and certain other lender parties thereto, and Lender, as Agent for all lender parties (the "Agreement").

Borrower promises to pay interest on the unpaid principal balance outstanding until such principal amount is paid in full, at the Applicable Interest Rate, and payable at such times as are specified in the Agreement.

Both principal and interest are payable in lawful money of the United States of America to the Agent under the Agreement, in same day funds. Each Advance owing to the Lender by the Borrower, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto, which is part of this Note; provided, however, that the failure of the Lender to make any such recordation or endorsement will not affect the Obligations of the Borrower under this Note.

This Note is one of the Notes referred to in, and is entitled to the benefits of, the Agreement. The Agreement, among other things, (i) provides for the making of Advances by the Lender to or for the benefit of the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. collar amount first above mentioned, the indebtedness of the Borrower resulting from each such Advance being evidenced by this Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof

upon the terms and conditions therein specified. The Obligations of Borrower under this Note and the Loan Documents, and the obligations of the Dealership Guarantors and any other parties to the loan are secured by the Collateral as provided in the Loan Documents.

In no circumstance may the aggregate principal amount of all Advances (as defined in the Agreement) outstanding under the Notes (as defined in the Agreement) exceed the aggregate amount of all Lender's Commitments (as more specifically set forth in the Agreement).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, Borrower, intending to be legally bound hereby, has duly executed this Note under seal, the day and year first above written.

SONIC AUTOMOTIVE, INC.,
a Delaware corporation

By: /s/ Theodore M. Wright (SEAL)

Name: Theodore M. Wright
Title: Vice President

PROMISSORY NOTE
(Acquisition/Revolving Line of Credit)
(LIBOR Rate)

\$250,000,000.00

Charlotte, North Carolina

August 10, 2000

FOR VALUE RECEIVED, SONIC AUTOMOTIVE, INC., a Delaware corporation ("Borrower"), whose address is 6415 Idlewild Road, Suite 109, Charlotte, North Carolina 28212, promises to pay to CHRYSLER FINANCIAL COMPANY, a Michigan limited liability company, ("Lender"), or order, at 27777 Franklin Road, Southfield, Michigan 48034 or at such other place as Lender may from time to time in writing designate, in lawful money of the United States of America, the principal sum of TWO HUNDRED FIFTY MILLION AND 00/100 DOLLARS (\$250,000,000.00), or so much thereof as may be advanced from time to time, together with interest, adjusted monthly, on the principal balance outstanding from time to time (the "Principal Balance"), in like money, from the date of this Promissory Note (this "Note"), to and including the Termination Date, at the rate of two and fifty hundredths percent (2.50%) per annum above the LIBOR Rate (as defined herein) in effect from time to time (the "Applicable Interest Rate"):

Capitalized terms used herein and not otherwise defined herein shall have the meaning given to such terms in the Credit Agreement dated as of even date herewith, among Borrower, the Lender and certain other lender parties thereto, and Ford Motor Credit Company, a Delaware corporation, as Agent for all lender parties (the "Agreement").

Borrower promises to pay interest on the unpaid principal balance outstanding until such principal amount is paid in full, at the Applicable Interest Rate, and payable at such times as are specified in the Agreement.

Both principal and interest are payable in lawful money of the United States of America to the Agent under the Agreement, in same day funds. Each Advance owing to the Lender by the Borrower, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto, which is part of this Note; provided, however, that the failure of the Lender to make any such recordation or endorsement will not affect the Obligations of the Borrower under this Note.

This Note is one of the Notes referred to in, and is entitled to the benefits of, the Agreement. The Agreement, among other things, (i) provides for the making of Advances by the Lender to or for the benefit of the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. collar amount first above mentioned, the indebtedness of the Borrower resulting from each such Advance being evidenced by this Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof

upon the terms and conditions therein specified. The Obligations of Borrower under this Note and the Loan Documents, and the obligations of the Dealership Guarantors and any other parties to the loan are secured by the Collateral as provided in the Loan Documents.

In no circumstance may the aggregate principal amount of all Advances (as defined in the Agreement) outstanding under the Notes (as defined in the Agreement) exceed the aggregate amount of all Lender's Commitments (as more specifically set forth in the Agreement).

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[SIGNATURE PAGES TO FOLLOW]

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IN WITNESS WHEREOF, Borrower, intending to be legally bound hereby, has duly executed this Note under seal, the day and year first above written.

SONIC AUTOMOTIVE, INC.,

a Delaware corporation

By: /s/ Theodore M. Wright (SEAL)

Name: Theodore M. Wright
Title: Vice President

GUARANTY

GUARANTY (this "Guaranty") dated August 10, 2000 made by each of the entities listed on the signature pages hereto, jointly and severally, (each referred to individually herein as a "Guarantor," and collectively, the "Guarantors"), in favor of FORD MOTOR CREDIT COMPANY (the "Agent"), as agent for the lenders (the "Lenders") under the Credit Agreement defined below. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the Credit Agreement defined below.

PRELIMINARY STATEMENTS

WHEREAS, pursuant to the terms of a certain Credit Agreement dated August 10, 2000, the Lenders extended to Sonic Automotive, Inc., a Delaware corporation, and the entity which exercises control over the Guarantors ("Borrower"), a revolving credit facility in an amount not to exceed \$500,000,000.00 (as such agreement may be amended, restated, supplemented, refinanced, increased or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, the Credit Agreement is evidenced by the Notes as defined in the Credit Agreement (the "Notes"); and

WHEREAS, the Credit Agreement is evidenced by the Notes as defined in the Credit Agreement (the "Notes"); and

WHEREAS, it is a condition precedent to the making of loans under the Credit Agreement, that each Guarantor executes and delivers this Guaranty;

NOW, THEREFORE, in consideration of the premises and in order to induce each Lender to make Advances under the Credit Agreement, each Guarantor hereby agrees as follows:

Section 1. Guaranty. (a) Each Guarantor hereby unconditionally and irrevocably guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of the Borrower now or hereafter existing under the Credit Agreement and the Note, whether for principal, interest, fees, expenses or otherwise (such obligations being the "Guaranteed Obligations"), and agrees to pay any and all expenses (including reasonable counsel fees and expenses) incurred by the Agent or the Lenders in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by Borrower to any Lender but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving Borrower.

Section 2. Guaranty Absolute. Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Credit Agreement, regardless of any law,

regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent or the Lenders with respect thereto. The obligations of Guarantor under this Guaranty are independent of the Guaranteed Obligations or any other obligations of any other party under the Credit Agreement, and a separate action or actions may be brought and prosecuted against Guarantor to enforce this Guaranty, irrespective of whether any action is brought against Borrower or any other party or whether Borrower or any other party is joined in any such action or actions. The liability of Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and Guarantor hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of the Credit Agreement or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from the Credit Agreement, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to Borrower or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of collateral, or proceeds

thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any collateral for all or any of the Guaranteed Obligations under the Credit Agreement or any other assets of Borrower; or

(e) any change, restructuring or termination of the corporate structure or existence of Borrower.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Agent or any Lender or any other person upon the insolvency, bankruptcy or reorganization of Borrower or otherwise, all as though such payment had not been made.

Section 3. Waivers and Acknowledgments. (a) Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that Agent or any Lender protect, secure, perfect or insure any lien or any property subject thereto or exhaust any right or take any action against Borrower or any other person or any collateral.

(b) Guarantor hereby waives any right to revoke this Guaranty, and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Credit Agreement and that the waivers set forth in this Section 3 are knowingly made in contemplation of such benefits.

Section 4. Subrogation. Guarantor will not exercise any rights that it may now or hereafter acquire against the Borrower that arise from the existence, payment, performance or enforcement of the Guarantor's Obligations under this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or any Lender against Borrower or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from Borrower directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash in accordance with the terms of the Credit Agreement. If any amount shall be paid to Guarantor in violation of the preceding sentence at any time prior to the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty, such amount shall be held in trust for the benefit of the Agent and each Lender and shall forthwith be paid to Agent to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Credit Agreement, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising. If (i) Guarantor shall make payment to the Agent or any Lender of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall be paid in full in cash and (iii) the Credit Agreement shall have terminated in accordance with its own terms, Agent and the Lenders will, at the Guarantors' request and expense, execute and deliver to the Guarantors appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Guaranteed Obligations resulting from such payment by the Guarantor.

Section 5. Representations and Warranties. Guarantor hereby represents and warrants as follows:

(a) Guarantor (i) is a duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) is duly qualified and in good standing in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed would not have a material adverse effect on the business or properties, taken as a whole, or the condition, financial or otherwise, of Guarantor (a "Material Adverse Effect"), and (iii) has all requisite power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

(b) The execution, delivery and performance by Guarantor of this Guaranty are within Guarantor's powers, have been duly authorized by all necessary corporate action, and do not (i) contravene Guarantor's charter or bylaws or similar organizational documents, (ii) violate any law (including, without limitation, the Securities Exchange Act of 1934 and the Racketeer Influenced and Corrupt Organizations Chapter of the

Organized Crime Control Act of 1970), rule, regulation (including,

without limitation, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award, (iii) conflict with or result in the breach of, or constitute a default under, any loan agreement, contract, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting Guarantor, any of its subsidiaries or any of its or their properties, the effect of which conflict, breach or default is reasonably likely to have a Material Adverse Effect, or (iv) except for the liens created under the Credit Agreement, result in or require the creation or imposition of any lien upon or with respect to any of the properties of any such Guarantor or any of its subsidiaries. Guarantor is not in violation of any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, or in breach of any such contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument, the violation or breach of which would be reasonably likely to have a Material Adverse Effect.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the due execution, delivery, recordation, filing or performance by Guarantor of this Guaranty, and (ii) the exercise by either Lender of its rights under this Guaranty.

(d) This Guaranty has been duly executed and delivered by Guarantor. This Guaranty is the legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or limiting creditors' rights or by equitable principles generally.

(e) There are no conditions precedent to the effectiveness of this Guaranty that have not been satisfied or waived.

(f) Guarantor has, independently and without reliance upon the Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty.

Section 6. Amendments, Etc. Except as otherwise provided in Section 7.1 (b) of the Credit Agreement, no amendment or waiver of any provision of this Guaranty and no consent to any departure by Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Required Lenders (as defined in the Credit Agreement), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 7. Notices, Etc. All notice and other communications provided for hereunder shall be in writing (including telegraphic, teletype or telex communication) and mailed, telegraphed, telecopied, telexed or delivered by overnight courier of nationally recognized standing to it, if to any Guarantor, addressed to 5401 East Independence Boulevard, P.O. Box 18747, Charlotte, North Carolina 28218, if to the Agent, at its address specified in the Credit Agreement, or as to any party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section 7. All such notices and other communications shall, when mailed, telecopied, telegraphed, telexed or

sent by courier, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier, confirmed by telex answerback or delivered to the overnight courier, respectively, addressed as aforesaid.

Section 8. No Waiver, Remedies. No failure on the part of either Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 9. Indemnification. Without limitation on any other Guaranteed Obligations of Guarantor or remedies of Agent or the Lenders under this Guaranty, Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless the Agent and each Lender from and against, and shall pay on demand, any and all losses, liabilities, damages, costs, expenses and charges (including the reasonable fees and disbursement of the Agent's or any Lender's in-house and external legal counsel) suffered or incurred by the Agent or a Lender as a result of any failure of any Guaranteed Obligations to be the legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their terms.

Notwithstanding anything else in this Guaranty to the contrary, no party shall have any obligation to reimburse any person for attorneys' fees and expenses unless such fees and expenses are (i) reasonable in amount, (ii) determined without reference to any statutory presumption and (iii) calculated using the actual time expended and the standard hourly rate for the attorneys

and paralegals performing the tasks in question and the actual out-of-pocket expenses incurred.

Section 10. Continuing Guaranty. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty and the date the Credit Agreement shall have terminated in accordance with its own terms, (b) be binding upon each Guarantor, its successors and assigns, and (c) inure to the benefit of and be enforceable by any Lender and its successors, transferees and assigns Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise subject, however to the provisions of Article VII of the Credit Agreement.

Section 11. Governing Law; Jurisdiction. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of North Carolina.

IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be duly executed under seal and delivered by its officer thereunto duly authorized as of the date first above written.

each of the entities listed on the remainder of this page and on the following three pages

By: /s/ Theodore M. Wright (SEAL)

Name: Theodore M. Wright
Title: Vice President

SONIC - MONTGOMERY FLM, INC.,
COBB PONTIAC-CADILLAC, INC.,
ROYAL MOTOR COMPANY, INC.,
CAPITAL CHEVROLET AND IMPORTS, INC.,
SONIC AUTOMOTIVE - 21699 U.S. HWY 19 N., INC.,
HMC FINANCE ALABAMA, INC.
SONIC AUTOMOTIVE OF GEORGIA, INC.,
SONIC AUTOMOTIVE 5260 PEACHTREE
INDUSTRIAL BLVD., LLC,
FRONTIER OLDSMOBILE-CADILLAC, INC.,
MARCUS DAVID CORPORATION,
SONIC AUTOMOTIVE - 9103 E.
INDEPENDENCE, NC, LLC,
SONIC CHRYSLER-PLYMOUTH-JEEP, LLC,
SONIC DODGE, LLC,
TOWN AND COUNTRY FORD, INCORPORATED,
SONIC AUTOMOTIVE-3700 WEST BROAD
STREET, COLUMBUS, INC.,
SONIC AUTOMOTIVE-1455 AUTOMALL DRIVE,
COLUMBUS, INC.,
SONIC AUTOMOTIVE-1495 AUTOMALL DRIVE,
COLUMBUS, INC.,
SONIC AUTOMOTIVE-4000 WEST BROAD
STREET, COLUMBUS, INC.,
SONIC AUTOMOTIVE-1500 AUTOMALL
DRIVE, COLUMBUS, INC.,
SONIC AUTOMOTIVE-1400 AUTOMALL DRIVE,
COLUMBUS, INC.,
FORT MILL CHRYSLER-PLYMOUTH-DODGE,
INC.,
SONIC AUTOMOTIVE 2752 LAURENS RD.,
GREENVILLE, INC.,
SONIC AUTOMOTIVE 2424 LAURENS RD.,
GREENVILLE, INC.,
TOWN AND COUNTRY CHRYSLER-PLYMOUTH-
JEEP OF ROCK HILL, INC.,

SONIC AUTOMOTIVE OF CHATTANOOGA, LLC,
SONIC AUTOMOTIVE OF NASHVILLE, LLC,
SONIC AUTOMOTIVE - 6025
INTERNATIONAL DRIVE, LLC,
TOWN AND COUNTRY CHRYSLER-PLYMOUTH-
JEEP, LLC,
TOWN AND COUNTRY DODGE OF
CHATTANOOGA, LLC,
TOWN AND COUNTRY JAGUAR, LLC,
TOWN AND COUNTRY FORD OF CLEVELAND,
LLC,
SONIC - 2185 CHAPMAN RD., CHATTANOOGA,
LLC,
SONIC OF TEXAS, INC.,
SONIC - WILLIAMS IMPORTS, INC.,

SONIC - WILLIAMS BUICK, INC.,
SONIC - WILLIAMS CADILLAC, INC.,
SONIC - WILLIAMS MOTORS, LLC,
SONIC - NEWSOME CHEVROLET WORLD, INC.,
SONIC - NEWSOME OF FLORENCE, INC.,
SONIC - CLASSIC DODGE, INC.,
SONIC - ROCKVILLE MOTORS, INC.,
SONIC - ROCKVILLE IMPORTS, INC.,
SONIC - MANHATTAN WALDORF, INC.,
SONIC - MANHATTAN FAIRFAX, INC.,
SONIC - NORTH CHARLESTON, INC.,
SONIC AUTOMOTIVE - 5585 PEACHTREE
INDUSTRIAL BLVD., LLC,
SONIC - NORTH CHARLESTON DODGE, INC.,
VILLAGE IMPORTED CARS, INC.,
FirstAmerica Automotive, Inc.,
FA Service Corporation,
FAA Auto Factory, Inc.,
FAA Beverly Hills, Inc.,
FAA Capitol N, Inc.,
FAA Concord H, Inc.,
FAA Concord N, Inc.,
FAA Concord T, Inc.,
FAA Dealer Services, Inc.,
FAA Dublin N, Inc.,
FAA Marin D, Inc.,
FAA Poway D, Inc.,
FAA Poway G, Inc.,
FAA San Bruno, Inc.,
FAA Serramonte H, Inc.,
FAA Serramonte L, Inc.,

FAA Serramonte, Inc.,
FAA Stevens Creek, Inc.,
FAA Woodland Hills VW, Inc.,
Smart Nissan, Inc.,
FAA Torrance CPJ, Inc.,
FAA Dublin VWD, Inc.,
Kramer Motors Incorporated,
FAA Santa Monica V, Inc.,
FAA Las Vegas H, Inc.,
Lucas Dealership Group, Inc.,
Windward, Inc.,
Autobahn, Inc.,
Don Lucas International, Inc.,
FAA Holding Corp.,
Franciscan Motors, Inc.,
Santa Clara IMPORTED CARS, Inc.,
Stevens Creek Cadillac, Inc.,
FAA MARIN F, INC.,
FAA POWAY H, INC.,
FAA POWAY T, INC.,
FAA MARIN LR, INC.,
SONIC-RIVERSIDE, INC.,
SONIC-GLOVER, INC., and
RIVERSIDE NISSAN, INC.,
SPEEDWAY CHEVROLET, INC.,
FORT MILL FORD, INC.,
FREEDOM FORD, INC.,
SONIC AUTOMOTIVE - CLEARWATER, INC.,
SONIC AUTOMOTIVE COLLISION CENTER OF
CLEARWATER, INC.,
SONIC AUTOMOTIVE - 1919 N. DIXIE HWY.,
NSB, INC.,
SONIC AUTOMOTIVE - 1307 N. DIXIE HWY.,
NSB, INC.,
SONIC AUTOMOTIVE- 1720 MASON AVE., DB,
INC.,
SONIC AUTOMOTIVE - 3741 S. NOVA RD.,
PO, INC.,
SONIC AUTOMOTIVE 241 RIDGEWOOD AVE.,
HH, INC.,
SONIC AUTOMOTIVE - 6008 N. DALE MABRY,
FL, INC.,
SONIC AUTOMOTIVE OF NEVADA, INC.,
SONIC AUTOMOTIVE OF TENNESSEE, INC.,
SONIC AUTOMOTIVE - BONDESEN, INC.,
SONIC - LLOYD PONTIAC - CADILLAC, INC.,

SONIC - LLOYD NISSAN, INC.,
SONIC - SUPERIOR OLDSMOBILE, LLC,
SONIC - SHOTTENKIRK, INC.,
SONIC - INTEGRITY DODGE LV, LLC,

SONIC - VOLVO LV, LLC,
SONIC - FM AUTOMOTIVE, LLC,
SONIC - FM, INC.,
SONIC - FM VW, INC.,
SONIC - FM NISSAN, INC.,
SONIC - FREELAND, INC., and
SONIC AUTOMOTIVE - 1720 MASON AVE., DB,
LLC
FREEDOM FORD, INC.
SONIC AUTOMOTIVE SERVICING COMPANY, LLC
SONIC AUTOMOTIVE F & I, LLC
SONIC - RIVERSIDE AUTO FACTORY, INC.
SOUTH CAROLINA AUTOMOTIBLE ENTERPRISES INCORPORATED
TRANSCAR LEASING, INC.
SONIC AUTOMOTIVE - 2490 SOUTH LEE
HIGHWAY, L.L.C.

SONIC AUTOMOTIVE OF TEXAS, L.P.,
SONIC AUTOMOTIVE-4701 I-10 EAST,
TX, L.P.,
SONIC AUTOMOTIVE - 3401 N. MAIN, TX, L.P.,
SONIC AUTOMOTIVE - 5221 I-10 EAST, TX, L.P.,
SONIC - SAM WHITE NISSAN, L.P.,
SONIC - LUTE RILEY, L.P.,
SONIC - READING, L.P., and
SONIC - CAMP FORD, L.P.,
SONIC - DALLAS AUTO FACTORY, L.P.

By: Sonic of Texas, Inc., a Texas corporation,
as General Partner

By: /s/ Theodore M. Wright (SEAL)

Name: Theodore M. Wright
Title: Vice President

SONIC PEACHTREE INDUSTRIAL BLVD., L.P., and
SONIC - GLOBAL IMPORTS, L.P.

By: Sonic Automotive of Georgia, Inc.,
a Georgia corporation, as General Partner

By: /s/ Theodore M. Wright (SEAL)

Name: Theodore M. Wright
Title: Vice President

SECURITY AGREEMENT

SECURITY AGREEMENT (the "Agreement") dated as of August 10, 2000 made by SONIC AUTOMOTIVE, INC., a Delaware company (the "Borrower"), to FORD MOTOR CREDIT COMPANY, a Delaware corporation, as agent (the "Agent") for the lenders (the "Lenders") under the Credit Agreement defined below. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the Credit Agreement defined below.

PRELIMINARY STATEMENTS:

WHEREAS, the Borrower and the Lenders have entered into a certain Credit Agreement of even date herewith (as amended, restated, supplemented, refinanced or otherwise modified from time to time, the "Credit Agreement"), pursuant to which the Lenders have agreed, subject to certain conditions precedent, to make loans and other financial accommodations to the Borrower from time to time (the "Credit Facilities");

WHEREAS, the Lenders have required, as a condition to entering into the Credit Agreement, that the Borrower execute and deliver this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and of any financial accommodations or extensions of credit (including, without limitation, any loan or advance by renewal, refinancing or extension of the agreements described hereinabove or otherwise) heretofore, now or hereafter made to or for the benefit of the Borrower pursuant to the Credit Agreement any other agreement, instrument or document executed pursuant to or in connection therewith, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Agent hereby agree, for the benefit of the Lenders, as follows:

SECTION 1. Grant of Security. The Borrower hereby assigns and pledges to Agent, for the benefit of the Lenders, and hereby grants to Agent, for the benefit of the Lenders, a security interest in, all of its respective right, title and interest in and to the following, whether now owned or hereafter acquired (the "Collateral"):

(a) all furniture, machinery, service vehicles, supplies and other equipment (the "Equipment");

(b) motor vehicles, tractors, trailers, service parts and accessories and other inventory ("Inventory");

(c) all accounts, contract rights, chattel paper, instruments, notes, letters of credit, documents, documents of title, investment property, deposit accounts, other bank accounts, general intangibles, tax refunds and other obligations of third persons of any kind, now or hereafter existing, whether arising out of or in connection with the sale or lease of goods, the rendering of services or otherwise, and all rights now or hereafter

existing in and to all security agreements, leases, and other contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, instruments, notes, letters of credit, documents, documents of title, investment property, deposit accounts, other bank accounts, general intangibles, tax refunds or obligations of third persons (any and all such accounts, contract rights, chattel paper, instruments, notes, letters of credit, documents, documents of title, investment property, deposit accounts, other bank accounts, general intangibles, tax refunds and obligations of third Persons being the "Receivables", and any and all such leases, security agreements and other contracts being the "Related Contracts");

(d) all of the Debtor's governmental approvals and authorizations to the maximum extent permitted by applicable law;

(e) all property and interests in property of the Debtor now or hereafter coming into the actual possession, custody or control of Lender in any way or for any purpose (whether for safekeeping, deposit, custody, pledge, transmission, collection or otherwise);

(f) leasehold interests in and fixtures located on any real property from which the Debtor conducts business;

(g) records and other books and records relating to the foregoing; and

(h) all accessions and additions to, substitutions for, and replacements, products and proceeds of any of the foregoing (including,

without limitation, proceeds which constitute property of the types described in clauses (a) through (g) of this Section 1 and, to the extent not otherwise included, all (i) payments under insurance (whether or not the Agent or the Lenders are the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral and (ii) cash.

SECTION 2. Security for Obligations. This Agreement secures the payment of (i) all obligations of the Borrower now or hereafter existing under the Credit Agreement and (ii) all obligations of the Borrower hereafter existing under this Agreement (all such obligations of the Borrower being the "Obligations"). Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts which constitute part of the Obligations and would be owed by Borrower to the Agent or any Lender under the Credit Facilities but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower.

SECTION 3. Borrower Remains Liable. Anything herein to the contrary notwithstanding, (a) the Borrower shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its respective duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Agent of any of the rights hereunder shall not release the Borrower from any of its respective duties or obligations under the contracts and agreements included in the Collateral, and (c) neither the Agent nor the Lenders shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall Agent or the Lenders be obligated to perform any of the obligations or duties of the Borrower

thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 4. Representations and Warranties. The Borrower represents and warrants as follows:

(a) All of its Equipment and Inventory is located at the places specified on Exhibit A hereto. The chief place of business and chief executive office of the Borrower and the office where the Borrower keeps its records concerning the Receivables, and the originals of all chattel paper that evidence Receivables, are located at its address specified in Section 16. None of the Receivables is evidenced by a promissory note or other instrument.

(b) The Borrower is the legal and beneficial owner of the Collateral free and clear of any lien, security interest, option or other charge or encumbrance except for (i) the security interest created by this Agreement, and (ii) any security interests consented to by the Required Lenders (as defined in the Credit Agreement) (collectively, the "Permitted Liens"). Except for financing statements with respect to Permitted Liens, no effective financing statement or other document similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Lender relating to this Agreement. The Borrower does not have a trade name.

(c) The Borrower has exclusive possession and control of its Equipment and Inventory.

(d) Subject to the Permitted Liens, this Agreement creates a valid and perfected first priority security interest in the Collateral, securing the payment of the Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken.

(e) No consent of any other person or entity and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required (i) for the grant by the Borrower of the security interest granted hereby or for the execution, delivery or performance of this Agreement by the Borrower, (ii) for the perfection or maintenance of the security interest created hereby (including the first priority nature of such security interest) or (iii) for the exercise by Agent (for the benefit of the Lenders) of its rights and remedies hereunder.

(f) There are no conditions precedent to the effectiveness of this Agreement that have not been satisfied or waived.

(g) The Borrower has, independently and without reliance upon any Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

SECTION 5. Further Assurances. (a) The Borrower agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Agent may reasonably request, in order to perfect and protect any security interest granted or purported to be granted

hereby or to enable the Agent (acting for the benefit of the Lenders) to exercise and

enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Borrower will upon such request: (i) mark conspicuously each chattel paper included in the Receivables and each Related Contract and, at the request of the Agent, each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Agent, indicating that such document, chattel paper, Related Contract or Collateral is subject to the security interest granted hereby; (ii) if any Receivable shall be evidenced by a promissory note or other instrument or chattel paper, deliver and pledge to the Agent (for the benefit of the Lenders) hereunder such note or instrument or chattel paper duly indorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Agent; and (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Agent may request, in order to perfect and preserve the security interest granted or purported to be granted hereby.

(b) The Borrower hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without its signature where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) The Borrower will furnish to the Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may reasonably request, all in reasonable detail.

SECTION 6. As to Equipment and Inventory. (a) The Borrower shall keep its Equipment and Inventory at the location referred to in Section 4(a) or, upon 30 days' prior written notice to the Agent, at such other places in jurisdictions where all action required by Section 5 shall have been taken with respect to its Equipment and Inventory.

(b) The Borrower shall cause the Equipment owned by it to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with any manufacturer's manual, and shall forthwith, or in the case of any loss or damage to any of the Equipment as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements, and other improvements in connection therewith which are necessary or desirable to such end. The Borrower shall promptly furnish to the Agent a statement respecting any material loss or damage to any of its Equipment or Inventory.

(c) The Borrower shall pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims against, its Equipment or Inventory.

SECTION 7. Insurance. The Borrower shall, at its own expense, maintain insurance with respect to its Equipment and Inventory in such amounts, against such risks, in such form and with such insurers, as shall be satisfactory to the Agent from time to time. Each policy for liability insurance shall provide for all losses to be paid on behalf of the Agent (for the benefit of the Lenders) and the Borrower as their respective interests may appear and each policy for property damage insurance shall provide for all losses to be paid directly to the Agent (for the benefit of the Lenders). Each such policy shall in addition (i) name the Borrower and

the Agent (for the benefit of the Lenders) as insured parties thereunder (without any representation or warranty by or obligation upon the Agent) as their interests may appear, (ii) contain the agreement by the insurer that any loss thereunder shall be payable to the Agent (for the benefit of the Lenders) notwithstanding any action, inaction or breach of representation or warranty by the Borrower, (iii) provide that there shall be no recourse against Agent or the Lenders for payment of premiums or other amounts with respect thereto and (iv) provide that at least ten days' prior written notice of cancellation or of lapse shall be given to the Agent by the insurer. The Borrower shall, if so requested by the Agent, deliver to the agent original or duplicate policies of such insurance and, as often as the Agent may reasonably request, a report of a reputable insurance broker with respect to such insurance. Further the Borrower shall, at the request of the Agent, duly execute and deliver instruments of assignment of such insurance policies to comply with the requirements of Section 5 and cause the insurers to acknowledge notice of such assignment.

(b) Upon the occurrence and during the continuance of an Event of Default, all insurance payments in respect of such Equipment or Inventory shall be paid to and applied by the Agent as specified in Section 13(b).

SECTION 8. As to Receivables. The Borrower shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Receivables, and the originals of all chattel paper

that evidence Receivables, if any, at the location therefor referred to in Section 4(a) or, upon 30 days' prior written notice to the Lender, at any other locations in a jurisdiction where all action required by Section 5 shall have been taken with respect to the Receivables. The Borrower will hold and preserve such records and chattel paper and will permit representatives of the Agent or a Lender at any time during normal business hours to inspect and make abstracts from such records and chattel paper. The Borrower shall not change its name, identity or corporate structure to such an extent that any financing statement filed in connection with this Agreement would become seriously misleading, unless the Borrower shall have given the Agent at least 30 days prior written notice thereof and prior to effecting any such change, taken such steps as the Agent may deem necessary or desirable to continue the perfecting and priority of the liens in favor of the Lender granted in connection herewith.

SECTION 9. Transfers and Other Liens. The Borrower shall not (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, or (ii) create or permit to exist any lien, security interest, option or other charge or encumbrance upon or with respect to any of the Collateral, except for the security interest under this Agreement.

SECTION 10. Lender Appointed Attorney-in-Fact. The Borrower hereby irrevocably appoints the Agent such Borrower's attorney-in-fact, with full authority in the place and stead of the Borrower and in the name of the Borrower, the Lenders or otherwise, from time to time in the Lender's discretion, to take any action and to execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) to obtain and adjust insurance required to be paid to the Agent pursuant to Section 7,

(b) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in connection with the Collateral,

(c) to receive, indorse, and collect any drafts or other instruments, documents and chattel paper, in connection therewith, and

(d) to file any claims or take any action or institute any proceedings which the Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Agent or the Lenders with respect to any of the Collateral.

SECTION 11. Agent May Perform. If the Borrower fails to perform any agreement contained herein, the Agent may itself perform, or cause performance of, such agreement, and the expenses of the Agent or the Lenders incurred in connection therewith shall be payable by the Borrower under Section 14(b).

SECTION 12. Agent's Duties. The powers conferred on the Agent hereunder are solely to protect its interest (in its capacity as agent on behalf of the Lenders) in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Agent accords its own property.

SECTION 13. Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code in effect in the State of North Carolina at that time (the "Code") (whether or not the Code applies to the affected Collateral), and also may (i) require the Borrower to, and the Borrower hereby agrees that it will at its expense and upon request of the Agent forthwith, assemble all or part of the Collateral as directed by the Agent and make it available to the Agent at a place to be designated by the Agent which is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Agent's or the Initial Lender's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Agent may deem commercially reasonable. The Borrower agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Borrower of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of Collateral regardless of notice of sale

having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Any cash held by the Lender as Collateral and all cash proceeds received by the Lender in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Lender, be held by the Lender as collateral for, and/or then or at any time thereafter be applied (after payment of any amounts payable to the Lender pursuant to Section 14) in whole or in part by the Lender against, all or any part of the Obligations in such order as the Lender shall elect. Any surplus of such cash or cash proceeds held by the Lender and remaining after payment in full in cash of all the Obligations shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive such surplus.

SECTION 14. Indemnity and Expenses. (a) The Borrower agrees to indemnify the Agent and the Lenders from and against any and all claims, losses and liabilities (including reasonable attorneys' fees) growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from the Lender's gross negligence or willful misconduct.

(b) The Borrower shall be liable to the Lender for the amount of any and all reasonable expenses, including the reasonable fees and expenses of its in-house and external counsel and of any experts and agents, which the Agent or the Lenders may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Agent or the Lenders hereunder or (iv) the failure by the Borrower to perform or observe any of the provisions hereof.

(c) Notwithstanding anything else in this Agreement to the contrary, no party shall have any obligation to reimburse any person for attorneys' fees and expenses unless such fees and expenses are (i) reasonable in amount, (ii) determined without reference to any statutory presumption and (iii) calculated using the actual time expended and the standard hourly rate for the attorneys and paralegals performing the tasks in question and the actual out-of-pocket expenses incurred.

SECTION 15. Amendments, Etc. except as otherwise provided in Section 7.1 (b) of the Credit Agreement, no amendment or waiver of any provision of this Agreement, and no consent to any departure by the Borrower herefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 16. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic, telex or cable communication) and mailed, telecopied, telegraphed, telexed, cabled or delivered, if to the Borrower, at its address at 6415 Idlewild Road, Suite 109, Charlotte, North Carolina 28212, if to the Agent, at its address specified in the Credit Agreement; or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications shall be effective, upon receipt, or in the case of (i) notice by mail, five days after being deposited in the United States mails, first class postage prepaid, (ii) notice by overnight courier, one business day after being deposited with a national overnight courier

service, (iii) notice by telex, when telexed against receipt of answer back or (iv) notice by facsimile copy, when transmitted against mechanical confirmation of successful transmission.

SECTION 17. Continuing Security Interest; Assignments under Credit Agreement. This Agreement shall create a continuing assignment of and security interest in the Collateral and shall (i) remain in full force and effect until the payment in full in cash of the Obligations and all other amounts payable under this Agreement (such date, the "Security Termination Date"), (ii) be binding upon the Borrower, and such Borrower's successors and assigns and (iii) inure to the benefit of, and be enforceable by, the Agent, the Lenders and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise subject, however to the provisions of Article VII of the Credit Agreement. On the Security Termination Date, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Borrower. Upon any such termination, the Agent will, at the Borrower's expense, execute and deliver to the Borrower such documents as it shall reasonably request to evidence such termination.

SECTION 18. Governing Law; Terms. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO CONFLICTS OF LAW PROVISIONS) AND DECISIONS OF THE STATE OF NORTH CAROLINA. Unless otherwise defined herein or in the Credit Agreement, terms used in Article 9 of the Code are used herein as therein defined.

SECTION 19. Waiver of Jury Trial. To the maximum extent of applicable law, each of the Borrower, the Agent and the Lenders waives any right to trial by jury in any dispute, whether sounding in contract, tort, or otherwise, between the Agent, the Lenders and the Borrower arising out of or related to the transactions contemplated by this Agreement or any other instrument, document or agreement executed or delivered in connection herewith. Either the Borrower, the Agent or the Lenders may file an original counterpart or a copy of this Agreement with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

SECTION 20. Consent to Jurisdiction; Counterclaims; Forum Non Conveniens. (a) Exclusive Jurisdiction. Except as provided in subsection (b) of this Section 20, the Lender and the Borrower agree that all disputes between them arising out of or related to the relationship established between them in connection with this Agreement, whether arising in contract, tort, equity, or otherwise, shall be resolved only by state or federal courts located in North Carolina, but the parties acknowledge that any appeals from those courts may have to be heard by a court located outside of North Carolina.

(b) Other Jurisdictions. Each of the Agent and the Lenders shall have the right to proceed against the Borrower or its real or personal property in a court in any location to enable the Agent or the Lenders to obtain personal jurisdiction over the Borrower, to realize on the Collateral or any other security for the Obligations or to enforce a judgment or other court order entered in favor of the Agent or the Lenders. The Borrower shall not assert any permissive counterclaims in any proceeding brought by the Agent or the Lenders under this Section 17(b).

(c) Venue; Forum Non Conveniens. Each of the Agent, Borrower and each Lender waives any objection that it may have (including, without limitation, any objection to the laying of venue or based on forum non conveniens) to the location of the court in which any proceeding is commenced in accordance with this Section 20.

21. Service of Process. The Borrower waives personal service of any process upon it and, as security for the Obligations, irrevocably appoints Theodore M. Wright as its registered agent for the purpose of accepting service of process issued by any court in connection with any dispute between the Borrower, the Agent and the Lender arising out of or related to the relationship established between them in connection with this Agreement or any other document to which the Borrower is a party.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the Borrower has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

SONIC AUTOMOTIVE, INC.

By: /s/ Theodore M. Wright

Name: Theodore M. Wright
Title: Vice President

Agreed and Accepted
this 10th day of August, 2000

FORD MOTOR CREDIT COMPANY,
a Delaware corporation, as Agent

By: /s/ W. J. Beck IV

Name: W. J. Beck, IV
Title: National Account Manager

SECURITY AGREEMENT

SECURITY AGREEMENT (this "Agreement") dated August 10, 2000 is made by each of the entities listed on the signature pages hereto, jointly and severally, (each referred to individually herein as a "Grantor," and collectively, the "Grantors"), in favor of FORD MOTOR CREDIT COMPANY (the "Agent"), as agent for the lenders (the "Lenders") under the Credit Agreement defined below. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to such terms in the Credit Agreement defined below.

PRELIMINARY STATEMENTS:

WHEREAS, Sonic Automotive, Inc. (the "Borrower") and the Lenders have entered into a certain Credit Agreement dated as of even date herewith, pursuant to which the Lenders agreed, subject to certain conditions precedent, to make loans and other financial accommodations to the Borrower from time to time in an amount not to exceed \$500,000,000.00 (as such agreement may be further amended, restated, supplemented, refinanced, increased or otherwise modified from time to time, the "Credit Agreement") and;

WHEREAS, the Credit Agreement is evidenced by the Notes as defined in the Credit Agreement (the "Notes"); and

WHEREAS, the Grantor has entered into a Guaranty of even date herewith (the "Guaranty"), pursuant to which each Grantor guaranties all of the obligations of the Borrower under the Credit Agreement to the Lenders; and

NOW, THEREFORE, for and in consideration of the foregoing and of any financial accommodations or extensions of credit (including, without limitation, any loan or advance by renewal, refinancing or extension of the agreements described hereinabove or otherwise) heretofore, now or hereafter made to or for the benefit of the Borrower pursuant to the Credit Agreement or, any other agreement, instrument or document executed pursuant to or in connection therewith, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby agrees with Agent, for the benefit of the Lenders, as follows:

SECTION 1. Grant of Security. Grantor hereby assigns and pledges to Agent, for the benefit of the Lenders, and hereby grants to Agent, for the benefit of the Lenders, a security interest in, all of its respective right, title and interest in and to the following, whether now owned or hereafter acquired (the "Collateral"):

(a) all furniture, machinery, service vehicles, supplies and other equipment (the "Equipment");

(b) motor vehicles, tractors, trailers, service parts and accessories and other inventory ("Inventory");

(c) all accounts, contract rights, chattel paper, instruments, notes, letters of credit, documents, documents of title, investment property, deposit accounts, other bank

accounts, general intangibles, tax refunds and other obligations of third persons of any kind, now or hereafter existing, whether arising out of or in connection with the sale or lease of goods, the rendering of services or otherwise, and all rights now or hereafter existing in and to all security agreements, leases, and other contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, instruments, notes, letters of credit, documents, documents of title, investment property, deposit accounts, other bank accounts, general intangibles, tax refunds or obligations of third persons (any and all such accounts, contract rights, chattel paper, instruments, notes, letters of credit, documents, documents of title, investment property, deposit accounts, other bank accounts, general intangibles, tax refunds and obligations of third persons being the "Receivables", and any and all such leases, security agreements and other contracts being the "Related Contracts");

(d) all of the Grantor's governmental approvals and authorizations to the maximum extent permitted by applicable law;

(e) all property and interests in property of the Grantor now or hereafter coming into the actual possession, custody or control of Lender in any way or for any purpose (whether for safekeeping, deposit, custody, pledge, transmission, collection or otherwise);

(f) leasehold interests in and fixtures located on any real property;

(g) records and other books and records relating to the foregoing; and

(h) all accessions and additions to, substitutions for, and replacements, products and proceeds of any of the foregoing (including, without limitation, proceeds which constitute property of the types described in clauses (a) through (g) of this Section 1 and, to the extent not otherwise included, all (i) payments under insurance (whether or not the Lender is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral and (ii) cash.

SECTION 2. Security for Obligations. This Agreement secures the payment of (i) all obligations of the Borrower now or hereafter existing under the Credit Agreement and the Notes, (ii) all obligations of Grantor now or hereafter existing under the Guaranty, whether for principal, interest, fees, expenses or otherwise, and (iii) all obligations of Grantor hereafter existing under this Agreement (all such obligations of the Grantors and the Borrower being the "Obligations"). Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts which constitute part of the Obligations and would be owed by Grantor to Lender under the Credit Agreement but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving Grantor or the Borrower.

SECTION 3. Grantors Remain Liable. Anything herein to the contrary notwithstanding, (a) Grantor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its respective duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by Agent of any of the rights hereunder shall not release Grantor from any of its duties or

obligations under the contracts and agreements included in the Collateral, and (c) neither Agent nor the Lenders shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall Agent or the Lenders be obligated to perform any of the obligations or duties of Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 4. Representations and Warranties. Grantor represents and warrants as follows:

(a) All of its Equipment and Inventory is located at the places specified on Exhibit A hereto. The chief place of business and chief executive office of Grantor and the office where the Grantor keeps its records concerning the Receivables, and the originals of all chattel paper that evidence Receivables, are located at the address specified in Section 16. None of the Receivables is evidenced by a promissory note or other instrument.

(b) Grantor is the legal and beneficial owner of its respective Collateral free and clear of any lien, security interest, option or other charge or encumbrance except for (i) the security interest created by this Agreement, and (ii) any security interests consented to by the Required Lenders (as defined in the Credit Agreement) (collectively, the "Permitted Liens"). Other than financing statements with respect to Permitted Liens, no effective financing statement or other document similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Lender relating to this Agreement. Grantor's trade name is Volvo of Dallas.

(c) Grantor has exclusive possession and control of its Equipment and Inventory.

(d) Subject to the Permitted Liens, this Agreement creates a valid and perfected first priority security interest in the Collateral, securing the payment of the Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken.

(e) No consent of any other person or entity and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required (i) for the grant by the Grantor of the security interest granted hereby or for the execution, delivery or performance of this Agreement by the Grantor, (ii) for the perfection or maintenance of the security interest created hereby (including the first priority nature of such security interest) or (iii) for the exercise by Agent (for the benefit of the Lenders) of its rights and remedies hereunder.

(f) There are no conditions precedent to the effectiveness of this Agreement that have not been satisfied or waived.

(g) Grantor has, independently and without reliance upon either Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

SECTION 5. Further Assurances. (a) Grantor agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take

all further action, that may be necessary or desirable, or that Agent may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Agent (acting for the benefit of the Lenders) to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, Grantor will upon such request: (i) mark conspicuously each chattel paper included in the Receivables and each Related Contract and, at the request of Agent, each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to Agent, indicating that such document, chattel paper, Related Contract or Collateral is subject to the security interest granted hereby; (ii) if any Receivable shall be evidenced by a promissory note or other instrument or chattel paper, deliver and pledge to Agent (for the benefit of the Lenders) hereunder such note or instrument or chattel paper duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Agent; and (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Lender may request, in order to perfect and preserve the security interest granted or purported to be granted hereby.

(b) Grantor hereby authorizes Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without its signature where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) Grantor will furnish to Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Agent may reasonably request, all in reasonable detail.

SECTION 6. As to Equipment and Inventory. (a) Grantor shall keep its Equipment and Inventory at the location referred to Section 4(a) or, upon 30 days' prior written notice to Agent, at such other places in jurisdictions where all action required by Section 5 shall have been taken with respect to its Equipment and Inventory.

(b) Grantor shall cause the Equipment owned by it to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with any manufacturer's manual, and shall forthwith, or in the case of any loss or damage to any of the Equipment as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements, and other improvements in connection therewith which are necessary or desirable to such end. Grantor shall promptly furnish to Agent a statement respecting any material loss or damage to any of its Equipment or Inventory.

(c) Grantor shall pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims against, its Equipment or Inventory.

SECTION 7. Insurance. Grantor shall, at its own expense, maintain insurance with respect to its Equipment and Inventory in such amounts, against such risks, in such form and with such insurers, as shall be satisfactory to Agent from time to time. Each policy for liability insurance shall provide for all losses to be paid on behalf of Agent (for the benefit of the

Lenders) and the Grantor as their respective interests may appear and each policy for property damage insurance shall provide for all losses to be paid directly to Agent (for the benefit of the Lenders). Each such policy shall in addition (i) name the Grantor and Agent (for the benefit of the Lenders) as insured parties thereunder (without any representation or warranty by or obligation upon Agent) as their interests may appear, (ii) contain the agreement by the insurer that any loss thereunder shall be payable to Agent (for the benefit of the Lenders) notwithstanding any action, inaction or breach of representation or warranty by the Grantor, (iii) provide that there shall be no recourse against Agent or the Lenders for payment of premiums or other amounts with respect thereto and (iv) provide that at least ten days' prior written notice of cancellation or of lapse shall be given to Agent by the insurer. Grantor shall, if so requested by Agent, deliver to Agent original or duplicate policies of such insurance and, as often as Agent may reasonably request, a report of a reputable insurance broker with respect to such insurance. Further Grantor shall, at the request of Agent, duly execute and deliver instruments of assignment of such insurance policies to comply with the requirements of Section 5 and cause the insurers to acknowledge notice of such assignment.

(b) Upon the occurrence and during the continuance of an Event of Default, all insurance payments in respect of such Equipment or Inventory

shall be paid to and applied by Agent as specified in Section 13(b).

SECTION 8. As to Receivables. Grantor shall keep its chief place of business and chief executive office and the office where it keeps its records concerning the Receivables, and the originals of all chattel paper that evidence Receivables, if any, at the location therefor referred to in Section 4(a) or, upon 30 days' prior written notice to Agent, at any other locations in a jurisdiction where all action required by Section 5 shall have been taken with respect to the Receivables. Grantor will hold and preserve such records and chattel paper and will permit representatives of Agent or any Lender at any time during normal business hours to inspect and make abstracts from such records and chattel paper. Grantor shall not change its name, identity or corporate structure to such an extent that any financing statement filed in connection with this Agreement would become seriously misleading, unless the Borrower shall have given Agent at least 30 days prior written notice thereof and prior to effecting any such change, taken such steps as Agent may deem necessary or desirable to continue the perfecting and priority of the liens in favor of Agent (for the benefit of the Lenders) granted in connection herewith.

SECTION 9. Transfers and Other Liens. Grantor may not (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, or (ii) create or permit to exist any lien, security interest, option or other charge or encumbrance upon or with respect to any of the Collateral, except for the security interest under this Agreement.

SECTION 10. Agent Appointed Attorney-in-Fact. Grantor hereby irrevocably appoints Agent Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor, the Lenders or otherwise, from time to time in Agent's discretion, to take any action and to execute any instrument which Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) to obtain and adjust insurance required to be paid to Agent pursuant to Section 7,

(b) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in connection with the Collateral,

(c) to receive, indorse, and collect any drafts or other instruments, documents and chattel paper, in connection therewith, and

(d) to file any claims or take any action or institute any proceedings which Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Agent or the Lenders with respect to any of the Collateral.

SECTION 11. Agent May Perform. If Grantor fails to perform any agreement contained herein, Agent may itself perform, or cause performance of, such agreement, and the expenses of Agent or the Lenders incurred in connection therewith shall be payable by the Grantors under Section 14(b).

SECTION 12. Agent's Duties. The powers conferred on Agent hereunder are solely to protect its interest (in its capacity as agent on behalf of the Lenders) in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Agent accords its own property.

SECTION 13. Remedies. If any Event of Default shall have occurred and be continuing:

(a) Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code in effect in the State of North Carolina at that time (the "Code") (whether or not the Code applies to the affected Collateral), and also may (i) require Grantor to, and Grantor hereby agrees that it will at its expense and upon request of Agent forthwith, assemble all or part of the Collateral as directed by the Agent and make it available to Agent at a place to be designated by Agent which is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of Agent's or Initial Lender's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as Agent may deem commercially reasonable. Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Grantor of the time and place of any public sale or the time after

which any private sale is to be made shall constitute reasonable notification. Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Any cash held by Agent as Collateral and all cash proceeds received by Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of Agent, be held by Agent as collateral for, and/or then or at any time thereafter be applied (after payment of any amounts payable to Agent or the Lenders pursuant to Section 14) in whole or in part by Agent against, all or any part of the Obligations in such order as Agent shall elect. Any surplus of such cash or cash proceeds held by Agent and remaining after payment in full in cash of all the Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus.

SECTION 14. Indemnity and Expenses. (a) Grantor agrees to indemnify Agent and the Lenders from and against any and all claims, losses and liabilities (including reasonable attorneys' fees) growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from the Lender's gross negligence or willful misconduct.

(b) Grantor shall be liable to Agent and the Lenders for the amount of any and all reasonable expenses, including the reasonable fees and expenses of its in-house and external counsel and of any experts and agents, which Agent or the Lenders may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of Agent or the Lenders hereunder or (iv) the failure by Grantor to perform or observe any of the provisions hereof.

(c) Notwithstanding anything else in this Agreement to the contrary, no party shall have any obligation to reimburse any person for attorneys' fees and expenses unless such fees and expenses are (i) reasonable in amount, (ii) determined without reference to any statutory presumption and (iii) calculated using the actual time expended and the standard hourly rate for the attorneys and paralegals performing the tasks in question and the actual out-of-pocket expenses incurred.

SECTION 15. Amendments, Etc. Except as otherwise provided in Section 7.1 (b) of the Credit Agreement, no amendment or waiver of any provision of this Agreement, and no consent to any departure by Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 16. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic, telex or cable communication) and mailed, telecopied, telegraphed, telexed, cabled or delivered, if to the Grantor, at its address at 64215 Idlewild Road, Suite 109, Charlotte, North Carolina 28212, if to Agent, at its address specified in the Credit Agreement; or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications shall be effective, upon receipt, or in the case of (i) notice by mail, five days after being deposited in the United States mails, first class postage prepaid, (ii) notice by overnight courier, one business day after being deposited with a national overnight courier service, (iii) notice by telex, when telexed against receipt of answer back or (iv) notice by facsimile copy, when transmitted against mechanical confirmation of successful transmission.

SECTION 17. Continuing Security Interest; Assignments under Credit Agreement. This Agreement shall create a continuing assignment of and security interest in the Collateral and shall (i) remain in full force and effect until the payment in full in cash of the Obligations and all other amounts payable under this Agreement (such date, the "Security Termination Date"), (ii) be binding upon Grantor, and Grantor's successors and assigns and (iii) inure to the benefit of, and be enforceable by, Agent, The Lenders, and each of their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise subject, however to the provisions of Article VII of the Credit Agreement. On the Security Termination Date, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Grantor. Upon any such termination, Agent will, at the Grantors' expense, execute and deliver to Grantor such documents as it shall reasonably request to evidence such termination.

SECTION 18. Governing Law; Terms. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO CONFLICTS OF LAW PROVISIONS) AND DECISIONS OF THE STATE OF NORTH CAROLINA. Unless otherwise defined herein or in the Credit Agreement, terms used in Article 9 of the Code are used herein as therein defined.

SECTION 19. Waiver of Jury Trial. To the maximum extent of applicable law, Grantor, the Agent and each Lender waives any right to trial by jury in any dispute, whether sounding in contract, tort, or otherwise, between the Agent, the Lenders and Grantor arising out of or related to the transactions contemplated by this Agreement or any other instrument, document or agreement executed or delivered in connection herewith. Any of the Grantor, the Agent or the Lenders may file an original counterpart or a copy of this Agreement with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

SECTION 20. Consent to Jurisdiction; Counterclaims; Forum Non Conveniens. (a) Exclusive Jurisdiction. Except as provided in subsection (b) of this Section 20, the Agent, each Lender and the Grantor agree that all disputes between them arising out of or related to the relationship established between them in connection with this Agreement, whether arising in contract, tort, equity, or otherwise, shall be resolved only by state or federal courts located in North Carolina, but the parties acknowledge that any appeals from those courts may have to be heard by a court located outside of North Carolina.

(b) Other Jurisdictions. Each of Agent and the Lenders shall have the right to proceed against any Grantor or its real or personal property in a court in any location to enable Agent or the Lenders to obtain personal jurisdiction over the Grantor, to realize on the Collateral or any other security for the Obligations or to enforce a judgment or other court order entered in favor of Agent or the Lenders. No Grantor shall assert any permissive counterclaims in any proceeding brought by Agent or the Lenders under this Section 17(b).

(c) Venue; Forum Non Conveniens. Each of Agent, the Grantor and each Lender waives any objection that it may have (including, without limitation, any objection to the

laying of venue or based on forum non conveniens) to the location of the court in which any proceeding is commenced in accordance with this Section 20.

SECTION 21. Service of Process. Grantor waives personal service of any process upon it and, as security for the Obligations, irrevocably appoints Theodore M. Wright as its registered agent for the purpose of accepting service of process issued by any court in connection with any dispute between Grantor, the Agent and the Lenders arising out of or related to the relationship established between them in connection with this Agreement or any other document to which Grantor is a party.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Grantor has caused this Agreement to be duly executed under seal and delivered by its officer thereunto duly authorized as of the date first above written.

each of the entities listed on the remainder of this page and on the following three pages

By: /s/ Theodore M. Wright (SEAL)

Name: Theodore M. Wright
Title: Vice President

SONIC - MONTGOMERY FLM, INC.,
COBB PONTIAC-CADILLAC, INC.,
ROYAL MOTOR COMPANY, INC.,
CAPITAL CHEVROLET AND IMPORTS, INC.,
SONIC AUTOMOTIVE - 21699 U.S. HWY 19 N., INC.,
HMC FINANCE ALABAMA, INC.
SONIC AUTOMOTIVE OF GEORGIA, INC.,
SONIC AUTOMOTIVE 5260 PEACHTREE
INDUSTRIAL BLVD., LLC,
FRONTIER OLDSMOBILE-CADILLAC, INC.,
MARCUS DAVID CORPORATION,
SONIC AUTOMOTIVE - 9103 E.
INDEPENDENCE, NC, LLC,
SONIC CHRYSLER-PLYMOUTH-JEEP, LLC,
SONIC DODGE, LLC,
TOWN AND COUNTRY FORD, INCORPORATED,
SONIC AUTOMOTIVE-3700 WEST BROAD
STREET, COLUMBUS, INC.,

SONIC AUTOMOTIVE-1455 AUTOMALL DRIVE,
COLUMBUS, INC.,
SONIC AUTOMOTIVE-1495 AUTOMALL DRIVE,
COLUMBUS, INC.,
SONIC AUTOMOTIVE-4000 WEST BROAD
STREET, COLUMBUS, INC.,
SONIC AUTOMOTIVE-1500 AUTOMALL
DRIVE, COLUMBUS, INC.,
SONIC AUTOMOTIVE-1400 AUTOMALL DRIVE,
COLUMBUS, INC.,
FORT MILL CHRYSLER-PLYMOUTH-DODGE,
INC.,
SONIC AUTOMOTIVE 2752 LAURENS RD.,
GREENVILLE, INC.,
SONIC AUTOMOTIVE 2424 LAURENS RD.,
GREENVILLE, INC.,
TOWN AND COUNTRY CHRYSLER-PLYMOUTH-
JEEP OF ROCK HILL, INC.,

SONIC AUTOMOTIVE OF CHATTANOOGA, LLC,
SONIC AUTOMOTIVE OF NASHVILLE, LLC,
SONIC AUTOMOTIVE - 6025
INTERNATIONAL DRIVE, LLC,
TOWN AND COUNTRY CHRYSLER-PLYMOUTH-
JEEP, LLC,
TOWN AND COUNTRY DODGE OF
CHATTANOOGA, LLC,
TOWN AND COUNTRY JAGUAR, LLC,
TOWN AND COUNTRY FORD OF CLEVELAND,
LLC,
SONIC - 2185 CHAPMAN RD., CHATTANOOGA,
LLC,
SONIC OF TEXAS, INC.,
SONIC - WILLIAMS IMPORTS, INC.,
SONIC - WILLIAMS BUICK, INC.,
SONIC - WILLIAMS CADILLAC, INC.,
SONIC - WILLIAMS MOTORS, LLC,
SONIC - NEWSOME CHEVROLET WORLD, INC.,
SONIC - NEWSOME OF FLORENCE, INC.,
SONIC - CLASSIC DODGE, INC.,
SONIC - ROCKVILLE MOTORS, INC.,
SONIC - ROCKVILLE IMPORTS, INC.,
SONIC - MANHATTAN WALDORF, INC.,
SONIC - MANHATTAN FAIRFAX, INC.,
SONIC - NORTH CHARLESTON, INC.,
SONIC AUTOMOTIVE - 5585 PEACHTREE
INDUSTRIAL BLVD., LLC,
SONIC - NORTH CHARLESTON DODGE, INC.,
VILLAGE IMPORTED CARS, INC.,
FIRSTAMERICA AUTOMOTIVE, INC.,
FA SERVICE CORPORATION,
FAA AUTO FACTORY, INC.,
FAA BEVERLY HILLS, INC.,
FAA CAPITOL N, INC.,
FAA CONCORD H, INC.,
FAA CONCORD N, INC.,
FAA CONCORD T, INC.,
FAA DEALER SERVICES, INC.,
FAA DUBLIN N, INC.,
FAA MARIN D, INC.,
FAA POWAY D, INC.,
FAA POWAY G, INC.,
FAA SAN BRUNO, INC.,
FAA SERRAMONTE H, INC.,
FAA SERRAMONTE L, INC.,

FAA SERRAMONTE, INC.,
FAA STEVENS CREEK, INC.,
FAA WOODLAND HILLS VW, INC.,
SMART NISSAN, INC.,
FAA TORRANCE CPJ, INC.,
FAA DUBLIN VWD, INC.,
KRAMER MOTORS INCORPORATED,
FAA SANTA MONICA V, INC.,
FAA LAS VEGAS H, INC.,
LUCAS DEALERSHIP GROUP, INC.,
WINDWARD, INC.,
AUTOBAHN, INC.,
DON LUCAS INTERNATIONAL, INC.,
FAA HOLDING CORP.,
FRANCISCAN MOTORS, INC.,
SANTA CLARA IMPORTED CARS, INC.,

STEVENS CREEK CADILLAC, INC.,
FAA MARIN F, INC.,
FAA POWAY H, INC.,
FAA POWAY T, INC.,
FAA MARIN LR, INC.,
SONIC-RIVERSIDE, INC.,
SONIC-GLOVER, INC., and
RIVERSIDE NISSAN, INC.,
SPEEDWAY CHEVROLET, INC.
FORT MILL FORD, INC.,
FREEDOM FORD, INC.,
SONIC AUTOMOTIVE - CLEARWATER, INC.,
SONIC AUTOMOTIVE COLLISION CENTER OF
CLEARWATER, INC.,
SONIC AUTOMOTIVE - 1919 N. DIXIE HWY.,
NSB, INC.,
SONIC AUTOMOTIVE - 1307 N. DIXIE HWY.,
NSB, INC.,
SONIC AUTOMOTIVE- 1720 MASON AVE., DB,
INC.,
SONIC AUTOMOTIVE - 3741 S. NOVA RD.,
PO, INC.,
SONIC AUTOMOTIVE 241 RIDGEWOOD AVE.,
HH, INC.,
SONIC AUTOMOTIVE - 6008 N. DALE MABRY,
FL, INC.,
SONIC AUTOMOTIVE OF NEVADA, INC.,
SONIC AUTOMOTIVE OF TENNESSEE, INC.,
SONIC AUTOMOTIVE - BONDESEN, INC.,
SONIC - LLOYD PONTIAC - CADILLAC, INC.,

SONIC - LLOYD NISSAN, INC.,
SONIC - SUPERIOR OLDSMOBILE, LLC,
SONIC - SHOTTENKIRK, INC.,
SONIC - INTEGRITY DODGE LV, LLC,
SONIC - VOLVO LV, LLC,
SONIC - FM AUTOMOTIVE, LLC,
SONIC - FM, INC.,
SONIC - FM VW, INC.,
SONIC - FM NISSAN, INC.,
SONIC - FREELAND, INC., and
SONIC AUTOMOTIVE - 1720 MASON AVE., DB,
LLC
FREEDOM FORD, INC.
SONIC AUTOMOTIVE SERVICING COMPANY, LLC
SONIC AUTOMOTIVE F & I, LLC
SONIC - RIVERSIDE AUTO FACTORY, INC.
SOUTH CAROLINA AUTOMOTIBLE
ENTERPRISES INCORPORATED
TRANSCAR LEASING, INC.
SONIC AUTOMOTIVE - 2490 SOUTH LEE
HIGHWAY, L.L.C.

SONIC AUTOMOTIVE OF TEXAS, L.P.,
SONIC AUTOMOTIVE-4701 I-10 EAST,
TX, L.P.,
SONIC AUTOMOTIVE - 3401 N. MAIN, TX, L.P.,
SONIC AUTOMOTIVE - 5221 I-10 EAST, TX, L.P.,
SONIC - SAM WHITE NISSAN, L.P.,
SONIC - LUTE RILEY, L.P.,
SONIC - READING, L.P., and
SONIC - CAMP FORD, L.P.,
SONIC - DALLAS AUTO FACTORY, L.P.

By: Sonic of Texas, Inc., a Texas corporation,
as General Partner

By: /s/ Theodore M. Wright (SEAL)

Name: Theodore M. Wright
Title: Vice President

SONIC PEACHTREE INDUSTRIAL BLVD., L.P., and
SONIC - GLOBAL IMPORTS, L.P.

By: Sonic Automotive of Georgia, Inc.,
a Georgia corporation, as General Partner

By: /s/ Theodore M. Wright (SEAL)

Name: Theodore M. Wright
Title: Vice President

Agreed and Accepted
this 10th day of August, 2000

FORD MOTOR CREDIT COMPANY,
a Delaware corporation, as Agent

By: /s/ W. J. Beck IV (SEAL)

Name: William J. Beck IV
Title: National Account Manager

MASTER CONSTRUCTION LOAN AGREEMENT

THIS MASTER CONSTRUCTION LOAN AGREEMENT (this "Agreement") is entered into as of June 23, 2000, by and between the entities signing this Agreement, more specifically identified on Schedule 1 attached hereto and made a part hereof (individually, a "Co-Borrower" and collectively, "Borrower"), whose address is 6415 Idlewild Road, Suite 109, Charlotte, North Carolina 28212, and FORD MOTOR CREDIT COMPANY, a Delaware corporation ("Lender"), whose address is 6302 Fairview Road, Suite 500, Charlotte, North Carolina 28210.

WHEREAS, each Co-Borrower is or will be the owner of various parcels of real estate (collectively, "Parcels", and individually, a "Parcel"), located in various cities and states, as more particularly described in Schedule A attached hereto and as such Schedule A is amended, from time to time; and

WHEREAS, Borrower desires to borrow up to \$50,000,000.00 (the "Loan") from Lender to finance 85% of the costs of acquisition of the Parcels and construction of automobile dealerships and related improvements (the "Improvements") on such Parcels; and

WHEREAS, each acquisition of a Parcel and the subsequent construction of an automobile dealership and related improvements thereon by a Co-Borrower shall be referred to as a "Construction Project", which shall be identified and more particularly described in one or more Supplements ("Supplement(s)") to be attached hereto; and

WHEREAS, Lender desires to make the Loan to Borrower to fund 85% of the aggregate cost of each Construction Project described in one or more Supplements, subject the terms and conditions specified in this Agreement, the applicable Supplement and in the Loan Documents; and

WHEREAS, upon completion of each Construction Project in a lien free manner and otherwise in compliance with this Agreement, the applicable Supplement(s), the other Loan Documents and all governmental requirements, but not later than the Construction Project Maturity Date (as defined herein), Borrower desires to convert the principal indebtedness incurred under this Loan in connection with each Construction Project to a permanent loan which will be amortized with monthly installments of principal and interest, all due and payable on the date ten years less one day from the date hereof (the "Permanent Loan"), and, provided there are no uncured events of default on the Construction Project Maturity Date, Lender desires to make the Permanent Loan to Borrower under the terms and conditions specified in the Permanent Loan Agreement dated as of even date herewith by and between Borrower and Lender; and

WHEREAS, as a condition of the Loan, Lender requires that the Loan be guaranteed by Sonic Automotive, Inc., and cross defaulted and cross collateralized with the Permanent Loan; and

NOW, THEREFORE, in consideration of the foregoing facts and the mutual covenants contained herein, Borrower and Lender hereby agree as follows:

1. Definitions. Any terms not otherwise specifically defined herein shall have the meaning assigned to such terms in the Loan Documents. As used herein, the following terms shall have the following meanings:

(a) Advance. Any advance of the proceeds of the Loan by Lender to Borrower or on behalf of Borrower pursuant to this Agreement to fund a Construction Project, the aggregate amount of which, in respect of any Construction Project, may not exceed 85% of the Budget for such Construction Project and which will be identified on the Supplement evidencing such Construction Project.

(b) Advance Termination Date. The date 42 months from the date hereof.

(d) Architect. The Architect for each Construction Project as identified on the Supplement evidencing such Construction Project.

(e) Budget. As to each Construction Project, the Costs of Construction and the Costs of Acquisition of Land, approved by Lender, as identified on the Supplement evidencing such Construction Project, as may be amended by Change Orders in accordance with section 11(b) hereof.

(f) Budgeted Interest. As to each Construction Project, the portion of the Costs of Construction established for interest identified on the Supplement evidencing such Construction Project, but not to exceed the amount actually disbursed during the construction of the Improvements for such Construction Project, for the payment of interest accrued on the Loan.

(g) Closing Date. The date for the closing of the Loan which shall be mutually satisfactory to Borrower and Lender but in no event later than July 7, 2000.

(h) Completion Date. As to each Construction Project, the date of completion of the Improvements, as evidenced by the issuance of a certificate of occupancy by the appropriate local authorities permitting occupancy of the Improvements.

(i) Construction Project Maturity Date. As to each Construction Project, the date being the earlier of (i) fifteen (15) months less one day from the date of the first Disbursement of the Advance for a Construction Project, (ii) three (3) months after the Completion Date, or (iii) the Loan Maturity Date.

(j) Consulting Engineer. The Consulting Engineer for each Construction Project, as identified on the Supplement evidencing such Construction Project.

(k) Costs of Acquisition. As to each Construction Project, the acquisition cost of the Parcel(s), as identified in the Supplement evidencing such Construction Project, not to exceed the lesser of (i) the purchase price for such Parcel(s), as approved by Lender or (ii) the value of such Parcel(s) as determined by a recent M.A.I appraisal for such Parcel(s), dated within twelve (12) months of the submission of such appraisal to Lender (the "M.A.I. Appraisal").

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(l) Costs of Construction. As to each Construction Project, certain costs incurred by Borrower to construct the Improvements on the applicable Parcel which will be funded by Lender in connection with the Loan, as follows: (i) labor and material for site preparation, demolition of existing structures, on-site improvements and required off-site improvements, (ii) any construction management fee paid to the Architect or General Contractor, (iii) architectural fees, engineering fees, surveys, fees of the Consulting Engineer and utility tap fees, (iv) the cost incurred by Borrower for soil tests of the Parcel, building permits, environmental testing and similar tests, and (v) Budgeted Interest. The following costs shall not be included in the Costs of Construction: feasibility studies, brokerage fees, appraisal fees, title insurance premiums, and attorneys fees, zoning costs, developer fees, trade fixtures, lifts, paint booths, parts bins, and other automotive related fixtures and equipment.

(m) Deeds of Trust. Collectively, any one or each, of the Deeds of Trust and Assignment of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing) and the Mortgages and Assignment of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing), executed in multiple counterparts dated as of even date herewith from any one or more Co-Borrower, as grantor, or mortgagor, as the case may be, to the trustees named therein, in trust for Lender, as beneficiary, or to Lender, as mortgagee, as the case may be, which will constitute a first priority lien on the Property, subject only to the Permitted Encumbrances in respect of such Property. The term "Deeds of Trust" shall also include deeds of trust and mortgages from any one or more Co-Borrower, as grantor or mortgagor, as the case may be, to the trustee named therein in trust for Lender, as beneficiary, or to Lender, as mortgagee, as the case may be, dated subsequent to the date hereof and hereafter granted in connection with the Loan.

(n) Disbursement. As to each Construction Project, any disbursement of the proceeds of an Advance for such Construction Project by Lender to the Co-Borrower owning such Construction Project or on behalf of such Co-Borrower to fund the Costs of Acquisition of Land and the Costs of Construction.

(o) General Contractor. The General Contractor for each Construction Project as identified on the Supplement evidencing such Construction Project.

(p) Guarantor. Sonic Automotive, Inc., a Delaware corporation, and its successors and assigns.

(q) Guaranty. The guaranty, or collectively the guaranties, of even date herewith executed by Guarantor guaranteeing the Obligations of Borrower under the Loan and the Loan Documents.

(r) Hazardous Materials. Any flammable explosives, radioactive materials, oil or petroleum or chemical liquids or solids, liquid or gaseous products or hazardous wastes, toxic substances and similar substances and materials, including all substances and materials defined as hazardous or toxic wastes, substances or materials under any applicable law.

(s) Liabilities: The principal of and interest on and all other amounts, payments, premiums, advances and other indebtedness of Borrower to Lender due under the Loan and the Permanent Loan and any and all of the

covenants, promises and other obligations of Borrower to Lender under the Loan

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Documents, including any amendments, modifications, renewals and extensions of any of the Loan Documents.

(t) Loan Documents: This Agreement together with all Supplements, the Note, the Deeds of Trust, the Guaranty and any and all promissory notes, loan agreements, guaranties, assignments of Borrower's rights to materials and under certain agreements relating to the Property, and other instruments from Borrower to Lender evidencing the Loan or Permanent Loan and creating or securing the Liabilities, including any amendments, modifications, renewals, increases and extensions thereof. Any one of the foregoing documents may be referred to herein as a "Loan Document".

(u) Loan Maturity Date. The date five (5) years less one day from the date hereof.

(v) Material Adverse Effect. A material adverse effect upon (i) the financial position or results or operation of any Co-Borrower or Guarantor, as applicable, (ii) the ability of any Co-Borrower or Guarantor to perform any of its obligations under the Loan Documents, or (iii) the value of any Property.

(w) Note. The Promissory Note, made by Borrower to the order of Lender, in the principal amount of \$50,000,000.00, together with all extensions, renewals, modifications and amendments thereof, secured, in part, by the Deeds of Trust.

(x) Permitted Encumbrances. The encumbrances described in respect of any Parcel, with particularity, in Schedule B of the Deed of Trust in respect of such Parcel.

(y) Plans. As to each Construction Project, the plans and specifications prepared by the Architect, and acceptable to Lender, identified on the Supplement evidencing such Construction Project, as amended by change orders from time to time.

(z) Project Costs. A statement delivered by Borrower to Lender for each Construction Project which sets forth in detail Borrower's good faith estimates as to all costs involved in the Construction Project, including, without limitation, the acquisition of the Parcel and construction of the Improvements and all other expenses associated with the Property, including, without limitation, a trade-by-trade breakdown.

(aa) Property. As to each Construction Project, the Parcel and the Improvements to be built thereon.

(bb) Related Party. Related Party shall include: (i) any spouse or immediate family member of O. Bruton Smith or B. Scott Smith or (ii) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or persons beneficially holding the outstanding equity interest of which consist of O. Bruton Smith or B. Scott Smith and/or such other persons referred to in the immediately preceding clause (i).

(cc) Restrictions. As to each Construction Project, all conditions, restrictions, reservations (whether or not of record), statutes, regulations and ordinances affecting the Property, including, without limitation, all pollution control, environmental protection, zoning and land use regulations, building codes and all restrictions and requirements imposed by cities where the Property is located and all other governmental entities with

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respect to the Property, the construction of the Improvements and the contemplated use of the Property.

(dd) Title Company. Chicago Title Insurance Company

(ee) Title Policy. As to each Construction Project, the ALTA lender's policy of title insurance issued by the Title Company, without standard exceptions and with endorsements listed in paragraph 4(d) herein.

2. The Loan. (a) Lender hereby agrees to make, and Borrower hereby agrees to accept, the Loan under the terms and conditions set forth in this Agreement and the Loan Documents. The proceeds of the Loan are to be used by Borrower to pay Costs of Construction and Costs of Acquisition and certain other expenses set forth in the Budget.

(b) The Loan shall be evidenced by the Note, and payment of the Loan will be secured by the Loan Documents. Reference is hereby made to the Note and the Loan Documents for particulars relating to the Loan, which

provisions are incorporated herein by this reference.

(c) Notwithstanding the date(s) shown on any of the Loan Documents, Borrower's and Lender's obligations under the Loan Documents, except for Borrower's payment obligations for all Disbursements under any Advance for a Construction Project, including any initial Disbursements under Section 5(a) hereof and any Disbursements described in Section 8(c) hereof, will not become effective until the date ("Effective Date") the Title Company issues its Title Policy, in form and substance acceptable to Lender, insuring the lien of the Deed(s) of Trust on the Property for such Construction Project.

(d) All payments of principal and interest on the Loan shall be made without the right of set-off and without deduction of any present and future taxes, levies, duties, imposts, deductions, charges or withholdings imposed by any existing or future law, rule, regulation, treaty, directive or requirement whether or not having the force of law, which amounts shall be paid by Borrower. Borrower will pay the amounts necessary such that the gross amount of the principal and interest received by Lender is not less than that required by this Agreement and the Loan Documents. All stamp and documentary taxes shall be paid by Borrower. If, notwithstanding the foregoing, Lender pays such taxes, Borrower will reimburse Lender for the amount paid, as additional interest, within five (5) days of Lender's demand for payment. Borrower will furnish Lender official tax receipts or other evidence of payment of all such amounts.

3. Representations and Warranties of Borrower. Each Co-Borrower hereby represents and warrants to Lender as follows, which representations will remain effective until payment in full of all amounts owing under the Loan:

(a) Organization; Existence. Each Co-Borrower is duly organized and validly existing under the laws of the state as shown on Schedule 1 and authorized and in good standing in every state in which it conducts business. Guarantor is a corporation, duly organized and validly existing under the laws of the State of Delaware and is qualified and in good standing in every state in which it conducts its business.

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(b) Authority. Each Co-Borrower has the power and authority to execute and deliver this Agreement, the Loan Documents and all other documents and instruments required hereunder to be executed by such Co-Borrower and to comply with the terms hereof and thereof. All of such documents have been duly authorized, executed and delivered by each Co-Borrower and constitute the legal, valid and binding obligations of each Co-Borrower, enforceable in accordance with their respective terms.

(c) Guaranty. Guarantor has the power to execute and deliver the Guaranty, and the Guaranty has been duly executed and delivered by Guarantor and constitutes the legal, valid and binding obligation of Guarantor, enforceable in accordance with its terms.

(d) Restrictions. Each Co-Borrower is familiar with the "Restrictions" in respect of the Property owned by it, and has obtained, or will be able to obtain, all permits, approvals, consents and other authorizations necessary under the Restrictions for such construction and use in respect of the Property owned by it. As of the date hereof, there is no violation or asserted violation of any Restrictions concerning the Property or the existing or contemplated use thereof. No Co-Borrower is aware of any action or proceeding pending or threatened before any court or governmental agency with respect to the validity of any such Restrictions or any such authorizations or permits in respect of the Property owned by it.

(e) Construction. As to each Construction Project, construction of the Improvements shall be in accordance with the Plans, and the construction of the Improvements pursuant to the Plans will comply with the Restrictions.

(f) Approval of Plans. The Plans, to the extent required by the Restrictions, shall have been approved by all applicable governmental authorities and private parties. The Plans, and all subsequent changes, shall be approved by, and as evidence thereof, initialed by Lender, Consulting Engineer, Borrower and Architect. All construction of the Improvements heretofore performed under any Construction Project, if any, has been performed within the perimeter of the Land in accordance with the Plans and Restrictions and there are no structural defects therein.

(g) Project Costs. Borrower has delivered to Lender the Project Costs for each Construction Project which sets forth in detail Borrower's good faith estimates as to all costs involved in the acquisition of the Land and construction of the Improvements and all other expenses associated with the Property, including, without limitation, a trade-by-trade breakdown.

(h) Financial Statements. All financial statements delivered to Lender concerning Borrower and Guarantor fairly and accurately present their

consolidated financial condition as of the date thereof or the period to which they relate, as the case may be, and have been prepared in accordance with generally accepted accounting principles, and there are no contingent liabilities not disclosed thereby which would materially adversely affect the consolidated financial condition of Borrower or Guarantor. Since the close of the period covered by the latest financial statement delivered to Lender with respect to Borrower and Guarantor, there have been no material adverse changes in any of their assets, liabilities or financial condition. No event has occurred, including, without limitation, any litigation or administrative proceedings, and no condition exists or, to the knowledge of Borrower, is threatened, which (i) might render Borrower unable to perform its obligations hereunder or under the Loan Documents or any other document contemplated herein

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or therein, or might adversely affect Borrower's ability to perform the contemplated construction of the Improvements for any Construction Project by the Completion Date, as defined herein, and in accordance with the Budget for such Construction Project, (ii) constitutes or, after notice or lapse of time or both, would constitute an Event of Default, or (iii) might materially adversely affect the validity or priority of the liens of the Deeds of Trust or the financial condition of Borrower or Guarantor.

(i) Contracts. Any contracts entered into by any Co-Borrower with respect to any Construction Project, including, without limitation, any agreements between any Co-Borrower and the General Contractor for such Construction Project (the "Construction Contract"), and any agreements between any Co-Borrower and the Architect for such Construction Project (the "Architect's Contract"), have been duly authorized, executed and delivered by such Co-Borrower and are in full force and effect with no defaults by such Co-Borrower thereunder and to such Co-Borrower's knowledge, there are no defaults by the General Contractor or Architect, as the case may be. Copies of all of such contracts have been delivered to Lender.

(j) No Violation. No Co-Borrower is in violation of any agreement or instrument to which it is a party or to which any of its property is subject or of any statute, rule, regulation, judgment, decree, order, franchise or permit applicable to such Co-Borrower. Neither the entry into nor the performance of this Agreement, the Loan Documents or any other instrument executed by any Co-Borrower pursuant hereto or thereto will result in any violation of, or be in conflict with, or result in the creation of, or any mortgage, deed of trust, lien or encumbrance (other than those contemplated in this Agreement) upon any of the properties or assets of such Co-Borrower pursuant to, or constitute a default under, any mortgage, deed of trust, indenture, contract, agreement, or instrument to which such Co-Borrower is a party or to which any of its property is subject or constitute a violation of any permit, judgment, decree, order, statute, rule or regulation applicable to such Co-Borrower, or of the articles of incorporation and by laws, or articles of organization and operation agreement, or partnership certificate and partnership agreement, or other applicable organizational documents, as the case may be, of such Co-Borrower.

(k) Utilities. All utility services necessary for the construction and operation of the Improvements on any Construction Project are either available within or at the boundaries of the Land or all necessary steps have been or will be taken by Borrower to assure the complete construction thereof, including, without limitation, all electrical and telephone facilities, water supply, gas, and storm and sanitary sewer facilities.

(l) Condemnation. No taking of the Property or any part thereof through eminent domain, conveyance in lieu thereof, condemnation or similar proceeding is pending or, to the knowledge of Borrower, threatened by any governmental agency.

(m) Actions. There is no action, proceeding or investigation pending or, to Borrower's knowledge, threatened (on any basis therefor) which questions, directly or indirectly, the validity of this Agreement, the Loan Documents or any other document pertaining to the Loan or any action taken or to be taken pursuant hereto or thereto, or which has a Material Adverse Effect on Borrower, Guarantor, the Property or the Improvements, or which could result in forfeiture of the Property or the Improvements.

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(n) Roads. All roads necessary for the full utilization of the Improvements for their intended purpose have been or will be completed for each Construction Project.

(o) Legality. Borrower is engaged in no illegal activities and the intended use of the proceeds of the Loan is for legally permitted uses.

(p) Brokers. Borrower has not dealt with any person, firm or corporation who is or may be entitled to any finder's fee, brokerage commission, loan commission or other sum in connection with the Loan. Borrower hereby agrees

to indemnify and defend Lender and hold Lender harmless against any and all loss, liability, cost or expense, including reasonable attorneys' fees, which Lender may suffer or sustain should such warranty or representation prove inaccurate in whole or in part.

(q) Statements. Neither this Agreement, the Loan Documents nor any document, certificate or statement furnished to Lender in connection with the Loan, Borrower, Guarantor or the Property, whether or not referred to herein, contains any material misrepresentation or omits to state a material fact in respect of the transactions contemplated hereby.

(r) No Commencement of Work. Except as specifically disclosed to Lender in writing, with respect to each Construction Project, prior to the recordation of the Deed of Trust for such Construction Project, no work of any kind (including the destruction or removal of any existing improvements, site work, clearing, draining or fencing) shall have commenced or shall have been performed on the Property, no equipment or materials of any kind shall have been delivered to or upon the Property for any purpose whatsoever, and no contract (or memorandum or affidavit thereof) for the supplying of labor, materials or services for the construction of the Improvements shall have been recorded in the mechanics' lien or other appropriate records of the county and state where the Property is located unless bonded or insured to the satisfaction of Lender.

(s) Hazardous Materials. Except as disclosed in any environmental audit report delivered to and approved by Lender, to Borrower's knowledge, no release (a "Release") of any Hazardous Materials has occurred on any Parcel, and Borrower has not received any notice from any governmental agency or from any tenant under a lease or from any other party with respect to any such Release. Except as disclosed in any environmental audit report delivered to and approved by Lender, the Property complies with any law, rule, regulation or order relating to industrial hygiene or environmental conditions, including soil and ground water conditions, and any law, rule, regulation or order relating to the use, generation, and storage of any Hazardous Materials on, under or about the Property. No Hazardous Materials are manufactured or disposed on the Property.

(t) Existing Leases and Contracts. There are no leases or subleases affecting the Property. There are no contracts or agreements affecting the use, operation or maintenance of the Property other than those expressly referred to in this Agreement or in Schedule B attached hereto.

(u) Non-Foreign Entity; Tax Identification Number. Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code"), provides that a transferee of a real property interest in the United States must withhold

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tax if the transferor is a foreign person. To inform Lender that the withholding of tax will not be required in the event of a disposition of the Property pursuant to the terms of this Agreement and the, Borrower hereby certifies that it is not a foreign person, foreign corporation, foreign partnership, foreign trust or foreign estate (as such terms are defined in the Code and the regulations promulgated thereunder) and that its principal place of business is at the address set forth for notices to Borrower in the. The tax identification number of each Co-Borrower is set forth on Schedule 1. It is agreed that Lender may disclose the contents of this certification to the Internal Revenue Service.

4. Conditions Precedent to Advances under the Loan. Lender's obligation to make any Advance of any portion of the Loan to any Co-Borrower to fund a Construction Project is conditioned upon each of the following conditions being satisfied prior to the Effective Date of each Construction Project:

(a) Application. Borrower provides Lender with written notice of Borrower's request for an Advance, in form and substance approved by Lender and attached as Schedule C hereto and made a part hereof.

(b) Outstanding Principal Balance. The outstanding principal balance of the Loan, including the requested Advance, does not exceed \$50,000,000.00 and the outstanding principal balance of the Permanent Loan plus the outstanding principal balance of the Loan, including the requested Advance, does not exceed \$100,000,000.00.

(c) Advance Termination. The Advance requested is made on or before the Advance Termination Date.

(d) Advance Limitation. The aggregate amount of each Advance in respect of a Construction Project shall not exceed 85% of the Budget for such Construction Project, which will include the Costs of Construction and Costs of Acquisition, as approved by Lender. Notwithstanding the foregoing, Lender may adjust the M.A.I. Appraisal for a Construction Project in its sole and absolute discretion to establish an adjusted appraised value for a Parcel(s) (the "Adjusted Appraised Value"). The Adjusted Appraised Value of a Parcel(s) may be used by Lender to calculate the loan to value ratio for the requested Advance, which Lender may, in its sole and absolute discretion, consider during the

approval process for such Advance.

(e) Loan Documents. Each Co-Borrower shall have executed and delivered to Lender this Agreement, the Note, and the respective Co-Borrower shall have executed and delivered the Deed of Trust in respect of the Parcel(s) which are the subject of the Advance, the Supplement(s), a financing statement or statements in form and substance satisfactory to Lender, an Agreement among Consulting Engineer, such Co-Borrower and Lender, and all other Loan Documents required by Lender. Guarantor shall have executed and delivered to Lender the Guaranty and the Security Agreement in form and substance satisfactory to Lender.

(f) Environmental Audit Report. Prior to any Advance in respect of a Construction Project, the Co-Borrower shall have delivered to Lender and Lender shall have approved a written report prepared by a consultant or other person acceptable to Lender relating to the presence of Hazardous Materials in, on or around such Property, and confirming that all Hazardous

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Materials described in such report have been mitigated in accordance with the requirements of any applicable government agency.

(g) Entity Documents. Borrower shall have delivered to Lender and Lender shall have approved:

(i) Articles of Incorporation/Organization; By-Laws/Operating Agreement. With respect to the first Advance hereunder, copies of each Co-Borrower's and Guarantor's articles of incorporation, articles of organization, partnership certificate or such similar documents, as the case may be, together with all amendments thereto, certified as of a recent date by the applicable Secretary of State (or equivalent authority) and certified copies of each Co-Borrower's and Guarantor's by-laws, operating agreement, partnership agreement or such similar document, as the case may be, together with all amendments thereto. With respect to any additional Advance in respect of a Construction Project and Property owned by a Co-Borrower, a bring-down certificate from the Co-Borrower owning such Property certifying (a) that there have been no changes or amendments to such Co-Borrower's articles of incorporation, articles of organization, partnership certificate or such similar documents, as the case may be, and (b) that there have been no changes or amendments to such Co-Borrower's by-laws, operating agreement, partnership agreement or such similar documents, as the case may be.

(ii) Authority. Copies of all necessary actions taken by Borrower and Guarantor to authorize the execution, delivery and performance by Borrower of this Agreement, the Note, the and all other Loan Documents and by Guarantor of the Guaranty.

(iii) Certificate of Good Standing. With respect to the first Advance hereunder, a Certificate of Good Standing on Guarantor issued by the Secretary of State of Delaware and the Secretary of State of North Carolina, and a Certificate of Good Standing on each Co-Borrower, issued by the Secretary of State for the state in which each such Co-Borrower was formed and for each state where the Property it owns is located. With respect to any additional Advance in respect of a Construction Project and Property owned by a Co-Borrower, a Certificate of Good Standing on the Co-Borrower owning such Property issued by the Secretary of State for the state in which such Co-Borrower was formed and for the state where the subject Property it owns is located.

(h) Recordation and Title Policy. Lender shall have received the title policy or title policies, insuring the lien of the Deed of Trust in the amount of the Loan or such other amount as Lender may require, without standard exceptions, and with the Endorsements (defined herein) (collectively, the "Title Policy") or a "Marked Commitment" in form and substance acceptable to Lender, issued by the Title Company which must have a liability in the amount of the Loan, if available, insuring, as of the effective date of such Title Policy, that fee title to the Land is vested in Borrower, and that the lien of the Deed of Trust are a valid first priority lien on the Property, subject only to the Permitted Encumbrances, and subject to an Aggregation Agreement ("Aggregation Agreement"), if available, between Lender and Title Company, in form and substance satisfactory to Lender, and containing the following Endorsements to the extent available in the applicable jurisdiction:

(A) Comprehensive Endorsement;

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(B) Endorsements for Interim Certification, or equivalent additional advance or date down endorsements;

(C) ALTA (or equivalent) Form 3.0 Zoning Endorsement;

- (D) Truth in Lending and Usury Endorsements;
- (E) Tie-in Endorsements;
- (F) Revolving Credit Endorsement;
- (G) Future Advance Endorsement;
- (H) Last Dollar Endorsement;
- (I) Aggregation Endorsement;
- (J) Tax Parcel Endorsement; and

(K) Such additional endorsements as may be reasonably required by Lender based upon its review of the Title Policy and Survey.

(i) UCC Filings. Lender shall have received and approved a search of the records of the applicable filing office, showing all financing statements and fixture filings.

(j) Compliance With Loan Documents. All of the representations and warranties of Borrower in Section 3 hereof shall be true and correct, and Borrower shall be in compliance with all applicable covenants set forth in Section 6 hereof, and Lender shall have received such documents and opinions as it may reasonably request regarding the substance thereof. All documents and materials required by Lender shall be satisfactory in form and substance to Lender.

(k) Insurance. Borrower shall have delivered to Lender, and Lender shall have approved, insurance binders, policies or certificates evidencing the obtaining and premium payment of all policies of insurance required by the Deeds of Trust, and as follows:

(i) During the term of the Loan, the Improvements shall be insured against physical damage under policies issued by companies satisfactory to Lender containing endorsements naming Lender as mortgagee and additional insured under a standard mortgagee clause acceptable to Lender and insuring the replacement cost of the Improvements. Such policies shall be in amounts not less than full replacement cost of the Improvements, full replacement cost being the cost of replacing the Improvements exclusive of the cost of excavation, foundations and footings below the lowest basement floor, less physical depreciation of the Improvements, and subject to a maximum deductible of \$5,000 per occurrence.

(ii) Borrower shall obtain liability coverage satisfactory to Lender, including public liability coverage for each Construction Project in minimum amounts of \$3,000,000.00.

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(iii) If the Property is located in a flood-prone area as designated by HUD, Borrower shall obtain and maintain flood insurance in an amount equal to the lesser of the principal amount of the Loan or the maximum limit of coverage available for the Property under the National Flood Insurance Program.

(iv) Each Co-Borrower shall obtain and maintain or cause to be obtained and maintained by the General Contractor Builder's Risk insurance, with extended coverage, during construction of the Improvements for each Construction Project naming Lender as loss payee under a standard mortgage clause acceptable to Lender, without contribution, insuring the Improvements against all casualties on a progressively insured basis for not less than 100% of the replacement costs of the Improvements. Each Co-Borrower shall require the General Contractor to maintain adequate contractor's liability insurance and worker's compensation insurance in the amounts required by law. Such endorsements shall include provisions for breach of warranty, and shall provide that Lender will be given 30 days' written notice prior to any cancellation or modification thereof.

(l) Financial Condition. There shall have occurred no material adverse change in the physical condition of any Property or the financial condition of Borrower or Guarantor. Lender shall have given final approval of the financial condition of Borrower and Guarantor.

(m) Building Permits. Lender and Consulting Engineer shall have received evidence of the issuance of a valid building permit for the construction of the Improvements on the respective Construction Project from the appropriate local and state authorities.

(n) Construction Information. Borrower shall have delivered to Lender, and Consulting Engineer, and they shall have approved in respect of the applicable Construction Project:

(i) Plans. Complete, certified copies of the Plans relating to the construction of the Improvements with evidence of appropriate governmental and private parties' approvals shown thereon.

(ii) Project Review. Initial Project Review by Consulting Engineer in form and substance acceptable to Lender within thirty (30) days of receipt of the Plans by Lender, covering sufficiency of Plans and specifications, compliance with applicable building codes, compliance with soils investigation, availability of utilities, and sufficiency of the Budget.

(iii) Budget. The certified Budget and all other cost and cash flow estimates relating to construction and operation of the Improvements, and all work in place, if any.

(iv) Construction Schedule. A certified preliminary construction schedule showing a trade-by-trade breakdown of the estimated periods of commencement and completion of the Improvements (as to each Construction Project, the "Construction Schedule").

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(v) Architect's Contract. A copy of the Architect's Contract and a Collateral Assignment of Architect's Contract and Plans and Specifications and Power of Attorney on Lender's approved form, executed by Borrower and the Architect.

(vi) Construction Contract. A copy of the Construction Contract, and a Collateral Assignment of Construction Contract and Power of Attorney on Lender's approved form, executed by Borrower and the General Contractor.

(vii) Engineer's Contract(s). A copy of all agreements, if any, with the civil, geotechnical, mechanical and structural engineers for the Improvements, and all information requested by Lender regarding the engineers, and, as requested by Lender, a Collateral Assignment of Engineer's Contract and Power of Attorney on Lender's approved form, executed by Borrower and its civil, geotechnical, mechanical and structural engineers.

(viii) Subcontract Form. If requested by Lender, a copy of the standard subcontract to be used by the General Contractor containing an assignment clause satisfactory to Lender or a Collateral Assignment of Subcontract and Power of Attorney in form and substance satisfactory to Lender from subcontractors acceptable to Lender.

(ix) Permits. A certificate from Borrower listing all leases, licenses, franchises, permits and agreements required for the construction, operation, use or occupancy of the Property (as to each Construction Project, the "Permits") and to which copies of grading, excavation, shoring, foundation, building and other construction related permits which have been issued to date are attached.

(x) Subcontractor List. A list of all subcontractors and materialmen scheduled to perform work or deliver materials, provided that the aggregate cost for all work or materials to be provided by any such subcontractor or materialman exceeds \$50,000.00 with respect to such Construction Project, in connection with construction of the Improvements, together with a copy of all preliminary lien notices already filed by any such subcontractors and materialmen.

(xi) Survey and Site Plan. An ALTA/ACSM (or equivalent) survey of the Property, prepared by a licensed surveyor or civil engineer satisfactory to Lender and the Title Company in accordance with requirements forth in the then-applicable ALTA/ACSM minimum Standard Requirements, including Items 1-4, 6-11 and 13-16 of Table A, and including, but not limited to, whether the Property is located in an area identified as a flood plain areas as defined by the U.S. Department of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973, satisfactory to Lender and to Title Company, and a site plan showing the proposed location of the Improvements to be constructed in accordance with the Plans and certified by the Architect to be true and correct based upon the Plans as approved by Lender.

(xii) Utilities. Evidence that all utility services required for the Property are or will be available to the Property and are or will be in adequate supply at the boundaries of the Land.

(xiii) Evidence of Compliance. Evidence of compliance with the Restrictions, including, without limitation, evidence that (1) the Land is a legal and separate lot under any applicable subdivision acts and for tax

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assessment purposes, and (2) Borrower has complied with all building and zoning Restrictions.

(ix) Soil Investigation. A copy of the soil investigation report of the Property.

(xv) Other. Any other information or material relating to the Property as reasonably requested by Lender.

(o) Borrower's Investment. Evidence of Borrower's investment of 15% of the Budget.

(p) Appraisal. Lender shall have received an MAI appraisal(s) of the Parcel(s) dated within twelve (12) months of the submission of such appraisal(s) to Lender.

(q) Environmental Impact Report. If requested, Borrower shall have delivered to Lender, and Lender shall have approved, a copy of any environmental impact report or negative declaration prepared in connection with the construction of the Improvements, together with such documents evidencing the findings of the applicable governmental agency and any other official actions taken in connection therewith as Lender shall reasonably request.

(r) No Material Adverse Change. There shall have occurred no material adverse change in the physical condition of the Property or the financial condition of Borrower or Guarantor since the last Advance approved hereunder, and no event shall have occurred which will give Lender reasonable cause to believe that the Borrower and Guarantor cannot carry out the terms of this Agreement and the Loan Documents.

(s) Legal Advance. The making of the Advance shall be legally permissible under the laws and regulations to which Lender is subject.

(t) Expenses. Borrower pays all of Lender's reasonable expenses related to such Advance including, but not limited to appraisal fees, escrow fees, recording fees and taxes, environmental reports, legal fees and expenses and title insurance premiums.

(u) Default. No Event of Default shall have occurred, which has not been waived by Lender, or no event or happening shall have occurred which, with the giving of notice and/or passage of time, would constitute an Event of Default and which has not been waived by Lender.

(v) Business Plan. Guarantor shall submit a dealership business plan for the proposed dealership facility reasonably acceptable to Lender.

(w) Site Visit. Lender has completed a site visit of the Parcel(s) and approved such Parcel(s) within thirty (30) days from the date Borrower has requested an Advance in respect of such Parcel(s).

(x) Conditions Solely for the Benefit of Lender. All conditions of Lender's obligation to make any Advances are solely for the benefit of Lender, its successors and assigns. No other person shall have

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standing to require satisfaction of any condition, and no other person shall be deemed a beneficiary of any condition or have any right to rely on any determination made by Lender, any and all of which may be freely waived in whole or in part by Lender in Lender's sole discretion.

(y) Other. Receipt and approval by Lender of any other information or material relating to the Construction Project and/or Property as reasonably requested by Lender.

(z) Final Approval. Borrower's request for an Advance to fund a Construction Project shall have been approved by the appropriate approval authority as established by Lender (the "Approval Authority"). Borrower acknowledges and agrees that, notwithstanding the satisfaction of each of the above referenced conditions, each and every request for an Advance to fund a Construction Project under the Loan must be submitted to the Approval Authority as though Borrower were requesting a new loan, and approval of such Advance for such Construction Project will be subject to the Approval Authority's criteria, as may be imposed on a case by case basis.

BORROWER ACKNOWLEDGES AND AGREES THAT BY VIRTUE OF THE FOREGOING CONDITIONS, BORROWER MAY NEVER RECEIVE ADVANCES UNDER THE LOAN EQUAL TO THE \$50,000,000.00 MAXIMUM LOAN AMOUNT.

5. Disbursements. Upon compliance by Borrower with all of the terms and conditions of this Agreement, and so long as no Event of Default, or event which with notice or lapse of time or both, would become an Event of Default, shall have occurred, Lender will make Disbursements of an Advance for a Construction Project from time to time as follows:

(a) Initial Disbursements. Lender shall make initial Disbursements for a Construction Project prior to the commencement of the construction of the Improvements only for fees for permits required to construct the Improvements, Costs of Acquisition of Land and other similar costs reasonably approved by Lender. Such initial Disbursements shall be made upon satisfaction of the conditions in respect of such Construction Project set forth in Section 4 and Section 6(k) through (p) hereof.

(b) Interim Construction Disbursements. Lender shall make Disbursements of an Advance for a Construction Project to fund the construction of the Improvements upon satisfaction of the conditions set forth in Section 4 and Section 6 hereof.

(c) Disbursements for Loan Interest. Unless paid by Borrower from other funds, Lender may disburse to itself to pay interest monthly as it accrues on the Note, the amount allocated for Loan interest in the Budget for each Construction Project approved by Lender as being available only for payment of that interest. Disbursements will be made on behalf of Borrower to Lender on the payment dates when interest is due and owing in accordance with the terms of the Note and will be made by a bookkeeping entry on Lender's records reflecting, as an additional disbursement on an Advance for a Construction Project, an amount equal to the accrued interest due on the relevant payment date. If Borrower shall pay the interest with other funds, Lender will, at Borrower's request, reimburse Borrower to the extent of the payment, but only to the extent available from funds allocated for Loan interest in the Budget.

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(d) Final Disbursement of Holdback. Lender shall make a final Disbursement of the Holdback for a Construction Project, as defined in Section 7 hereof, upon completion of construction of the Improvements and upon satisfaction of the conditions set forth in Section 4, Section 6 and Section 9 hereof.

6. Conditions for Each Disbursement. Prior to each and every Disbursement of an Advance for a Construction Project hereunder, other than the Initial Disbursement pursuant to Section 5(a), the following conditions shall have been satisfied as to each Construction Project:

(a) Application. Co-Borrower shall have given Lender, with a copy to Consulting Engineer, at least ten (10) business days prior written notice specifying the amount and date of the Disbursement applied for substantially in the form of an Application and Certificate for Payment (AIA Document G702) (the "Application"). The Application shall be completed, certified to be accurate by Co-Borrower and the General Contractor, and certified by the Architect as follows:

(i) sufficient work has been completed to warrant the draw being requested,

(ii) the work done is in accordance with the Plans and is being accomplished in a satisfactory manner,

(iii) the amounts indicated as being required to complete the Improvements are accurate,

(iv) the remaining undisbursed construction funds are adequate to complete construction of the Improvements, and

(v) the General Contractor (or subcontractor) is entitled to the amount requested.

The Application shall specifically identify the nature of each expense by reference to items in the Budget and, except as provided in Section 7(c) hereof, no Application will be approved unless the expenses are consistent with the Budget.

(b) Invoices. In addition to the copy of the Application referred to above, Co-Borrower shall have given Lender and Consulting Engineer copies of invoices for work actually performed or materials delivered and any further information or certificates required hereunder and such other information or certificates required hereunder and such other information as Lender or Consulting Engineer may from time to time require.

(c) Approval of Application. Lender shall have reviewed and approved the Application and accompanying invoices and documents and Consulting Engineer shall have sent a written report to Lender confirming its approval, indicating, without limitation, (i) that the requisition for funds represents the amount due for work actually completed and materials actually incorporated into the Property (less the Holdback, as defined herein), and (ii) that the work to be completed does not exceed the amount of the undisbursed portion of the Loan.

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(d) Inspection. Lender or Consulting Engineer shall have reviewed and approved the Plans and all Restrictions applicable to the Property, and shall have inspected the Improvements and reviewed the expenses incurred and determined that the work has been performed in a good and workmanlike manner in accordance with the Plans, that construction is progressing within the Construction Schedule, and that the expenses are reasonable and in accordance with the Budget.

(e) No Damage. No part of the Improvements shall have been materially injured or damaged by fire or other casualty unless Lender shall have received insurance proceeds sufficient in its judgment to effect the satisfactory restoration thereof and to permit completion prior to the applicable Construction Project Maturity Date.

(f) Lien Waivers. Lender shall have received appropriate unconditional or conditional (conditioned solely on payment) waivers of mechanics' and materialmen's lien rights (in form satisfactory to Lender and Title Company) executed by all contractors and other persons rendering services or delivering materials covered by the requests made in the Application, and for sub-contractors for which a previous disbursement has been made including, but not limited to, those parties who have filed a notice of furnishing or similar notice. If requested by Lender, Lender shall have received unconditional waivers for such services and materials for which a previous Disbursement has been made.

(g) Title Endorsement. If requested by Lender, Lender shall have received an endorsement to the Title Policy issued as of the date such Disbursement is made, extending coverage to the date of the Disbursement and increasing the Title Policy by the amount of the Disbursement.

(h) Bonds. If requested by Lender, Lender shall have received satisfactory evidence of bonding with respect to the obligations of the General Contractor and any subcontractors, and Lender shall have received a performance bond and a labor and material payment bond, both naming Lender as co-obligee, in a penal sum equal to the amount of the Construction Contract and/or subcontract and containing such other provisions as may be required by Lender. All bonds required hereby shall be issued by a surety company duly licensed and authorized to do business in the applicable state and otherwise acceptable to Lender. Lender shall have received evidence satisfactory to it that such bonds with respect to the Construction Contract and/or subcontract have been properly recorded in appropriate recording office. The bonding requirements set forth herein shall in no way affect or alter any of the other liabilities and responsibilities of Borrower, including, without limitation, the duty to provide a lien-free project.

(i) Compliance. Lender and Consulting Engineer shall have received evidence satisfactory to them of compliance with all Restrictions and evidence that the Improvements are being constructed in compliance with the Restrictions.

(j) Additional Invoices. Lender and Consulting Engineer shall have approved invoices which have been paid by Borrower which cover costs set forth in the Budget but which have not been included in the costs described in Section 6(b) above.

(k) No Material Adverse Change. There shall have occurred no material adverse change in the physical condition of the Property or the financial condition of Borrower, Guarantor or the General Contractor since the

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last Disbursement made in respect of such Construction Project, and no event shall have occurred which will give Lender reasonable cause to believe that the construction of the Improvements cannot be completed by the Construction Project Maturity Date, in accordance with the Plans and the terms of this Agreement and the Loan Documents.

(l) Compliance With Loan Documents. The representations and warranties of each Co-Borrower set forth in Section 3 hereof shall be true and correct in all respects, each Co-Borrower shall be in compliance with all applicable conditions set forth in Sections 4 and 5 hereof and all applicable covenants set forth in Section 6 hereof and, if requested by Lender, Borrower shall have delivered a certificate to such effect together with any corroborating materials as Lender shall reasonably request. No Event of Default, or event which with notice or lapse of time or both, would become an Event of Default, shall have occurred.

(m) Loan In Balance. After giving effect to such Disbursement, all fees and expenses then owing to Lender hereunder shall be paid, all interest accrued and then owing to Lender hereunder shall be paid, and the Budget for the Construction Project is otherwise "In Balance". The Construction Project is In Balance if the unfunded portion of the Advance approved for the Construction Project is greater or equal to the amount required to complete the construction of the Improvements for such Construction Project.

(n) No Liens or Stop Notices. No liens other than those previously approved by Lender shall have been filed against any portion of the Property and Lender shall not have received or been served with a verified claim, stop notice, bonded stop notice, or notice to withhold, which has not been released, withdrawn or for which Borrower has not furnished the bond satisfactory to Lender to indemnify Lender from all loss, cost or expense with respect to such lien, stop notice, bonded stop notice, or notice to withhold.

(o) Legal Disbursement. The making of the Disbursement shall be legally permissible under the laws and regulations to which Lender is subject.

(p) Footing Survey. Subsequent to the placement of all footings for the Improvements, and as a condition precedent to the next Interim Disbursement, Borrower shall have delivered and Lender shall have approved, an updated Survey, showing the placement of the footings and reflecting that the installation of the foundation is within the boundary of the Parcel and does not encroach upon any easements affecting the Parcel or violate any ordinance or restriction requiring setbacks.

7. Amount of Disbursement. (a) Holdback. As to each Construction Project, Lender shall advance to Borrower 90% of each amount requested to be advanced on account of hard construction costs of the Improvements and retain an amount (the "Holdback") equal to 10% of such costs. The Holdback shall be released to or for the account of Borrower upon satisfaction of the conditions set forth in Section 5 and Section 9 hereof in respect of the applicable Construction Project.

(b) Budget Restriction. Except as provided in Section 7(c) hereof, no Disbursements will be made under an Advance for a Construction Project to pay for any item, including interest, if the aggregate amount disbursed for such item exceeds the amount shown therefor on the Budget for such

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Construction Project, as the Budget may be amended from time to time as provided herein.

(c) Budget Reallocation. If, in Lender's sole discretion, Borrower will not fully utilize the amount budgeted for any particular line item in the Budget for a Construction Project, the excess may be reallocated to another line item or line items as Lender may approve in its sole discretion. In Lender's sole discretion, Lender may, upon the occurrence of an Event of Default, in addition to all other rights and remedies of Lender, reallocate any funds then remaining under the Budget item for "Overhead Payments" or "Contingency" to any other Budget line item.

(d) Depletion of Budgeted Interest. As to each Construction Project, the exhaustion of the amount budgeted for interest costs shall not impair the obligation of Borrower to pay interest on the Loan.

(e) Undisbursed Funds Insufficient to Complete Improvements. If Lender shall, in its sole discretion, determine that the amount of undisbursed proceeds of the Loan allocated to a Construction Project as set forth in the Budget is less than the amount required to complete and pay for the construction of the Improvements and other items contemplated by the Budget for such Construction Project, including, without limitation, an amount of interest Lender estimates shall accrue on the Loan for the Construction Project prior to the applicable Construction Project Maturity Date, then, in addition to all other rights and remedies of Lender, Lender may decline to make further disbursements of the Loan for such Construction Project until Borrower, upon demand by Lender, and within five (5) days of such demand, shall deposit with Lender an amount equal to the total deficiency. Any funds deposited with Lender hereunder shall be applied to the outstanding balance of the Advance made for the applicable Construction Project in accordance with the terms of the Note and shall be made available to be re-advanced in respect of the Construction Project in accordance with the terms hereof.

(f) Conditions Solely for the Benefit of Lender. All conditions of Lender's obligation to make any Disbursements of any Advance for a Construction Project are solely for the benefit of Lender, its successors and assigns. No other person shall have standing to require satisfaction of any condition, and no other person shall be deemed a beneficiary of any condition or have any right to rely on any determination made by Lender, any and all of which may be freely waived in whole or in part by Lender in Lender's sole discretion.

(g) Stored Materials. As to each Construction Project, Lender shall have the right to specifically approve or disapprove, in its reasonable judgment, all Disbursements for Stored Materials. For the purposes this Section, "Stored Materials" shall mean materials purchased or to be purchased by Co-Borrower or the General Contractor at the date of a request for Disbursement but not yet installed or incorporated into the Property. Without limiting Lender's approval rights as set forth above in this Section, Lender will not

approve Disbursements for Stored Materials until Co-Borrower supplies to Lender:

(i) evidence satisfactory to Lender that the Stored Materials are or shall be included in the coverage of the insurance policies required under the Deed of Trust;

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(ii) evidence satisfactory to Lender from the seller or fabricator of the Stored Materials certifying that, upon payment, ownership thereof will vest in Co-Borrower free of any liens or claims of third parties; and

(iii) evidence satisfactory to Lender that the Stored Materials are or shall be satisfactorily stored on the Property to protect against theft or damage, or if the Stored Materials are not stored or shall not be stored on the Property, evidence satisfactory to Lender that the Stored Materials are or shall be stored in a bonded warehouse or storage yard approved by Lender, and the warehouse or yard has been notified that Lender has a security interest in the subject Stored Materials, and Lender shall have or will have received from Co-Borrower the original warehouse receipt.

With Lender's prior written approval, Stored Materials may be stored in the yard or warehouse of the seller or fabricator, subject to satisfaction of conditions (i) and (ii) in this Section, and provided further that Lender receives satisfactory evidence that the Stored Materials are protected against theft and damage, have been suitably identified as belonging to Co-Borrower for use in the Property and that such seller or fabricator has been notified of the security interest of Lender therein.

8. Disbursement Methods. (a) Amount; Frequency. Except as to the Final Disbursement, Lender shall not be obligated to make Disbursements in amounts less than \$50,000.00 nor more frequently than once per month as to each Construction Project.

(b) Borrower's Account. Except as otherwise provided in this Agreement, or as mutually agreed upon between Lender and Borrower, Disbursements shall be made by wire transfer or check payable jointly to Borrower and the General Contractor.

(c) Disbursements to Lender. Lender may, without further notice or authorization by Borrower, make Disbursements to pay, as and when due, loan fees, interest, Consulting Engineer fees, reasonable legal fees and out-of-pocket expenses of legal counsel retained by Lender and other sums from time to time due from Borrower to Lender pursuant to this Agreement for any Construction Project. Lender shall promptly notify Borrower of each such Disbursement, but Lender's failure to do so shall not invalidate such Disbursement, affect Borrower's obligation to Lender or give rise to any right, claim or defense on the part of Borrower.

(d) Direct Disbursements to Contractors and Others. As to each Construction Project, Borrower hereby appoints Lender its true and lawful attorney in fact to make Disbursements directly, or jointly with Borrower, in Lender's sole discretion, to the following:

(i) The General Contractor and/or subcontractor or other party in payment of amounts due under construction contracts relating to the Improvements;

(ii) Any other creditor furnishing labor or materials in connection with the construction of the Improvements;

(iii) Any other person having a claim upon, or who is a creditor with respect to, the Improvements; and

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(iv) The Title Company, or other escrow agent.

This power of attorney is coupled with an interest and is irrevocable. No further authorization from Borrower is necessary to authorize Lender to make such Disbursements, and all such Disbursements shall satisfy Lender's obligations hereunder to the extent of such Disbursements, regardless of the disposition thereof by any of the contractors, subcontractors, materialmen or other parties.

9. Final Disbursement of Holdback. As to each Construction Project, prior to the final Disbursement of the Holdback hereunder, Lender shall have received each of the following:

(a) Notice of Completion. A Notice of Completion which shall have been recorded, confirmation that all applicable lien periods shall have expired and/or final unconditional lien waivers or releases have been received from all contractors and sub-contractors, and the Title Company shall have

issued an endorsement to the Title Policy.

(b) Certificate of Occupancy. A Certificate of Occupancy for the Improvements, or its equivalent, shall have been issued by the applicable state and/or local authorities.

(c) Certificates of Completion. A Certificate shall have been delivered to Lender by the Architect and the General Contractor certifying that the Improvements have been completed in accordance with the Plans and with all applicable Restrictions. A certificate shall also have been delivered to Lender by Borrower and Consulting Engineer certifying that the Improvements have been completed in accordance with the Plans and all Restrictions.

(d) Lien Release/Waiver Unless Borrower is vigorously contesting an encumbrance, lien or charge and has provided Lender with a bond or title endorsement, each of which must be acceptable to Lender, a final unconditional lien waiver or release complying with the requirements of applicable laws, and/or other evidence of payment, acceptable to Lender and Title Company, shall have been issued by Borrower, General Contractor and all subcontractors and materialmen.

(e) Updated Survey and Title Policy. A final as-built survey of the Land (or an update of the survey delivered pursuant to Section 4 above) prepared by a surveyor satisfactory to Lender in conformance with the then-applicable ALTA/ACSM Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys, including Items 1-4, 6-11 and 13-16 of Table A, certified to Lender and to the Title Company within 30 days prior to the final Disbursement by such surveyor, and satisfactory to Lender and to the Title Company reflecting the installation of the foundation and the location thereof and confirming that such foundation has been installed within the boundary lines of the Land and does not encroach upon any easements affecting the Land or violate any ordinance or restriction requiring setbacks, and Lender shall have received an unmodified comprehensive endorsement to the Title Policy.

(f) Affidavits. An Affidavit of General Contractor stating that all material and labor used in construction of the Improvements have been paid in full, that no mechanics' or materialmen's liens are to be filed, and containing a clause indemnifying Borrower against any loss if any claim or lien

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is filed. Also, an affidavit from Borrower stating that no additional work was contracted for which remains unpaid and containing a clause indemnifying Lender.

(g) Licenses and Permits. All other licenses and permits necessary to operate an automobile dealership, including, without limitation, evidence that Borrower or a related entity has obtained a franchise to operate an automobile dealership facility on the Property, and copies of all licenses and certificates issued by federal, state and/or local authorities, including, but not limited to, licenses and permits evidencing the inspection of, and certifying the compliance of, any underground storage tanks located on the Property, if any, with applicable federal, state and local laws.

(h) Costs. A certificate of Borrower specifically setting forth the nature and amount of all construction costs incurred in connection with the construction of the Improvements and such evidence (including invoices and affidavits) that such costs have been incurred as Lender may request.

10. Release Provisions. Lender will release the lien of the Deed of Trust on any Property provided the following conditions are satisfied:

(a) Prior to such release, Borrower provides Lender 30 days advance written notice of its request to have a certain Property released;

(b) If applicable, at Lender's request, Borrower shall provide supplemental information that addresses what effect the requested release might have on the remaining Property, the operations thereon, or any uses thereof (including public utilities, public access roads and the automobile dealerships);

(c) If applicable, at the time of such release, Borrower shall deliver to lender an endorsement to the Title Policy insuring Lender's first lien granted under the Deed of Trust, in form and substance satisfactory to Lender, assuring that Lender's first lien remains in full force and effect as to all Properties remaining subject to such Deed of Trust, subject only to the permitted encumbrances, and is in no way adversely affected by such release, and remains in the full Loan amount;

(d) Prior to such release, Borrower shall provide evidence acceptable and satisfactory to Lender demonstrating that the requested release will not violate any local, state or other governmental plat act or other governmental regulatory restriction, or any covenant, condition, restriction, limitation, zoning or other requirement applicable to any other portion of the

Property;

(e) No Event of Default on the part of Borrower or Guarantor shall have occurred and be continuing under the Loan;

(f) Borrower pays a release amount equal to the then outstanding balance of all Disbursements in respect of the applicable Construction Project, or the pro rata share of Disbursements if the Construction Project includes one or more Properties and all are not being released (the "Release Amount");

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(g) Borrower will pay Lender's reasonable out of pocket expenses incurred in connection with any such partial release, including but not limited to, escrow fees, legal fees and expenses, appraisal fees, recording fees and endorsements to Lender's Title Policy.

11. Covenants of Borrower and Guarantor. In addition to the covenants contained elsewhere in this Agreement and in the other Loan Documents, Borrower agrees as follows:

(a) Commencement and Completion of Construction. As to each Construction Project: (i) Borrower shall designate Lender as the "Construction Lender" on the application for any building permits for the construction of the Improvements in accordance with applicable laws and regulations; (ii) Construction of the Improvements will be performed in a good and workmanlike manner, with materials of high quality, and in accordance with the Plans, except for changes approved in writing (if required) by Lender in accordance with Section 11(b) hereof; (iii) All such work shall be commenced promptly and prosecuted with due diligence and will be completed in accordance with the Plans and the Improvements ready for occupancy no later than the Construction Project Maturity Date; (iv) At the request of Lender, Borrower shall, at Borrower's sole cost and expense, correct any defect in the Improvements or any departure from the Plans not theretofore approved in writing by Lender and Consulting Engineer if required under Section 11(b); (v) During the course of construction, Borrower will comply with the Restrictions and all permits and approvals issued thereunder applicable to the Improvements; (vi) When completed, the Improvements will comply with all the Restrictions, all permits and approvals issued thereunder and all requirements of any appropriate board of fire underwriters; (vii) Borrower shall require the Architect to make periodic inspections of construction of the Improvements; and (viii) Borrower hereby specifically relieves Lender of any and all liability or responsibility relating in any way whatsoever to the construction of the Improvements, including, but not limited to, the work thereon, the material or labor supplied in connection therewith, and any errors, inconsistencies or other defects in the Plans.

(b) Change Orders. As to each Construction Project: (1) no change will be made in the Plans as approved by Lender or in the work described in the Construction Contract without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed, if such change (i) would result in the expenditure or reduction of costs of more than \$20,000.00, or (ii) together with all prior changes, would result in an aggregate expenditure or reduction of costs of more than \$50,000.00, or (iii) would result in an extension of the time to complete construction under the Contract in excess of ninety (90) days or beyond the Construction Project Maturity Date, or (iv) would materially and adversely affect the Improvements or Lender's security for the Loan; (2) Borrower shall submit to Lender and Consulting Engineer copies of all change orders and construction change directives (whether or not subject to Lender's consent under this Section) together with (A) evidence satisfactory to Lender and Consulting Engineer that all required approvals of any governmental agencies have been obtained, and (B) confirmation of the amount of change in the Budget resulting therefrom; (3) Lender shall not consider approving any changes unless all other approvals that are required from other parties or pursuant to the Restrictions have been obtained; and (4) Lender and Consulting Engineer may approve or disapprove changes in their sole discretion, which approval shall not be unreasonably withheld or delayed.

(c) Reports. As to each Construction Project: (i) Borrower shall promptly furnish, or cause to be promptly furnished, to Lender copies of all reports prepared by or at the request of Borrower in connection with the construction of the Improvements; and (ii) Borrower shall also furnish such

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additional data and information relating to the affairs, assets and liabilities of Borrower or construction of the Improvements as Lender may from time to time reasonably request.

(d) Financial Statements. Borrower shall cause to be furnished to Lender:

(i) At Lender's request, within 45 days after the end of each fiscal quarter, or at such other frequency as Lender may request from

time to time, the consolidated balance sheet of Borrower and Guarantor, prepared as of the end of such fiscal quarter, and its statement of profit and loss for such fiscal quarter, in such detail as Lender may reasonably request from time to time, each certified by Guarantor (or by an employee or representative acceptable to Lender) as having been prepared in accordance with accounting principles consistent with those reflected in the audited consolidated financial statements of Borrower and Guarantor and as to the truth, accuracy and completeness of the information contained therein;

(ii) At Lender's request, within 120 days after the end of each of Borrower's and Guarantor's fiscal years, or at such other frequency as Lender may request from time to time, a complete executed copy of a report of an examination of their consolidated financial statements made by independent, certified public accountants selected by Guarantor and acceptable to Lender, such report to include a consolidated balance sheet and a (consolidated) statement of profit and loss for such year in such detail as Lender may reasonably request from time to time and an unqualified opinion to the effect that such balance sheet and statement of profit and loss fairly present the consolidated financial condition of Borrower and the results of its operations in conformance with generally accepted accounting principles applied on a consistent basis, except as may be described in such opinion; and

(iii) Such other financial or other statements respecting the condition, operation and affairs of Borrower, Guarantor and their property as Lender may from time to time reasonably request.

(e) Changes to Budget or Construction Schedule. Subject to Sections 7(c) and 11(b), as to each Construction Project: (1) if from time to time there is any change in (i) the nature and type of expenses and amount thereof as are presently estimated in the Budget, or (ii) the Construction Schedule, Borrower shall submit to Lender a revised Budget setting forth its good faith estimate of such expenses and the source of payment therefor or a revised Construction Schedule, as appropriate; and (2) such revised Budget or Construction Schedule must be approved by Lender, in its sole discretion, prior to the revised Budget or Construction Schedule replacing the then current Budget or Construction Schedule.

(f) Inspection; Books and Records. Borrower and Guarantor shall keep, at its principal place of business or at the Property, the records, books of accounting and all other documents, reports and papers relating to the construction and operation of the Improvements. Lender shall be entitled, at any reasonable time, to inspect the Property (including, without limitation, inspections to determine the existence of Hazardous Materials thereon and the compliance of the Property and its use with any law, rule or regulation relating to industrial hygiene or environmental conditions, including soil and ground water conditions and the compliance of the Borrower and the Property with the conditions and covenants set forth herein and the Loan Documents with respect to Hazardous Materials), all records relating to the Property, and the books and other financial records of Borrower and Borrower shall cooperate with Lender in

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enabling Lender to accomplish such inspection and permit Lender to make such copies as Lender may request. This authority is for Lender's protection only and Lender shall not be deemed to have assumed any responsibility to Borrower or any third party as a result of any such action.

(g) Compliance with Restrictions, Laws and Contracts. The Property shall be maintained in compliance with all applicable Restrictions. No Co-Borrower shall violate any law of any nature that could result in the forfeiture of all or any portion of its Property. Each Co-Borrower shall comply with the terms of its Construction Contract, the Architect's Contract and all other contracts entered into by such Co-Borrower relating to its Property and the construction of the Improvements (as to each Construction Project, collectively, "Contracts") for each Construction Project. Subject to Sections 7(c) and 11(b), no Co-Borrower will amend any of the Contracts without the prior written consent of Lender and will not terminate any of the Contracts or accept a surrender thereof or waive, excuse, condone or in any manner release or discharge any party to any of the Contracts from the obligations and agreements of such party to be performed thereunder without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed.

(h) Title Exceptions. No Co-Borrower impose any restrictive covenants, easements, rights of way or encumbrances upon its Property without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed.

(i) Injunction Defense and Notice. If any proceedings are filed seeking to enjoin or otherwise prevent or declare invalid or unlawful the construction of the Improvements or the occupancy, maintenance or operation of the Property or any portion thereof, Borrower will give prompt written notice thereof to Lender and will cause such proceedings to be vigorously contested in good faith and, in the event of any adverse ruling or decision, prosecute all allowable appeals.

(j) Publicity and Advertisement. Borrower shall permit Lender to publicize its involvement in the Property and will permit Lender to place and keep its sign indicating its involvement in the financing of the Property upon the Property at a location reasonably acceptable to Borrower and Lender. Borrower hereby consents to the taking of photographs and the publications thereof. Borrower will pay on demand all reasonable costs of such signage.

(k) Further Assurances. Borrower will, at the request of Lender, execute, deliver and furnish such documents or take such further action as Lender may deem necessary or desirable to evidence the Loan, perfect the security therefor, or otherwise carry out the terms of this Agreement and any of the other documents delivered to Lender in connection herewith.

(l) No Further Liens. All equipment, personal property, fixtures and other property subject to the lien of the security interest granted to Lender in the Deeds of Trust shall be fully paid for by Borrower and no security interest, lien or other encumbrance, other than that granted to Lender and the Permitted Encumbrances, shall exist thereon.

(m) Removal of Liens. If at any time an encumbrance, lien or charge is placed or claimed upon the Property, Borrower shall satisfy and remove or vigorously contest such encumbrance, lien or charge by bonding or by other method satisfactory to Lender or cause the Title Company to provide affirmative

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coverage over such liens, as Lender may reasonably require. In addition to all other rights and remedies of Lender referred to in this Agreement, if such encumbrance, lien or charge is not removed within thirty (30) days unless Borrower is vigorously contesting the same and has provided Lender a Bond, title endorsement or other security, each of which must be acceptable to Lender, Lender, at its sole discretion, may pay off the same and Borrower shall reimburse Lender within five (5) days of Lender's demand for payment.

(n) Notices Received. Borrower shall comply with and promptly furnish to Lender true and complete copies of any notices pertaining to the Property by any governmental authority of the United States, the states, cities, counties, or any other political subdivision in which the Property is located or which exercises jurisdiction over Borrower or the Property. Borrower shall promptly notify Lender of any fire or other casualty or any notice of taking or eminent domain proceeding affecting the Property. Borrower shall promptly notify Lender of any action, proceeding or investigation of the nature described in Section 3(m) above of which it acquires notice.

(o) Hazardous Materials. Borrower shall not cause or permit the violation of any law relating to industrial hygiene or environmental conditions in connection with the Property, including soil and ground water conditions; or use, generate, or store any Hazardous Materials on, under or about the Property, except in accordance with all applicable laws; or manufacture or dispose of any Hazardous Materials on, under or about the Property. As used in this section, the term "Property" shall include the groundwater in or under the Property. Borrower shall not install underground storage tanks on the Land. Borrower shall indemnify and hold Lender harmless from any loss, liability, cost, expense and/or claim (including without limitation the cost of any fines, remedial action, damage to the environment and cleanup and the fees of attorneys and other experts) arising from (i) the use, Release or disposal of any Hazardous Materials on, under or about the Property or the transport of any Hazardous Materials to or from the Property; and (ii) the violation of any law relating to industrial hygiene or environmental conditions in connection with the Property, including soil and ground water conditions; and (iii) the breach of any of the representations, warranties and covenants of Borrower with respect to Hazardous Materials set forth in this Agreement or any other Loan Documents.

(p) Restriction on Transfer. Except as expressly permitted pursuant to this Agreement, (A) O. Bruton Smith and B. Scott Smith, or a Related Party, shall continue to own, directly or indirectly, more than 50% of the combined voting power of the Guarantor's capital stock having the right to vote at an election of directors, and (B) no Co-Borrower shall, without Lender's prior written consent, suffer, permit or enter into (i) any lease of one year or longer, sale, transfer, assignment, agreement for deed, conveyance, hypothecation or encumbrance, whether voluntary or involuntary, of all or any part of its Property or any interest therein, or (ii) any sale, assignment, pledge, encumbrance or transfer to a third party of an aggregate of more than 20% of the ownership interests of Borrower, if such entity is a corporation, partnership, limited liability company or other form of ownership entity, or (iii) the seizure of the Property or attachment of any lien on the Property, whether voluntary, or involuntary, which has not been removed or bonded off to Lender's satisfaction within 30 days of such attachment unless Borrower is contesting the same and has provided Lender a bond, title endorsement, or additional security, each of which must be acceptable to Lender, then and in such event Lender may by written notice to Borrower, accelerate and declare the principal balance of the Loan and interest accrued thereon immediately due and

payable notwithstanding any provision to the contrary contained in any of the documents relating to the Loan. Borrower shall notify Lender promptly in writing of any transaction or event that may give rise to a right of acceleration hereunder. Any consent by Lender, or any waiver of an event of default under this Section 11(p), shall not constitute a consent to, or waiver of any right, remedy or power of Lender under any subsequent event of default hereunder.

(r) Insurance. Borrower shall pay all premiums on all insurance policies required from time to time under this Agreement, and thirty (30) days prior to expiration of any such policies, Borrower shall furnish to Lender with premiums prepaid, additional and renewal policies (or binders to be followed by policies in due course) in form, and with companies, coverage, deductibles and amounts satisfactory to Lender. In the event of failure by Borrower to provide such insurance, Lender may place insurance and treat the amounts expended therefor as Disbursements of an Advance for the affected Construction Project.

(s) Notice of Breach. Borrower shall promptly give to Lender notice of the occurrence of any event which does or would with the passage of time or the giving of notice, or both, constitute a default under this Agreement, any of the other Loan Documents, or have any Material Adverse Effect on any security for the Loan or on any Co-Borrower's ability to perform its obligations hereunder.

12. Consulting Engineer and Other Consultants. Lender, at Borrower's expense, may employ the services of Consulting Engineer on each Construction Project to act on its behalf during the construction of the Improvements. In addition to the involvement of Consulting Engineer in the construction of the Improvements, as elsewhere described in this Agreement, Consulting Engineer shall review and approve all final working drawings and specifications for the Improvements and any other materials relevant to the construction of the Improvements within thirty (30) days after receipt of such materials. Such review and approval is solely for the benefit of Lender and it shall not constitute an assumption of any responsibility or liability of whatsoever kind or character by Lender or Consulting Engineer to Borrower, which hereby acknowledges and agrees that it has no right to and is not relying upon such review and approval in deciding to enter into this Agreement nor in proceeding with construction of the Improvements or applying for Disbursements hereunder. Lender, at Borrower's expense, may hire such other third party consultants as it deems reasonably necessary to perform such services as may, from time to time, be required by Lender in connection with the Loan, this Agreement or the Property.

13. Defaults by Borrower or Guarantor. In addition to the Events of Default set forth in the Deeds of Trust, the occurrence of any of the following shall also constitute an "Event of Default":

(a) Construction Delays. As to any Construction Project, Lender or Consulting Engineer shall have determined that construction of the Improvements has fallen thirty (30) or more days behind the Construction Schedule approved by Lender, and such construction has not been rescheduled in a manner acceptable to Lender and Consulting Engineer within ten (10) days after Lender's or Consulting Engineer's determination, unless such construction shall have fallen behind schedule for reasons solely beyond Borrower's control, financial inability excepted, in which case Borrower shall resume work immediately after the reason for such cessation shall have terminated; provided, however, under no circumstance shall any delay result in the extension of the

Construction Project Maturity Date or shall construction fall more than sixty (60) days behind the Construction Schedule, regardless of the cause therefor; or

(b) Failure of Condition. As to any Construction Project, the inability of Borrower to satisfy any condition for the receipt of a Disbursement of an Advance hereunder and failure to resolve the situation to the reasonable satisfaction of Lender, for a period in excess of twenty (20) days after written notice from Lender to Borrower demanding such satisfaction.

(c) Payment of Indebtedness. Borrower shall default in the due and punctual payment of all or any portion of any installment of the Indebtedness as and when the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment or by acceleration or otherwise, and such default shall continue for a period of ten days after written notice thereof by Lender to Borrower.

(d) Performance of Obligations. Borrower or Guarantor shall default in the due observance or performance of any of the Obligations other than payment of money and such default shall not be curable, or if curable shall continue for a period of thirty (30) days after written notice thereof from

Lender to Borrower (unless such default, if curable, requires work to be performed, acts to be done or conditions to be remedied which by their nature cannot be performed, done or remedied, as the case may be, within such thirty (30) day period and Borrower shall commence to cure such default within such thirty (30) day period and shall thereafter diligently and continuously process the same to completion but in no event shall the period for cure exceed one hundred twenty (120) days unless otherwise agreed by Lender).

(e) Bankruptcy, Receivership, Insolvency, Etc. Voluntary or involuntary proceedings under the Federal Bankruptcy Code, as amended, shall be commenced by or against Borrower or Guarantor, or bankruptcy, receivership, insolvency, reorganization, dissolution, liquidation or other similar proceedings shall be instituted by or against Borrower or Guarantor with respect to all or any part of Borrower's or Guarantor's property under the Federal Bankruptcy Code, as amended, or other law of the United States or of any state or other competent jurisdiction.

(f) False Representation. Any representation or warranty made by or on behalf of Borrower or Guarantor in, under or pursuant to this Agreement, the Supplement(s), the Loan Documents, any other agreement between Borrower, Guarantor and Lender, any report, certificate, financial statement or other statement furnished to Lender, shall prove to have been false or misleading in any material respect as of the date on which such representation or warranty was made.

(g) Default under Other Agreements. A default shall occur under the Loan Documents, the Permanent Loan, or any other agreement between Borrower and Lender and not cured within the applicable cure period; or any other indebtedness of borrower to lender shall be accelerated under the terms of the instrument evidencing such indebtedness as a result of a default by Borrower; or payment of any other indebtedness of Borrower to Lender which is payable on demand shall be demanded.

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(h) Judgment. If a final judgment for the payment of money in excess of Twenty-Five Thousand Dollars (\$25,000.00) shall be rendered against Borrower or a final judgment for the payment of money in excess of Two Hundred and Fifty Thousand Dollars (\$250,000.00) shall be rendered against Guarantor, and either of the same shall remain unpaid for a period of sixty (60) consecutive days during which period execution shall not be effectively stayed.

14. Remedies. (a) Upon the occurrence of any Event of Default, in addition to those remedies provided in the Deeds of Trust, Lender shall be entitled to terminate its obligation to make Advances hereunder, to take possession of the Property and/or perform any and all work and labor necessary to complete construction of the Improvements for all Construction Projects, in which event expenditures therefor shall be reimbursed by Borrower within five (5) days of Lender's demand for payment, .declare all sums evidenced by the Note and secured by the other Loan Documents to be immediately due and payable and to enforce all of its rights and remedies contained in this Agreement, the Deeds of Trust, Guaranty and other Loan Documents, or otherwise provided by law or equity. Each right and remedy provided in this Agreement or the other Loan Documents is distinct and cumulative to all other rights or remedies under this Agreement and the other Loan Documents, or afforded by law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever.

(b) Inspection, Right to Stop Work. As to each Construction Project, Lender and Consulting Engineer shall at all times have the right to enter upon the Property during construction of the Improvements and to directly contact the General Contractor and any subcontractors and materialmen to determine the status of construction and compliance with the provisions of the Loan Documents. If Lender or Consulting Engineer finds the work not to be substantially in accordance with the Plans, or is otherwise unsatisfactory to Lender or Consulting Engineer, Lender shall have the right after notice to the Co-Borrower to stop construction and order the unsatisfactory work replaced by such Co-Borrower at such Co-Borrower's expense and Lender shall not be obligated to make any Disbursement unless or until all construction is satisfactory to Lender and Consulting Engineer. No such action shall affect the Co-Borrower's obligation to complete construction of the Improvements by the Construction Project Maturity Date. None of the foregoing shall imply that Lender is under any duty to supervise or inspect construction or examine any books and records for any Construction Project. Any inspection or examination by Lender is for the sole purpose of protecting Lender's security and preserving Lender's rights under this Agreement. No default or Event of Default of Borrower will be deemed waived by any inspection by Lender. In no event will any inspection by Lender be a representation that there has been or will be compliance with the Plans or that the construction is free from defective materials or workmanship.

(c) Power of Attorney. If an Event of Default occurs, Borrower hereby constitutes and appoints Lender its true and lawful attorney in fact with the power and authority, including full power of substitution, to, in its sole discretion, as to each Construction Project: (i) take possession of the Property and complete the Improvements; (ii) use any undisbursed proceeds of the Loan for the purpose of completing the Improvements and/or the payment of interest on the

Loan as it becomes due; (iii) make such additions and corrections in the Plans as may be necessary or desirable as Lender deems proper to complete the Improvements; (iv) employ such contractors, subcontractors and agents, architects and inspectors as are required to complete the Improvements; (v) employ watchmen to protect the Property from injury; (vi) pay, settle or compromise all existing bills and claims as Lender deems proper for the

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completion of the construction of the Improvements or for protection or clearance of title to the Property or for protection of Lender's interest with respect thereto; (vii) prosecute and defend all actions and proceedings in connection with the construction of the Improvements; and (viii) execute, acknowledge and deliver all instruments and documents in the name of Borrower as Lender deems proper which may be necessary or desirable, and to do any and every act with respect to the construction of the Improvements which Borrower might do on its own behalf. This power of attorney is a power coupled with an interest and cannot be revoked.

(d) Disclaimer. No Disbursement of an Advance by Lender will cure any default of Borrower or Guarantor unless Lender agrees otherwise in writing. Whether or not Lender elects to employ any or all of the remedies available to it, Lender shall not be liable for the construction of or failure to construct or complete or protect the Property or any portion thereof or for payment of any expenses incurred in connection with the exercise of any remedy available to Lender or for the manner or quality of construction of the Improvements for any Construction Project or for completion of the construction of the Improvements for any Construction Project or for the performance or non-performance of any other obligation of Borrower, except to the extent caused by the gross negligence or willful misconduct of Lender.

15. Miscellaneous Provisions.

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(a) Notice. All notices, demands, requests and other communications required under the Loan Documents shall be in writing and shall be deemed to have been properly given if sent by U. S. certified or registered mail, postage prepaid, addressed to the party for whom it is intended at the Borrower's address, the Lender's address, or the Guarantor's address, as the case may be, to the attention of the person indicated below, with copies as indicated below. Any party may designate a change of address by written notice to the other, giving at least ten (10) business days before such change of address is to become effective.

If to any Co-Borrower:	Applicable Co-Borrower 6415 Idlewild Road, Suite 109 Charlotte, North Carolina 28212 Attention: Stephen K. Coss
With a copy to:	Douglas E. Wambach, Esq. Burke, Warren, MacKay & Serritella, P.C. 22nd Floor, IBM Plaza 330 North Wabash Avenue Chicago, Illinois 60611-3607
If to Lender:	Ford Motor Credit Company The American Road P. O. Box 6044 Dearborn, Michigan 48121-6044 Attention: Marlene Martel, Esq.
With a copy to:	Ford Motor Credit Company 6302 Fairview Road, Suite 500 Charlotte, North Carolina 28210 Attention: Branch Manager Charlotte Branch
With a copy to:	Ford Motor Credit Company 1455 Lincoln Parkway, Suite 400 Atlanta, Georgia 30346 Attention: William J. Beck IV, National Account Manager
If to Guarantor:	Sonic Automotive, Inc. 6415 Idlewild Road, Suite 109 Charlotte, North Carolina 28212 Attention: Theodore M. Wright

(b) No Assignment. Borrower shall not assign any of its rights under this Agreement without the prior written consent of Lender, which consent may be granted or denied by Lender in its sole and absolute discretion, and any purported assignment in violation of this Section without such prior written consent shall be void.

(c) Time. Time is of the essence hereunder.

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(d) Headings. The captions and headings of various sections of this Agreement are for convenience only and are not to be considered as defining and limiting in any way the scope or intent of the provisions hereof.

(e) Successors. This Agreement shall be binding upon and shall inure to the benefit of all successors and permitted assigns of the parties.

(f) No Partnership; Indemnity. Lender shall not be deemed to be a partner or joint venturer with Borrower in connection with the Loan or any action taken under this Agreement and Borrower shall indemnify, hold Lender harmless and defend Lender from and against any and all loss, cost, damage, expense or liability, including reasonable attorneys' fees, arising out of or resulting from such a construction of the parties and their relationship or resulting from any actual or alleged defect in the construction of the Improvements. None of the rights granted to Lender under the Loan Documents shall be deemed to diminish or substitute for Borrower's management powers and responsibilities with respect to the Property, and the existence of, and/or Lender's exercise of such rights shall not constitute participation in management by Lender. The provisions of this Section shall survive completion of construction of the Improvements on all Construction Projects and payment of the Loan.

(g) Effectiveness. This Agreement shall continue in full force and effect so long as Borrower remains obligated to Lender under the Loan.

(h) No Waiver. No failure on Lender's part at any time to require the performance by Borrower of any term of this Agreement shall in any way affect Lender's rights to subsequently enforce such term, nor shall any omission on Lender's part to notify Borrower of any event which with notice or the passage of time or both would constitute an Event of Default be construed as a waiver of such Event of Default or any right or remedy of Lender, nor shall any waiver by Lender of any term hereof be taken or held to be a waiver of any other term hereof.

(i) Governing Law. This Agreement shall be interpreted and enforced under the laws of the State of North Carolina.

(j) Waiver of Right to Trial by Jury. To facilitate each party's desire to resolve disputes in an efficient and economical manner, each party to this Agreement hereby expressly waives any right to trial by jury of any claim, demand, action or cause of action (i) arising under this Agreement or any other Loan Documents, or (ii) in any way connected with or related or incidental to the dealings of the parties hereto or any of them with respect to this Agreement or any other Loan Documents, or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether arising in contract or tort or otherwise. Each party hereby agrees and consents that any such claim, demand, action or cause of action shall be decided by court trial without a jury, and that any party to this Agreement may file an original counterpart or a copy of this Section with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

(k) Complete Agreement. The parties hereto hereby represent and acknowledge that the Loan Documents are fully integrated and contain the complete understanding and agreements of the parties with respect to the Loan and all matters relative thereto and accurately reflect the intentions of the

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parties. All prior agreements, negotiations, drafts and other extrinsic communications relating thereto have been incorporated into or are superseded by the terms of the Loan Documents and have no further significance or evidentiary effect.

(l) Counterparts. This Agreement may be executed in one or more counterparts, each of which together shall constitute one and the same instrument.

(m) Lender's Disbursements. All expenditures by Lender permitted under this Agreement, the Supplement(s) and any other Loan Documents shall be deemed to be Disbursements of an Advance for a Construction Project under the Loan from the date made and the Budget for each such Construction Project shall be deemed modified in accordance therewith. In the event the total Disbursements of all Advances for all Construction Projects exceed the maximum amount of the Loan, Borrower and Lender acknowledge and authorize that such excess amount shall be deemed an additional loan to Borrower, payable within five (5) days of Lender's demand for payment, secured by the Deeds of Trust and bearing interest at the Default Rate.

(n) Attorneys' Fees. In the event that an attorney be employed

or expenses be incurred to compel payment of the Loan or any portion thereof or in connection with any default hereunder or under any other Loan Documents whether or not any action or proceeding is commenced by Lender, Borrower promises to pay all such expenses and attorneys' fees, including but not limited to, attorneys' fees incurred in any bankruptcy (including, without limitation, an action for relief from the automatic stay of any bankruptcy proceeding) or judicial or non-judicial foreclosure proceedings.

(o) Severability. In the event any one or more of the provisions contained in this Agreement, or in any of the other Loan Documents shall for any reason be held to be invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall at the option of Lender, not affect any other provision of this Agreement, or any such other Loan Documents, and this Agreement and any such other Loan Documents shall be construed as if such invalid, illegal or unenforceable provision had never been contained therein.

(p) Set-Off. Without limitation of any other right or remedy of Lender hereunder or provided by law, any indebtedness now or hereafter owing to Lender by Borrower (including, without limitation, any amounts on deposit in any demand, time, savings, or like account maintained by Borrower with Lender) may be offset and applied by Lender hereunder, or under the Note, the or the other Loan Documents.

(q) No Violation. Notwithstanding anything in this Agreement or to the contrary, Lender will not be required to make any Disbursement of an Advance or perform any other act under this Agreement if as a result thereof, Lender will violate any law, statute, ordinance, rule, regulation or judicial decision applicable thereto.

(r) Limitation on Attorney's Fees. Notwithstanding anything contained in the Agreement or any other current or future document evidencing, securing or otherwise relating to the Obligations of Borrower or Guarantor to Lender, no person shall have any obligation (nor shall any proceeds of any

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foreclosure be used) to reimburse any other person for attorneys' fees other than those which are:

1. Reasonable in amount;
2. Determined without reference to any statutory presumption;
3. Based upon the actual time expended and the standard hourly rate of the attorneys and paralegals performing the tasks.

Furthermore, no person shall be obligated to reimburse any other person for attorneys' fees of in-house counsel.

THIS MASTER CONSTRUCTION LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR AGREEMENTS OF THE PARTIES.

IN WITNESS WHEREOF, Borrower and Lender have executed this Agreement under seal as of the date first above written.

FORD MOTOR CREDIT COMPANY,
a Delaware corporation

By /s/ W. J. Beck IV (SEAL)

William J. Beck IV,
National Account Manager

SRE HOLDING, LLC, a North Carolina
limited liability company,
SREALESTATE ARIZONA - 1, LLC,
an Arizona limited liability company,
SREALESTATE ARIZONA - 2, LLC,
an Arizona limited liability company,
SREALESTATE ARIZONA - 3, LLC,
an Arizona limited liability company,
SREALESTATE ARIZONA - 4, LLC,
an Arizona limited liability company,
SRE ALABAMA - 1, LLC,
an Alabama limited liability company,
SRE ALABAMA - 2, LLC,
an Alabama limited liability company,
SRE ALABAMA - 3, LLC,
an Alabama limited liability company,

SRE SOUTH CAROLINA - 1, a South
Carolina limited liability company,
SRE SOUTH CAROLINA - 2, a South
Carolina limited liability company,
SRE VIRGINIA - 1, LLC, a Virginia
limited liability company,
SRE TENNESSEE - 1, LLC, a Tennessee
limited liability company,
SRE TENNESSEE - 2, LLC, a Tennessee
limited liability company, and
SRE TENNESSEE - 3, LLC, a Tennessee
limited liability company

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By: /s/ B. Scott Smith (SEAL)

B. Scott Smith, Vice President
of each of the companies

Attest: /s/ Stephen K. Coss

Stephen K. Coss, Secretary
of each of the companies

SRE FLORIDA - 1, LLC, a Florida
limited liability company,
SRE FLORIDA - 2, LLC, a Florida
limited liability company,
SRE FLORIDA - 3, LLC, a Florida
limited liability company,
SRE NEVADA - 1, LLC, a Nevada
limited liability company,
SRE NEVADA - 2, LLC, a Nevada
limited liability company, and
SRE NEVADA - 3, LLC, a Nevada
limited liability company

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
President of each of the companies

Attest: /s/ Stephen K. Coss

Stephen K. Coss,
Secretary of each of the companies

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SRE GEORGIA - 1, L.P.,
a Georgia limited partnership,
SRE GEORGIA - 2, L.P.,
a Georgia limited partnership, and
SRE GEORGIA - 3, L.P.,
a Georgia limited partnership

By: SONIC AUTOMOTIVE OF
GEORGIA, INC., a Georgia
corporation, the General Partner of
each of the partnerships

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
Vice President

Attest: /s/ Stephen K. Coss

Stephen K. Coss,
Secretary

SRE TEXAS - 1, L.P.,
a Texas limited partnership,
SRE TEXAS - 2, L.P.,
a Texas limited partnership, and
SRE TEXAS - 3, L.P.,
a Texas limited partnership

By: SONIC OF TEXAS, INC.,
a Texas corporation, the
General Partner of each of the
Partnerships

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
Vice President

Attest: /s/ Stephen K. Coss

Stephen K. Coss,
Secretary

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Guarantor joins in the execution of this Agreement for the purpose of
acknowledging and agreeing to the provisions contained herein applicable to the
Guarantor.

SONIC AUTOMOTIVE, INC.,
A Delaware corporation

By: B. Scott Smith (SEAL)

B. Scott Smith, President

Attest; /s/ Stephen K. Coss

Stephen K. Coss, Secretary

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SCHEDULE 1

1. SRE Alabama - 1, LLC, an Alabama limited liability company
2. SRE Alabama - 2, LLC, an Alabama limited liability company
3. SRE Alabama - 3, LLC, an Alabama limited liability company
4. SRealEstate Arizona - 1, LLC, an Arizona limited liability company
5. SRealEstate Arizona - 2, LLC, an Arizona limited liability company
6. SRealEstate Arizona - 3, LLC, an Arizona limited liability company
7. SRealEstate Arizona - 4, LLC, an Arizona limited liability company
8. SRE Florida - 1, LLC, a Florida limited liability company
9. SRE Florida - 2, LLC, a Florida limited liability company
10. SRE Florida - 3, LLC, a Florida limited liability company
11. SRE Georgia - 1, L.P., a Georgia limited partnership
12. SRE Georgia - 2, L.P., a Georgia limited partnership
13. SRE Georgia - 3, L.P., a Georgia limited partnership
14. SRE Holding, LLC, a North Carolina limited liability company
15. SRE Nevada - 1, LLC, a Nevada limited liability company
16. SRE Nevada - 2, LLC, a Nevada limited liability company
17. SRE Nevada - 3, LLC, a Nevada limited liability company
18. SRE South Carolina - 1, LLC, a South Carolina limited liability company
19. SRE South Carolina - 2, LLC, a South Carolina limited liability company
20. SRE Tennessee - 1, LLC, a Tennessee limited liability company
21. SRE Tennessee - 2, LLC, a Tennessee limited liability company

- 22. SRE Tennessee - 3, LLC, a Tennessee limited liability company
- 23. SRE Texas - 1, L.P., a Texas limited partnership
- 24. SRE Texas - 2, L.P., a Texas limited partnership
- 25. SRE Texas - 3, L.P., a Texas limited partnership
- 26. SRE Virginia - 1, LLC, a Virginia limited liability company

PERMANENT LOAN AGREEMENT

THIS PERMANENT LOAN AGREEMENT (this "Agreement") is entered into as of June 23, 2000, by and between each of the entities signing this Agreement, more specifically identified on Schedule 1 attached hereto and made a part hereof (each a "Co-Borrower" and collectively, "Borrower"), whose address is 6415 Idlewild Road, Suite 109, Charlotte, North Carolina 28212, and Ford Motor Credit Company, a Delaware corporation ("Lender"), whose address is 6302 Fairview Road, Suite 500, Charlotte, North Carolina 28210 ("Lender's Address").

WHEREAS, each Co-Borrower is or will be the owner of certain real property consisting of a parcel or parcels of improved real estate (collectively, "Parcels"; and individually, a "Parcel") located in various cities and states, as more particularly described in Schedule A attached hereto and as such Schedule A is amended, from time to time; and

WHEREAS, Borrower desires to borrow up to \$100,000,000.00 (the "Loan") from Lender to (i) finance the costs of acquisition of the Parcels, and (ii) amend and extend amounts disbursed under the Construction Loan (as defined herein) for various construction projects upon their completion; and

WHEREAS, Lender desires to make the Loan to Borrower under the terms and conditions specified in this Agreement and in the Loan Documents (as defined herein); and

WHEREAS, as a condition of the Loan, Lender requires that the Loan be guaranteed by Sonic Automotive, Inc., and cross defaulted and cross collateralized with the Construction Loan.

NOW, THEREFORE, in consideration of the foregoing facts and the mutual covenants contained herein, Borrower and Lender hereby agree as follows:

1. Definitions. Any terms not otherwise specifically defined herein shall have the meaning assigned to such terms in the Loan Documents. As used herein, the following terms shall have the following meanings:

(a) Acquisition Advance. Any advance of the proceeds of the Loan by Lender to Borrower or on behalf of Borrower to finance the costs of acquisition of a Parcel(s), not previously financed under the Construction Loan.

(b) Additional Properties. Any additional Parcel or Parcels occupied by a subsidiary of Guarantor, which Borrower proposes to mortgage to Lender after the date hereof, as additional security for the Loan.

(c) Advance. Any advance of the proceeds of the Loan by Lender to Borrower or on behalf of Borrower.

(d) Advance Termination Date. The last date on which Advances may be made to Borrower under the Loan, which shall be five years from the date hereof.

(e) Closing Date. The date for the closing of the Loan which shall be mutually satisfactory to Borrower and Lender but in no event later than July 30, 2000.

(f) Construction Advance. Any advance of the proceeds of the Loan by Lender to Borrower or on behalf of Borrower to payoff amounts disbursed under the Construction Loan for various construction projects upon their completion.

(g) Construction Agreement. That certain Master Construction Loan Agreement (together with any and all supplements thereto) dated as of even date herewith between Lender and Borrower, including any and all amendments, modifications, renewals, increases and extensions thereof.

(h) Construction Loan. The construction line of credit in the maximum principal amount of \$50,000,000.00 extended to Borrower from Lender pursuant to the Construction Agreement as evidenced by that certain Construction Loan Promissory Note dated as of even date herewith in the principal amount of \$50,000,000.00, including any and all amendments, modifications, renewals, increases and extensions thereof.

(i) Deeds of Trust. Collectively, or any one or each, of the Deeds of Trust and Assignment of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing) and the Mortgages and Assignment of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing), executed in multiple counterparts dated as of even date herewith from any one or more Co-Borrower, as grantor, or mortgagor, as the case may be, to the trustees named therein, in trust for Lender, as beneficiary, or to Lender, as mortgagee, as the case may be, which will constitute a first priority lien on the Mortgaged Properties, subject only to the Permitted Encumbrances. The term

"Deeds of Trust" shall also include other deeds of trust and mortgages from any one or more Co-Borrower, as grantor or mortgagor, as the case may be, dated subsequent to the date hereof, to the trustee named therein in trust for Lender, as beneficiary or to Lender as mortgagee, as the case may be, hereafter granted in connection with the Loan.

(j) Event of Default. As defined in Section 9 hereof.

(k) Guarantor. Sonic Automotive, Inc., and its respective successors and assigns.

(l) Guaranty. The guaranty, or collectively the guaranties, of even date herewith executed by Guarantor guaranteeing the obligations of Borrower under the Loan and the Loan Documents.

(m) Hazardous Materials. Any flammable explosives, radioactive materials, oil or petroleum or chemical liquids or solids, liquid or gaseous products or hazardous wastes, toxic substances and similar substances and materials, including all substances and materials defined as hazardous or toxic wastes, substances or materials under any applicable law.

(n) Improvements: Any and all improvements constituting a part of any Parcel, consisting of full sales and service new and used automobile dealership facilities and related improvements thereto, all as described in Schedule A attached hereto.

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(o) Liabilities: The principal of and interest on and all other amounts, payments, premiums, advances and other indebtedness of Borrower to Lender due under the Loan and the Construction Loan and any and all of the covenants, promises and other obligations of Borrower to Lender under the Loan Documents, including any amendments, modifications, renewals and extensions of any of the Loan Documents.

(p) Loan. The mortgage loan from Lender to Borrower in the maximum principal amount of up to \$100,000,000.00 (which amount includes the outstanding principal balance of the Construction Loan from time to time) including any amendments, modifications, renewals, increases and extensions thereof and any advances thereunder.

(q) Loan Documents: This Agreement, the Note, the Deeds of Trust, the Guaranty and any and all promissory notes, loan agreements, guaranties, assignments and other instruments from Borrower, Guarantor and others to Lender evidencing the Loan or the Construction Loan and creating or securing the Liabilities, including any amendments, modifications, renewals, increases and extensions thereof. Any one of the foregoing documents may be referred to herein as a "Loan Document".

(r) Material Adverse Effect: A material adverse effect upon (i) the financial position or results or operation of Borrower or Guarantor, as applicable, (ii) the ability of Borrower or Guarantor to perform any of its obligations under the Loan Documents, or (iii) the value of the Mortgaged Properties.

(s) Maturity Date. The Loan shall mature ten (10) years less one day after the date hereof.

(t) Mortgaged Property(ies). Collectively, all of the "Mortgaged Property" as defined in each of the Deeds of Trust, which shall include the Original Properties and the Additional Properties.

(u) Note. The Promissory Note, made by Borrower to the order of Lender, in the principal amount of \$100,000,000.00, together with all extensions, renewals, modifications and amendments thereof, secured, in part, by the Deeds of Trust.

(v) Original Properties. Collectively, all of the Parcels occupied by a subsidiary of Guarantor, which have been mortgaged by Borrower to Lender as of the date hereof, to secure, in part, Borrower's obligations under the Loan.

(w) Permitted Encumbrances. With respect to any Parcel, the encumbrances described, with particularity, in Schedule B of the Deed of Trust in respect of such Parcel.

(x) Related Party. Related Party shall include: (i) any spouse or immediate family member of O. Bruton Smith or B. Scott Smith or (ii) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or persons beneficially holding the outstanding equity interest of which consist of O. Bruton Smith or B. Scott Smith and/or such other persons referred to in the immediately preceding clause (i).

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(y) Restrictions. All conditions, restrictions, reservations (whether or not of record), statutes, regulations and ordinances affecting the Mortgaged Property, including, without limitation, all pollution control, environmental protection, zoning and land use regulations, building codes and all restrictions and requirements imposed by the cities where the Mortgaged Property is located and all other governmental entities with respect to the Mortgaged Property and the contemplated uses of the Mortgaged Property.

2. The Loan. (a) Lender hereby agrees to make, and Borrower hereby agrees to accept, the Loan under the terms and conditions set forth in this Agreement and the Loan Documents. The proceeds of the Loan are to be used by Borrower to (i) to payoff amounts disbursed under the Construction Loan for various construction projects upon their completion, and (ii) acquire Mortgaged Properties (not previously financed by Lender under the Construction Loan), and such other expenses incurred in connection with the acquisition of the Mortgaged Property (not previously financed by Lender under the Construction Loan), approved by Lender, including, but not limited to title fees, title insurance premiums, legal expenses, survey expenses, recording fees, escrow fees, environmental report expenses, organizational expenses, documentation stamps and taxes and broker's commissions.

(b) The Loan shall be evidenced by the Note, and payment of the Loan will be secured by the Loan Documents. Reference is hereby made to the Note and the Loan Documents for particulars relating to the Loan, which provisions are incorporated herein by this reference.

(c) Notwithstanding the date(s) shown on any of the Loan Documents, Borrower's and Lender's obligations under the Loan Documents, except for Borrower's payment obligations for all Advances, including any initial Advance and any other Advances in respect of any Parcel, will not become effective until the date ("Effective Date") the Title Company issues its Title Policy in form and substance acceptable to Lender, insuring the lien of the Deeds of Trust on the Mortgaged Properties.

(d) All payments of principal and interest on the Loan shall be made without the right of set-off and without deduction of any present and future taxes, levies, duties, imposts, deductions, charges or withholdings imposed by any existing or future law, rule, regulation, treaty, directive or requirement whether or not having the force of law, which amounts shall be paid by Borrower. Borrower will pay the amounts necessary such that the gross amount of the principal and interest received by Lender is not less than that required by this Agreement and the Loan Documents. All stamp and documentary taxes shall be paid by Borrower. If, notwithstanding the foregoing, Lender pays such taxes, Borrower will reimburse Lender for the amount paid, as additional interest, within five (5) days of Lender's demand for payment. Borrower will furnish Lender official tax receipts or other evidence of payment of all such amounts.

3. Representations and Warranties of Borrower. Each Co-Borrower hereby represents and warrants to Lender as follows, which representations will remain effective until payment in full of all amounts owing under the Loan:

(a) Organization; Existence. Each Co-Borrower is duly organized and validly existing under the laws of the state shown on Schedule 1 and authorized and in good standing in every state in which it conducts its business. Guarantor, is a corporation, duly organized and

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validly existing under the laws of the State of Delaware and is qualified and in good standing in every state in which it conducts its business.

(b) Authority. Each Co-Borrower has the power and authority to execute and deliver this Agreement, the Loan Documents and all other documents and instruments required hereunder to be executed by such Co-Borrower and to comply with the terms hereof and thereof. All of such documents have been duly authorized, executed and delivered by each Co-Borrower and constitute the legal, valid and binding obligations of each Co-Borrower, enforceable in accordance with their respective terms.

(c) Guaranty. Guarantor has the power to execute and deliver the Guaranty, and the Guaranty has been duly executed and delivered by Guarantor and constitutes the legal, valid and binding obligation of Guarantor, enforceable in accordance with its terms.

(d) Title. On or before Closing Date, each Co-Borrower, as the case may be, has, or will have, good and marketable title (or, in the case of the Original Properties located in the State of Texas, indefeasible) to the Mortgaged Properties owned by it, subject only to the Permitted Encumbrances in respect of such Mortgaged Properties.

(e) Restrictions. Each Co-Borrower is familiar with the "Restrictions" in respect of the Mortgaged Properties owned by it, and has obtained, or will be able to obtain, all permits, approvals, consents and other authorizations necessary under the Restrictions for the permitted uses in

respect of the Mortgaged Properties owned by it. As of the date hereof, there is no violation or asserted violation of any Restrictions concerning the Mortgaged Properties or the existing or contemplated use thereof. No Co-Borrower is aware of any action or proceeding pending or threatened before any court or governmental agency with respect to the validity of any such Restrictions or any such authorizations or permits in respect of the Mortgaged Properties owned by it.

(f) Financial Statements. All financial statements delivered to Lender concerning Borrower and Guarantor fairly and accurately present their consolidated financial condition as of the date thereof or the period to which they relate, as the case may be and, have been prepared in accordance with generally accepted accounting principles, and there are no contingent liabilities not disclosed thereby which would materially adversely affect the consolidated financial condition of Borrower and Guarantor. Since the close of the period covered by the latest financial statement delivered to Lender with respect to Borrower and Guarantor, there have been no material adverse changes in any of their assets, liabilities or financial condition. No event has occurred, including, without limitation, any litigation or administrative proceedings, and to the knowledge of Borrower, no condition exists or is threatened, which (i) might render Borrower unable to perform its obligations hereunder or under the Loan Documents or any other document contemplated herein or therein, (ii) constitutes or, after notice or lapse of time or both, would constitute an Event of Default, or (iii) might materially adversely affect the validity or priority of the lien of the Deeds of Trust or the financial condition of Borrower or Guarantor.

(g) No Violation. No Co-Borrower is in violation of any agreement or instrument to which it is a party or to which any of its property is subject or of any statute, rule, regulation, judgment, decree, order, franchise or permit applicable to such Co-Borrower. Neither the entry into nor the performance of this Agreement, the Loan Documents or any other

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instrument executed by any Co-Borrower pursuant hereto or thereto will result in any violation of, or be in conflict with, or result in the creation of, or any mortgage, deed of trust, lien or encumbrance (other than those contemplated in this Agreement) upon any of the properties or assets of such Co-Borrower, or constitute a default under any mortgage, deed of trust, indenture, contract, agreement, or instrument to which any Co-Borrower is a party or to which any of its property is subject or constitute a violation of any permit, judgment, decree, order, statute, rule or regulation applicable to such Co-Borrower, or of the articles of incorporation and by laws, or articles of organization and operating agreement, or partnership certificate and partnership agreement, or other applicable organizational documents, as the case may be, of such Co-Borrower.

(h) Condemnation. No taking of any Mortgaged Property or any part thereof through eminent domain, conveyance in lieu thereof, condemnation or similar proceeding is pending or, to the knowledge of the Co-Borrower owning such Mortgaged Property, threatened by any governmental agency.

(i) Actions. There is no action, proceeding or investigation pending or, to Borrower's knowledge, threatened (on any basis therefor) which questions, directly or indirectly, the validity of the Agreement, the Loan Documents or any other document pertaining to the Loan or any action taken or to be taken pursuant hereto or thereto, or which would have a Material Adverse Effect upon Borrower, Guarantor, the Mortgaged Properties, or which could result in the forfeiture of the Mortgaged Properties.

(j) Legality. Borrower is engaged in no illegal activities and the intended use of the proceeds of the Loan is for legally permitted uses.

(k) Brokers. Borrower has not dealt with any person, firm or corporation who is or may be entitled to any finder's fee, brokerage commission, loan commission or other sum in connection with the Loan. Borrower hereby agrees to indemnify and defend Lender and hold Lender harmless against any and all loss, liability, cost or expense, including reasonable attorneys' fees, which Lender may suffer or sustain should such warranty or representation prove inaccurate in whole or in part.

(l) Statements. Neither this Agreement, the Loan Documents nor any document, certificate or statement furnished by or on behalf of Borrower to Lender in connection with the Loan, Borrower, Guarantor or the Mortgaged Property, whether or not referred to herein, contains any material misrepresentation or omits to state a material fact in respect of the transactions contemplated hereby.

(m) Hazardous Materials. Except as disclosed in any environmental audit report delivered to and approved by Lender pursuant to section 4(g) hereof, to Borrower's knowledge, no release (a "Release") of any Hazardous Materials has occurred on the Mortgaged Properties, and Borrower has not received any notice from any governmental agency or from any tenant under a

lease or from any other party with respect to any such Release. Except as disclosed in any environmental audit report delivered to and approved by Lender pursuant to section 4(g) hereof, the Mortgaged Properties comply with any law, rule, regulation or order relating to industrial hygiene or environmental conditions, including soil and ground water conditions, and any law, rule, regulation or order relating to the use, generation,

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and storage of any Hazardous Materials on, under or about the Mortgaged Properties. No Hazardous Materials are manufactured or disposed on the Mortgaged Properties.

(n) Existing Leases and Contracts. Other than the leases listed in Exhibit A attached hereto, there are no leases or subleases affecting the Mortgaged Property. There are no contracts or agreements affecting the use, operation or maintenance of the Mortgaged Property other than those not prohibited under the terms of this Agreement.

(o) Non-Foreign Entity; Tax Identification Number. Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code"), provides that a transferee of a real property interest in the United States must withhold tax if the transferor is a foreign person. To inform Lender that the withholding of tax will not be required in the event of a disposition of the Mortgaged Property pursuant to the terms of this Agreement and the Deeds of Trust, Borrower hereby certifies that it is not a foreign person, foreign corporation, foreign partnership, foreign trust or foreign estate (as such terms are defined in the Code and the regulations promulgated thereunder) and that its principal place of business is at the address set forth for notices to Borrower herein. The tax identification number of each Co-Borrower is set forth on Schedule 1. It is agreed that Lender may disclose the contents of this certification to the Internal Revenue Service.

4. Conditions Precedent to Advances under the Loan. Lender's obligation to make any Advance of any portion of the Loan, including the initial Advance on the Closing Date, is subject to each of the following conditions being satisfied prior to the date of such Advance:

(a) Amount of Advances. Lender shall have no obligation to make any Advance of less than \$2,000,000.00.

(b) Application. Borrower provides Lender with written notice of Borrower's request for an Advance, in the form of Schedule B attached hereto and made a part hereof.

(c) Outstanding Principal Balance. The outstanding principal balance of the Loan, including the requested additional Advance and the outstanding principal balance of the Construction Loan, does not exceed \$100,000,000.00.

(d) Advance Termination. The Advance requested is made on or before the Advance Termination Date.

(e) Advance Limitation. The amount of each Advance shall be determined as follows:

(i) The amount of each Acquisition Advance shall not exceed the lesser of (1) 85% of the purchase price of the Parcel(s) as approved by Lender, or (2) 85% of the value of the Parcel(s), as determined by the most recent M.A.I. appraisal for such property, dated within one (1) year of the submission of such appraisal(s) to Lender (the "Appraisal"). Notwithstanding the foregoing, Lender may adjust the Appraisal submitted for an Advance in its sole and absolute discretion to establish an adjusted appraised value for such property (the "Adjusted Appraised Value"). The Adjusted Appraised Value of a property may be used by Lender to calculate the loan to value ratio for the requested Acquisition Advance, which Lender

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may, in its sole and absolute discretion, consider during the approval process for such Advance.

(ii) The amount of each Construction Advance shall not exceed the lesser of (1) 85% of the Budget (as defined in the Construction Loan Agreement) for the Construction Project, or (2) 85% of the aggregate principal amount actually disbursed for such Construction Project .

BORROWER ACKNOWLEDGES AND AGREES THAT BY VIRTUE OF THE FOREGOING CONDITIONS, BORROWER MAY NEVER RECEIVE ADVANCES UNDER THE LOAN EQUAL TO THE \$100,000,000.00 MAXIMUM LOAN AMOUNT.

(f) Loan Documents. Borrower shall have executed and delivered to Lender this Agreement, the Note, the respective Co-Borrower shall have

executed and delivered the Deed of Trust in respect of the Parcel(s) which are the subject of an Advance, a financing statement or statements in form and substance satisfactory to Lender and all other Loan Documents in respect of such Parcel required by Lender. Guarantor shall have executed and delivered to Lender the Guaranty in form and substance satisfactory to Lender.

(g) Environmental Audit Report. Prior to any Advance in respect of a Parcel, the Co-Borrower owning such Parcel shall have delivered to Lender and Lender shall have approved a written report prepared by a consultant or other person acceptable to Lender relating to the presence of Hazardous Materials, if any, in, on or around the respective Parcel(s), and confirming that all Hazardous Materials described in such report have been mitigated in accordance with the requirements of any applicable government agency.

(h) Entity Documents. Borrower shall have delivered to Lender and Lender shall have approved:

(i) Articles of Organization; Operating Agreement. With respect to the initial Advance, copies of each Co-Borrower's articles of incorporation, articles of organization, partnership certificate or such similar documents, as the case may be, together with all amendments thereto, certified as of a recent date by the applicable Secretary of State, and certified copies of each Co-Borrower's by-laws, operating agreement, partnership agreement or such similar documents, as the case may be, together with all amendments thereto. With respect to any additional Advance in respect of any Parcel owned by a Co-Borrower, a bring-down certificate from the Co-Borrower owning such Parcel certifying (a) that there have been no changes or amendments to such Co-Borrower's articles of incorporation, articles of organization, partnership certificate or such similar documents, as the case may be, and (b) that there have been no changes or amendments to such Co-Borrower's by-laws, operating agreement, partnership agreement or such similar documents, as the case may be.

(ii) Authority. Copies of all necessary actions taken by each Co-Borrower to authorize the execution, delivery and performance by such Co-Borrower of the Loan Documents to which it is a party.

(iii) Certificate of Good Standing. With respect to the initial Advance, a Certificate of Good Standing on each Co-Borrower issued by the Secretary of State for the state in which each Co-Borrower was organized and for each state where a Mortgaged

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Property is located. With respect to any additional Advance in respect of any Parcel owned by a Co-Borrower, a Certificate of Good Standing on the Co-Borrower owning such Parcel issued by the Secretary of State for the state in which such Co-Borrower is organized and for the state(s) where the subject Parcel(s) are located.

(i) Recordation and Title Policy. Lender shall have received the title policy or title policies, insuring the lien of each such Deed of Trust in the amount of the Loan or such other amount as Lender may require, without standard exceptions, and with the Endorsements (defined herein) (collectively, the "Title Policy") or a "Marked Commitment" (as defined in the Escrow Letter of even date herewith) in form and substance acceptable to Lender, issued by Chicago Title Insurance Company (the "Title Company") which must have a liability in the amount of the Loan, if available, insuring, as of the effective date of such Title Policy, that fee simple title to the Mortgaged Properties is vested in Borrower and that the lien of such Deed of Trust is a valid first priority lien on such Parcel(s), subject only to the Permitted Encumbrances in respect of such Parcel, and subject to an Aggregation Agreement ("Aggregation Agreement"), if available, between Lender and Title Company, in form and substance satisfactory to Lender, and containing the following Endorsements to the extent available in the applicable jurisdiction:

- (A) Comprehensive Endorsement;
- (B) ALTA form 3.1 Zoning Endorsement;
- (C) Truth in Lending and Usury Endorsements;
- (D) Tie-in Endorsements;
- (E) Revolving Credit Endorsement;
- (F) Future Advance Endorsement;
- (G) Last Dollar Endorsement;
- (H) Aggregation Endorsement;
- (I) Tax Parcel Endorsement; and
- (J) Such additional endorsements as may be reasonably required

by Lender based upon its review of the Title Policy and survey.

(j) UCC Filings. Lender shall have received and approved a search of the records of the filing office, showing all financing statements and fixture filings in respect of the Parcel(s) for which an Advance is being made and the applicable Co-Borrower.

(k) Compliance With Loan Documents. All of the representations and warranties of Borrower in Section 3 hereof shall be true and correct, and Borrower shall be in compliance with all applicable covenants set forth in Section 8 hereof, and Lender shall have received such documents and opinions as it may reasonably request regarding the substance

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thereof. All documents and materials required by Lender shall be satisfactory in form and substance to Lender.

(l) Insurance. Borrower shall have delivered to Lender, and Lender shall have approved, insurance binders, policies or certificates evidencing the obtaining and premium payment of all policies of insurance required by the Deeds of Trust, and as follows:

(i) During the term of the Loan, the Improvements shall be insured against physical damage under policies issued by companies satisfactory to Lender containing endorsements naming Lender as mortgagee and additional insured under a standard mortgagee clause acceptable to Lender and insuring the replacement cost of the Improvements. Such policies shall be in amounts not less than full replacement cost of the Improvements, full replacement cost being the cost of replacing the Improvements exclusive of the cost of excavation, foundations and footings below the lowest basement floor, less physical depreciation of the Improvements, and subject to a maximum deductible of \$5,000 per occurrence.

(ii) Borrower shall obtain liability coverage satisfactory to Lender, including public liability coverage in the minimum amount of \$3,000,000.00.

(iii) For any Parcel(s) located in a flood-prone area as designated by HUD, Borrower shall obtain and maintain flood insurance in an amount equal to the lesser of the principal amount of the Loan or the maximum limit of coverage available for the Parcel under the National Flood Insurance Program.

(m) Financial Condition. Lender shall have given final approval of the financial condition of Borrower, Guarantor and any subsidiary of Guarantor that occupies a Mortgaged Property ("Tenant").

(n) Survey. An ALTA (or equivalent) survey of each Parcel(s) for which an Advance is being made prepared by a licensed surveyor or civil engineer satisfactory to Lender and the Title Company in conformance with the requirements set forth in the then applicable ALTA/ACSM (or equivalent) Minimum Standard Requirements, including Items 1-4, 6-11 and 13 of Table A, and including, but not limited to, whether the Mortgaged Property is located in an area identified as a flood plain area as defined by the U.S. Department of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973.

(o) Evidence of Compliance. Evidence that each Parcel in respect of which an Advance has been requested is in compliance with any applicable Restrictions, including, without limitation, evidence that (1) each such Parcel is a legal and separate lot under any applicable subdivision acts and for tax assessment purposes, and (2) Borrower has complied with all building and zoning Restrictions and possesses a certificate of occupancy for the Improvements.

(p) Appraisal. Lender shall have received an MAI appraisal(s) of the Parcel(s) for which an Advance has been requested dated within twelve (12) months of the submission of such appraisal(s) to Lender.

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(q) Leases. Borrower shall have delivered to Lender, and Lender shall have approved copies of any leases in respect of any Parcel(s) for which an Advance has been requested, which leases shall contain a provision subordinating the interests of the tenant thereunder to the Deed of Trust in respect of such Parcel and an agreement to attorn to Lender (Lender shall agree to recognize the rights of the tenants thereunder, provided that such tenants attorn to Lender and are not in default under such leases). Borrower, Lender and all tenants shall execute a Subordination, Non-Disturbance, and Attornment Agreement and Acknowledgment of Assignment of Rents and Leases in the form attached hereto as Schedule C.

(r) No Damage. No part of the Improvements have been materially injured or damaged by fire or other casualty unless Lender shall have received insurance proceeds sufficient in its judgment to effect the satisfactory restoration thereof.

(s) Compliance. Lender shall have received evidence satisfactory to it of compliance with all Restrictions in respect of the Parcel for which an Advance has been requested and evidence that the Improvements thereon are in compliance with such Restrictions.

(t) No Material Adverse Change. There shall have occurred no material adverse change in the condition of Borrower, the Guarantor, any Tenant, or in any Parcel, and no event shall have occurred which will give Lender reasonable cause to believe that the Borrower cannot carry out the terms of this Agreement and the Loan Documents.

(u) Legal Advance. The making of the Advance shall be legally permissible under the laws and regulations to which Lender is subject.

(v) Expenses. Borrower pays all of Lender's reasonable expenses related to such Advance including but not limited to appraisal fees, escrow fees, recording fees and taxes, environmental reports, legal fees and expenses and title insurance premiums.

(w) Default. No Event of Default shall have occurred, which has not been waived by Lender or no event or happening shall have occurred which, with the giving of notice and/or passage of time, would constitute an Event of Default and which has not been waived by Lender.

(x) Business Plan The Parcel(s) shall be occupied by a Tenant and Guarantor shall have submitted a dealership business plan for such Tenant acceptable to Lender.

(y) Site Visit. Lender has completed a site visit of the Parcel(s) and approved such Parcel(s) within thirty (30) days after Borrower has requested an Advance in respect of such Parcel(s).

(z) Purchase Agreement. For each Acquisition Advance, Lender shall have received and approved the purchase agreement by and between Borrower and the seller of the subject Parcel(s).

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(aa) Conditions Solely for the Benefit of Lender. All conditions of Lender's obligation to make any Advances are solely for the benefit of Lender, its successors and assigns. No other person shall have standing to require satisfaction of any condition, and no other person shall be deemed a beneficiary of any condition or have any right to rely on any determination made by Lender, any and all of which may be freely waived in whole or in part by Lender in Lender's sole discretion.

(bb) Other. Any other information or material relating to the applicable Parcel(s) as reasonably requested by Lender.

(cc) Final Approval. Borrower's request for an Advance shall have been approved by the appropriate approval authority as established by Lender (the "Approval Authority"). Borrower acknowledges and agrees that, notwithstanding the satisfaction of each of the above referenced conditions, each and every request for an Advance under the Loan must be submitted to the Approval Authority as though Borrower were requesting a new loan, and approval of such Advance will be subject to the Approval Authority's criteria, as may be imposed on a case by case basis.

5. Advances. Upon compliance by Borrower with all of the terms and conditions of this Agreement, and so long as no Event of Default, or event which with notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, Lender will make Advances of the Loan from time to time as follows:

(a) Initial Advance. Lender shall make an initial Advance of the Loan on the Effective Date, upon satisfaction of the conditions set forth in Section 4.

(b) Additional Advances. Lender shall make additional Advances of the Loan upon satisfaction of the applicable conditions set forth in Section 4.

6. Advance Methods.

(a) Borrower's Account. Except as otherwise provided in this Agreement, or as mutually agreed upon between Lender and Borrower, Advances shall be made by wire transfer or check payable to Borrower or as Borrower may direct.

(c) Advances to Lender. Lender may, without further notice or

authorization by Borrower, make Advances of the Loan to pay, as and when due, loan fees, interest, reasonable legal fees and out-of-pocket expenses of legal counsel retained by Lender and other sums from time to time due from Borrower to Lender pursuant to this Agreement. Lender shall promptly notify Borrower of each such Advance, but Lender's failure to do so shall not invalidate such Advance, affect Borrower's obligation to Lender or give rise to any right, claim or defense on the part of Borrower.

(d) Direct Advances to Others. Borrower hereby appoints Lender its true and lawful attorney in fact to make Advances directly, or jointly with Borrower, in Lender's sole discretion, in furtherance of the purposes of the Loan in accordance with this Agreement, to the following:

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(i) The seller of a Mortgaged Property or other party in payment of amounts due under the purchase price of a Parcel(s);

(ii) Any other person having a claim upon, or who is a creditor with respect to, any Parcel; and

(iii) The Title Company, or other escrow agent.

This power of attorney is coupled with an interest and is irrevocable. No further authorization from Borrower is necessary to authorize Lender to make such Advances, and all such Advances shall satisfy Lender's obligations hereunder to the extent of such Advances, regardless of the disposition thereof by any other party.

(e) Endorsement to Note. Lender shall, and is hereby authorized by Borrower to, endorse on Schedule A attached to the Note (or on a continuation of such schedule attached to the Note and made a part thereof) an appropriate notation evidencing the date and amount of each Advance, the Mortgaged Property funded with such Advance, and the monthly payment amount, provided however, that the failure of any person to make such notation on the Note shall not affect any obligations of Borrower under the Note. Any such notation shall be prima facie evidence as to the date an amount of such Advance or portion thereof, of payment or prepayment of principal and interest thereon. Any prepayment made in connection with the release of any of the Mortgaged Properties shall be evidenced on Schedule B attached to the Note.

7. Release Provisions. (a) Partial Release of Mortgaged Property. During the term of Loan, Lender will release the lien of the Deed of Trust on any Mortgaged Property provided the following conditions are met:

(i) Prior to such release, Borrower provides Lender 30 days advance written notice of its request to have a certain Mortgaged Property released;

(ii) At the time of such release, if applicable, Borrower shall deliver to Lender an endorsement to the Title Policy insuring Lender's first lien granted under the Deeds of Trust, in form and substance satisfactory to Lender, assuring that Lender's first lien remains in full force and effect as to all Mortgaged Properties remaining subject to such Deeds of Trust, subject only to the permitted encumbrances, and is in no way adversely affected by such release, and remains in the full Loan amount;

(iii) Prior to such release, Borrower shall provide evidence acceptable and satisfactory to Lender demonstrating that the requested release will not violate any local, state or other governmental plat act or other governmental regulatory restriction, or any covenant, condition, restriction, limitation, zoning or other requirement applicable to any other portion of the Mortgaged Property;

(iv) No Event of Default on the part of Borrower or Guarantor shall have occurred and be continuing under the Loan;

(v) Borrower pays a Release Amount equal to the then outstanding principal balance of the Advance in respect of the Mortgaged Property being released. Upon

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payment of the Release Amount, the total monthly payment due under the Loan will be adjusted to reflect such payment; and

(vi) Borrower shall pay Lender's reasonable out of pocket expenses incurred by Lender in connection with such partial release, including but not limited to, escrow fees, legal fees and expenses, appraisal fees, recording fees and endorsements to Lender's Title Policy.

8. Covenants of Borrower and Guarantor. In addition to the covenants

contained elsewhere in this Agreement and in the other Loan Documents, each Co-Borrower and Guarantor agree as follows:

(a) Additional Indebtedness. During the term of the Loan, no Co-Borrower shall create or permit to exist any indebtedness (other than the Construction Loan or indebtedness incurred by such Co-Borrower to any subsidiary or affiliate, provided such indebtedness is subordinated to the Loan and upon terms satisfactory to Lender), without the prior written consent of Lender.

(b) Minimum Rent Coverage Ratio. During the term of the Loan, no Co-Borrower shall create or renew, or permit to exist any leases, which, at the time of inception, in the case of leases created by such Co-Borrower, or at the time the Mortgaged Property owned by it is acquired, with respect to existing leases, provide for a rental which results in the ratio of rent payable thereunder to the debt service payable in respect of that portion of the Loan advanced in respect of such Mortgaged Property to be less than 1.25:1, without the prior written consent of Lender.

(c) Financial Statements. Borrower shall cause to be furnished to Lender:

(i) At Lender's request, within 45 days after the end of each fiscal quarter, or at such other frequency as Lender may request from time to time, the consolidated balance sheet of Borrower and Guarantor, prepared as of the end of such fiscal quarter, and its statement of profit and loss for such fiscal quarter, in such detail as Lender may reasonably request from time to time, each certified by Guarantor (or by an employee or representative acceptable to Lender) as having been prepared in accordance with accounting principles consistent with those reflected in the audited consolidated financial statements of Borrower and Guarantor and as to the truth, accuracy and completeness of the information contained therein;

(ii) At Lender's request, within 120 days after the end of each of Borrower's and Guarantors' fiscal years, or at such other frequency as Lender may request from time to time, a complete executed copy of a report of an examination of their consolidated financial statements made by independent, certified public accountants selected by Guarantor and acceptable to Lender, such report to include a consolidated balance sheet and a consolidated statement of profit and loss for such year in such detail as Lender may reasonably request from time to time and an unqualified opinion to the effect that such balance sheet and statement of profit and loss fairly present the consolidated financial condition of Borrower and Guarantor and the results of their operations in conformance with generally accepted accounting principles applied on a consistent basis, except as may be described in such opinion; and

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(iii) Such other financial or other statements respecting the condition, operation and affairs of Borrower, Guarantor and their property as Lender may from time to time reasonably request.

(e) Inspection; Books and Records. Borrower and Guarantor shall keep, at its principal place of business or at its Mortgaged Property, the records, books of accounting and all other documents, reports and papers relating to the construction and operation of the Improvements. Lender shall be entitled, at any reasonable time, and on reasonable advance notice, to inspect the Mortgaged Property (including, without limitation, inspections to determine the existence of Hazardous Materials thereon and the compliance of the Mortgaged Property and its use with any law, rule or regulation relating to industrial hygiene or environmental conditions, including soil and ground water conditions and the compliance of the Borrower and Guarantor and the Mortgaged Property with the conditions and covenants set forth herein and the Loan Documents with respect to Hazardous Materials) in such a manner as to not interfere unreasonably with the conduct of business on the applicable Mortgaged Property, all records of Borrower and Guarantor relating to the Mortgaged Property, and the books and other financial records of Borrower and Guarantor and Borrower and Guarantor shall cooperate with Lender in enabling Lender to accomplish such inspection and permit Lender to make such copies as Lender may request. This authority is for Lender's protection only and Lender shall not be deemed to have assumed any responsibility to Borrower, Guarantor or any third party as a result of any such action.

(f) Compliance with Restrictions, Laws and Contracts. The Mortgaged Property shall be maintained in material compliance with all applicable Restrictions. Borrower shall not violate any law of any nature that could result in the forfeiture of all or any portion of any Mortgaged Property. Each Co-Borrower shall comply in all material respects with the terms of all material contracts entered into by such Co-Borrower relating to its Mortgaged Property.

(g) Title Exceptions. No Co-Borrower shall impose any restrictive covenants, easements, rights of way or encumbrances upon its Mortgaged Property without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed.

(h) Injunction Defense and Notice. If any proceedings are

filed seeking to enjoin or otherwise prevent or declare invalid or unlawful the occupancy, maintenance or operation of the Mortgaged Property or any portion thereof, Borrower will give prompt written notice thereof to Lender and will cause such proceedings to be vigorously contested in good faith and, in the event of any adverse ruling or decision, prosecute all allowable appeals.

(i) Publicity and Advertisement. Borrower shall permit Lender to publicize its involvement in the Mortgaged Property. Borrower hereby consents to the taking of photographs and the publications thereof.

(j) Further Assurances. Borrower will, at the request of Lender, execute, deliver and furnish such documents or take such further action as Lender may deem reasonably necessary or desirable to evidence the Loan, perfect the security therefor, or otherwise carry out the terms of this Agreement and any of the other documents delivered to Lender in connection herewith.

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(k) No Further Liens. All equipment, personal property, fixtures and other property owned by Borrower subject to the lien and the security interest granted to Lender in the Deeds of Trust shall be fully paid for by Borrower and no security interest, lien or other encumbrance, other than that granted to Lender and the Permitted Encumbrances, shall exist thereon.

(l) Removal of Liens. If at any time an encumbrance, lien or charge is placed or claimed upon the Mortgaged Property, Borrower shall satisfy and remove or vigorously contest such encumbrance, lien or charge by bonding or by other method satisfactory to Lender or cause the Title Company to provide affirmative coverage over such liens, as Lender may require. In addition to all other rights and remedies of Lender referred to in this Agreement, if such encumbrance, lien or charge is not removed within thirty (30) days, unless Borrower is contesting the same and has provided Lender a bond, title endorsement or other security, which must be acceptable to Lender, Lender, at its sole discretion, may pay off the same and Borrower shall reimburse Lender within five (5) business days of Lender's demand for payment.

(m) Notices Received. Each Co-Borrower shall comply with and promptly furnish to Lender true and complete copies of any notices pertaining to the Mortgaged Property owned by it by any governmental authority of the United States, the state, cities, counties, or any other political subdivision in which such Mortgaged Property is located or which exercises jurisdiction over Borrower or such Mortgaged Property. Borrower shall promptly notify Lender of any fire or other casualty or any notice of taking or eminent domain proceeding affecting the Mortgaged Property. Borrower shall promptly notify Lender of any action, proceeding or investigation of the nature described in Section 3(i) above of which it acquires notice.

(q) Hazardous Materials. No Co-Borrower shall cause or permit the violation of any law relating to industrial hygiene or environmental conditions in connection with the Mortgaged Property owned by it, including soil and ground water conditions; or use, generate, or store any Hazardous Materials on, under or about the Mortgaged Property, except in accordance with all applicable laws; or manufacture or dispose of any Hazardous Materials on, under or about the Mortgaged Property. For purposes of this Section 8(q), the term "Mortgaged Property" shall include the groundwater in or under the Mortgaged Property. Borrower shall not install underground storage tanks on the Land without Lender's prior written consent. Borrower shall indemnify and hold Lender harmless from any loss, liability, cost, expense and/or claim (including without limitation the cost of any fines, remedial action, damage to the environment and cleanup and the fees of attorneys and other experts) incurred by Lender arising from (i) the use, Release or disposal of any Hazardous Materials on, under or about the Mortgaged Property or the transport of any Hazardous Materials to or from the Mortgaged Property; and (ii) the violation of any law relating to industrial hygiene or environmental conditions in connection with the Mortgaged Property, including soil and ground water conditions; and (iii) the breach of any of the representations, warranties and covenants of Borrower with respect to Hazardous Materials set forth in this Agreement or any other Loan Documents.

(r) Restriction on Transfer. Except as expressly permitted pursuant to this Agreement, (A) O. Bruton Smith and B. Scott Smith, or a Related Party, shall continue to own, directly or indirectly, more than 50% of the combined voting power of the Guarantor's capital stock ordinarily having the right to vote at an election of directors, and (B) no Co-Borrower shall,

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without Lender's prior written consent, suffer, permit or enter into (i) any lease of one year or longer (other than the leases described in Schedule A), sale, transfer, assignment, agreement for deed, conveyance, hypothecation or encumbrance, whether voluntary or involuntary, of all or any part of the Mortgaged Property or any interest therein, or (ii) any sale, assignment, pledge, encumbrance or transfer to a third party of an aggregate of more than 20% of the ownership interests of a Co-Borrower, if such entity is a

corporation, partnership, limited liability company or other form of ownership entity, or (iii) the seizure of the Mortgaged Property or attachment of any lien on the Mortgaged Property, whether voluntary or involuntary, which has not been removed or bonded off to Lender's satisfaction within 30 days of such attachment, then and in such event Lender may by written notice to Borrower, accelerate and declare the principal balance of the Loan and interest accrued thereon immediately due and payable notwithstanding any provision to the contrary contained in any of the documents relating to the Loan. Borrower shall notify Lender promptly in writing of any transaction or event that may give rise to a right of acceleration hereunder. Any consent by Lender, or any waiver of an event of default under this Section 10(r), shall not constitute a consent to, or waiver of any right, remedy or power of Lender under any subsequent event of default hereunder.

(s) Insurance. Borrower shall pay all premiums on all insurance policies required from time to time under this Agreement, and thirty (30) days prior to expiration of any such policies, Borrower shall furnish to Lender with premiums prepaid, additional and renewal policies (or binders to be followed by policies in due course) in form, and with companies, coverage, deductibles and amounts satisfactory to Lender. In the event of failure by Borrower to provide such insurance, Lender may place insurance and treat the amounts expended therefor as Advances.

(t) Notice of Breach. Borrower shall promptly give to Lender notice of the occurrence of any event which does or would with the passage of time or the giving of notice, or both, constitute a default under this Agreement, any of the other Loan Documents, or have any adverse effect on any security for the Loan or on Borrower's ability to perform its obligations hereunder.

9. Defaults by Borrower and Guarantor. In addition to the Events of Default set forth in the Deeds of Trust, the following shall also constitute an "Event of Default":

(a) Payment of Indebtedness. Borrower shall default in the due and punctual payment of all or any portion of any installment of the Indebtedness as and when the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment or by acceleration or otherwise, and such default shall continue for a period of ten days after written notice thereof by Lender to Borrower.

(b) Performance of Obligations. Borrower or Guarantor shall default in the due observance or performance of any of the Obligations other than payment of money and such default shall not be curable, or if curable shall continue for a period of thirty (30) days after written notice thereof from Lender to Borrower (unless such default, if curable, requires work to be performed, acts to be done or conditions to be remedied which by their nature cannot be performed, done or remedied, as the case may be, within such thirty (30) day period and Borrower shall commence to cure such default within such thirty (30) day period and shall thereafter diligently and continuously process the same to completion but in no event shall the period for cure exceed one hundred twenty (120) days unless otherwise agreed by Lender).

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(c) Bankruptcy, Receivership, Insolvency, Etc. Voluntary or involuntary proceedings under the Federal Bankruptcy Code, as amended, shall be commenced by or against Borrower or Guarantor, or bankruptcy, receivership, insolvency, reorganization, dissolution, liquidation or other similar proceedings shall be instituted by or against Borrower or Guarantor with respect to all or any part of Borrower's or Guarantor's property under the Federal Bankruptcy Code, as amended, or other law of the United States or of any state or other competent jurisdiction.

(d) False Representation. Any representation or warranty made by or on behalf of Borrower or Guarantor in, under or pursuant to this Agreement, the Loan Documents, any other agreement between Borrower, Guarantor and Lender, any report, certificate, financial statement or other statement furnished to Lender, shall prove to have been false or misleading in any material respect as of the date on which such representation or warranty was made.

(e) Default under Other Agreements. A default shall occur under the Loan Documents, the Construction Loan or any other agreement between Borrower and Lender; or any other indebtedness of Borrower to Lender shall be accelerated under the terms of the instrument evidencing such indebtedness as a result of a default by Borrower; or payment of any other indebtedness of Borrower to Lender which is payable on demand shall be demanded.

(f) Judgment. If a final judgment for the payment of money in excess of Twenty-Five Thousand Dollars (\$25,000.00) shall be rendered against Borrower or a final judgment for the payment of money in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00) shall be rendered against Guarantor, and either of the same shall remain unpaid for a period of sixty (60) consecutive days during which period execution shall not be effectively stayed.

10. Remedies. (a) Upon the occurrence and during the continuance of any Event of Default, in addition to those remedies provided in the Deeds of Trust, Lender shall be entitled to terminate its obligation to make Advances hereunder, declare all sums evidenced by the Note and secured by the other Loan Documents to be immediately due and payable and to enforce all of its rights and remedies contained in this Agreement, the Deeds of Trust, Guaranty and other Loan Documents, or otherwise provided by law or equity. Each right and remedy provided in this Agreement or the other Loan Documents is distinct and cumulative to all other rights or remedies under this Agreement and the other Loan Documents, or afforded by law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever.

(b) Power of Attorney. If an Event of Default occurs and is continuing, Borrower hereby constitutes and appoints Lender its true and lawful attorney in fact with the power and authority, including full power of substitution, to, in its sole discretion to: (i) prosecute and defend all actions and proceedings in connection with the Property; and (ii) execute, acknowledge and deliver all instruments and documents in the name of Borrower as Lender deems proper which may be necessary or desirable, and to do any and every act with respect to the Property which Borrower might do on its own behalf. This power of attorney is a power coupled with an interest and cannot be revoked.

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(c) Disclaimer. No Advance of Loan funds by Lender will cure any default of Borrower or Guarantor unless Lender agrees otherwise in writing. Whether or not Lender elects to employ any or all of the remedies available to it, Lender shall not be liable for payment of any expenses incurred in connection with the exercise of any remedy available to Lender or for the performance or non-performance of any obligation of Borrower and Guarantor, except to the extent caused by the gross negligence or willful misconduct of Lender.

11. Miscellaneous Provisions.

(a) Notice. All notices, demands, requests and other communications required under the Loan Documents shall be in writing and shall be deemed to have been properly given if sent by U. S. certified or registered mail, postage prepaid, addressed to the party for whom it is intended at the Borrower's address, the Lender's address, or the Guarantor's address, as the case may be, to the attention of the person indicated below, with copies as indicated below. Any party may designate a change of address by written notice to the other, giving at least ten (10) business days before such change of address is to become effective.

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If to any Co-Borrower: Applicable Co-Borrower
6415 Idlewild Road, Suite 109
Charlotte, North Carolina 28212
Attention: Stephen K. Coss

With a copy to: Douglas E. Wambach, Esq.
Burke, Warren, MacKay & Serritella, P.C.
22nd Floor, IBM Plaza
330 North Wabash Avenue
Chicago, Illinois 60611-3607

If to Lender: Ford Motor Credit Company
The American Road
P. O. Box 6044
Dearborn, Michigan 48121-6044
Attention: Marlene Martel, Esq.

With a copy to: Ford Motor Credit Company
6302 Fairview Road, Suite 500
Charlotte, North Carolina 28210
Attention: Branch Manager
Charlotte Branch

With a copy to: Ford Motor Credit Company
1455 Lincoln Parkway, Suite 400
Atlanta, Georgia 30346
Attention: William J. Beck IV,
National Account Manager

If to Guarantor: Sonic Automotive, Inc.
6415 Idlewild Road, Suite 109
Charlotte, North Carolina 28212
Attention: Theodore M. Wright

(b) No Assignment. Borrower shall not assign any of its rights under this Agreement without the prior written consent of Lender, which consent

may be granted or denied by Lender in its sole and absolute discretion, and any purported assignment in violation of this Section without such prior written consent shall be void.

(c) Time. Time is of the essence hereunder.

(d) Headings. The captions and headings of various sections of this Agreement are for convenience only and are not to be considered as defining and limiting in any way the scope or intent of the provisions hereof.

(e) Successors. This Agreement shall be binding upon and shall inure to the benefit of all successors and permitted assigns of the parties.

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(f) No Partnership; Indemnity. Lender shall not be deemed to be a partner or joint venturer with Borrower in connection with the Loan or any action taken under this Agreement and Borrower shall indemnify, hold Lender harmless and defend Lender from and against any and all loss, cost, damage, expense or liability, including reasonable attorneys' fees, arising out of or resulting from such a construction of the parties and their relationship or resulting from any actual or alleged defect in the construction of the Improvements, except to the extent caused by the gross negligence or willful misconduct of Lender. None of the rights granted to Lender under the Loan Documents shall be deemed to diminish or substitute for Borrower's management powers and responsibilities with respect to the Mortgaged Property, and the existence of, and/or Lender's exercise of such rights shall not constitute participation in management by Lender. This provisions of this Section shall survive completion of construction of the Improvements and payment of the Loan.

(g) Effectiveness. This Agreement shall continue in full force and effect so long as Borrower remains obligated to Lender under the Loan.

(h) No Waiver. No failure on Lender's part at any time to require the performance by Borrower of any term of this Agreement shall in any way affect Lender's rights to subsequently enforce such term, nor shall any omission on Lender's part to notify Borrower of any event which with notice or the passage of time or both would constitute an Event of Default be construed as a waiver of such Event of Default or any right or remedy of Lender, nor shall any waiver by Lender of any term hereof be taken or held to be a waiver of any other term hereof.

(i) Governing Law. This Agreement shall be interpreted and enforced under the laws of the State of North Carolina.

(j) Waiver of Right to Trial by Jury. To facilitate each party's desire to resolve disputes in an efficient and economical manner, each party to this Agreement hereby expressly waives any right to trial by jury of any claim, demand, action or cause of action (i) arising under this Agreement or any other Loan Documents, or (ii) in any way connected with or related or incidental to the dealings of the parties hereto or any of them with respect to this Agreement or any other Loan Documents, or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether arising in contract or tort or otherwise. Each party hereby agrees and consents that any such claim, demand, action or cause of action shall be decided by court trial without a jury, and that any party to this Agreement may file an original counterpart or a copy of this Section with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

(k) Complete Agreement. The parties hereto hereby represent and acknowledge that the Loan Documents are fully integrated and contain the complete understanding and agreements of the parties with respect to the Loan and all matters relative thereto and accurately reflect the intentions of the parties. All prior agreements, negotiations, drafts and other extrinsic communications relating thereto have been incorporated into or are superseded by the terms of the Loan Documents and have no further significance or evidentiary effect.

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(l) Counterparts. This Agreement may be executed in one or more counterparts, each of which together shall constitute one and the same instrument.

(m) Lender's Advances. All expenditures by Lender permitted under this Agreement and any other Loan Documents shall be deemed to be Advances under the Loan from the date made. In the event the total Advances under the Loan exceed the maximum amount of the Loan, Borrower and Lender acknowledge and authorize that such excess amount shall be deemed an additional loan to Borrower, payable within five (5) business days of Lender's demand for payment, secured by the Deeds of Trust and bearing interest at the Default Rate (as defined in the Note) if not timely repaid.

(n) Attorneys' Fees. In the event that an attorney be employed or expenses be incurred to compel payment of the Loan or any portion thereof or

in connection with any default hereunder or under any other Loan Documents whether or not any action or proceeding is commenced by Lender, Borrower promises to pay all such reasonable expenses and attorneys' fees, including but not limited to, attorneys' fees incurred in any bankruptcy (including, without limitation, an action for relief from the automatic stay of any bankruptcy proceeding) or judicial or non-judicial foreclosure proceedings.

Notwithstanding anything contained in this Agreement or any other current or future document evidencing, securing or otherwise relating to the obligations of Borrower to Lender, no person shall have any obligation (nor shall any proceeds of any foreclosure be used) to reimburse any other person for attorneys' fees other than those which are:

1. Reasonable in amount;
2. Determined without reference to any statutory presumption;
3. Based upon the actual time expended and the standard hourly rate of the attorneys and paralegals performing the tasks.

Furthermore, no person shall be obligated to reimburse any other person for attorneys' fees of in-house counsel.

(o) Severability. In the event any one or more of the provisions contained in this Agreement, or in any of the other Loan Documents shall for any reason be held to be invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall at the option of Lender, not affect any other provision of this Agreement, or any such other Loan Documents, and this Agreement and any such other Loan Documents shall be construed as if such invalid, illegal or unenforceable provision had never been contained therein.

(p) Set-Off. Without limitation of any other right or remedy of Lender hereunder or provided by law, any indebtedness now or hereafter owing to Lender by Borrower (including, without limitation, any amounts on deposit in any demand, time, savings, or like account maintained by Borrower with Lender) may be offset and applied by Lender hereunder, or under the Note, the Deeds of Trust or the other Loan Documents.

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(q) No Violation. Notwithstanding anything in this Agreement or to the contrary, Lender will not be required to make any Advance or perform any other act under this Agreement if as a result thereof, Lender will violate any law, statute, ordinance, rule, regulation or judicial decision applicable thereto.

THIS LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR AGREEMENTS OF THE PARTIES.

IN WITNESS WHEREOF, Borrower and Lender have executed this Agreement, under seal, as of the date first above written.

FORD MOTOR CREDIT COMPANY,
a Delaware corporation

By /s/ W. J. Beck IV

William J. Beck IV,
National Account Manager

SRE HOLDING, LLC, a North Carolina
limited liability company,
SREALESTATE ARIZONA - 1, LLC,
an Arizona limited liability company,
SREALESTATE ARIZONA - 2, LLC,
an Arizona limited liability company,
SREALESTATE ARIZONA - 3, LLC,
an Arizona limited liability company,
SREALESTATE ARIZONA - 4, LLC,
an Arizona limited liability company,
SRE ALABAMA - 1, LLC,
an Alabama limited liability
company,
SRE ALABAMA - 2, LLC,
an Alabama limited liability
company,
SRE ALABAMA - 3, LLC,
an Alabama limited liability
company,

SRE SOUTH CAROLINA - 1, a South
Carolina limited liability company,
SRE SOUTH CAROLINA - 2, a South
Carolina limited liability company,
SRE VIRGINIA - 1, LLC, a Virginia
limited liability company,

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SRE TENNESSEE - 1, LLC, a Tennessee
limited liability company,

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SRE TENNESSEE - 2, LLC, a Tennessee
limited liability company, and
SRE TENNESSEE - 3, LLC, a Tennessee
limited liability company

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith, Vice President
of each of the companies

Attest: /s/ Stephen K. Coss

Stephen K. Coss, Secretary
of each of the companies

SRE FLORIDA - 1, LLC, a Florida
limited liability company,
SRE FLORIDA - 2, LLC, a Florida
limited liability company,
SRE FLORIDA - 3, LLC, a Florida
limited liability company,
SRE NEVADA - 1, LLC, a Nevada
limited liability company,
SRE NEVADA - 2, LLC, a Nevada
limited liability company, and
SRE NEVADA - 3, LLC, a Nevada
limited liability company

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
President of each of the companies

Attest: /s/ Stephen K. Coss

Stephen K. Coss,
Secretary of each of the companies

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SRE GEORGIA - 1, L.P.,
a Georgia limited partnership,
SRE GEORGIA - 2, L.P.,
a Georgia limited partnership, and
SRE GEORGIA - 3, L.P.,
a Georgia limited partnership

By: SONIC AUTOMOTIVE OF
GEORGIA, a Georgia
Corporation, the General Partner of
each of the partnerships

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
Vice President

Attest: /s/ Stephen K. Coss

Stephen K. Coss,
Secretary

SRE TEXAS - 1, L.P.,
a Texas limited partnership,
SRE TEXAS - 2, L.P.,

a Texas limited partnership, and
SRE TEXAS - 3, L.P.,
a Texas limited partnership

By: SONIC OF TEXAS, INC.,
a Texas corporation, the
General Partner of each of the
Partnerships

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
Vice President

Attest: /s/ Stephen K. Coss

Stephen K. Coss,
Secretary

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Guarantor joins in the execution of this Agreement for the purpose of
acknowledging and agreeing to the provisions contained herein applicable to
Guarantor.

SONIC AUTOMOTIVE, INC.,
a Delaware corporation

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith, President

Attest: /s/ Stephen K. Coss

Stephen K. Coss, Secretary

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SCHEDULE 1

1. SRE Alabama - 1, LLC, an Alabama limited liability company
2. SRE Alabama - 2, LLC, an Alabama limited liability company
3. SRE Alabama - 3, LLC, an Alabama limited liability company
4. SRealEstate Arizona - 1, LLC, an Arizona limited liability company
5. SRealEstate Arizona - 2, LLC, an Arizona limited liability company
6. SRealEstate Arizona - 3, LLC, an Arizona limited liability company
7. SRealEstate Arizona - 4, LLC, an Arizona limited liability company
8. SRE Florida - 1, LLC, a Florida limited liability company
9. SRE Florida - 2, LLC, a Florida limited liability company
10. SRE Florida - 3, LLC, a Florida limited liability company
11. SRE Georgia - 1, L.P., a Georgia limited partnership
12. SRE Georgia - 2, L.P., a Georgia limited partnership
13. SRE Georgia - 3, L.P., a Georgia limited partnership
14. SRE Holding, LLC, a North Carolina limited liability company
15. SRE Nevada - 1, LLC, a Nevada limited liability company
16. SRE Nevada - 2, LLC, a Nevada limited liability company
17. SRE Nevada - 3, LLC, a Nevada limited liability company
18. SRE South Carolina - 1, LLC, a South Carolina limited liability company
19. SRE South Carolina - 2, LLC, a South Carolina limited liability company
20. SRE Tennessee - 1, LLC, a Tennessee limited liability company

21. SRE Tennessee - 2, LLC, a Tennessee limited liability company
22. SRE Tennessee - 3, LLC, a Tennessee limited liability company
23. SRE Texas - 1, L.P., a Texas limited partnership

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24. SRE Texas - 2, L.P., a Texas limited partnership
25. SRE Texas - 3, L.P., a Texas limited partnership
26. SRE Virginia - 1, LLC, a Virginia limited liability company

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PROMISSORY NOTE
 (Revolving Construction Line of Credit)
 (LIBOR Rate)

\$50,000,000.00

Charlotte, North Carolina

June 23, 2000

FOR VALUE RECEIVED, SRE GEORGIA - 1, L.P., a Georgia limited partnership, SRE GEORGIA - 2, L.P., a Georgia limited partnership, SRE GEORGIA - 3, L.P., a Georgia limited partnership, SRE TEXAS - 1, L.P., a Texas limited partnership, SRE TEXAS - 2, L.P., a Texas limited partnership, SRE TEXAS - 3, L.P., a Texas limited partnership, SRE ALABAMA - 1, LLC, an Alabama limited liability company, SRE ALABAMA - 2, LLC, an Alabama limited liability company, SRE ALABAMA - 3, LLC, an Alabama limited liability company, SREALESTATE ARIZONA - 1, LLC, an Arizona limited liability company, SREALESTATE ARIZONA - 2, LLC, an Arizona limited liability company, SREALESTATE ARIZONA - 3, LLC, an Arizona limited liability company, SREALESTATE ARIZONA - 4, LLC, an Arizona limited liability company, SRE FLORIDA - 1, LLC, a Florida limited liability company, SRE FLORIDA - 2, LLC, a Florida limited liability company, SRE FLORIDA - 3, LLC, a Florida limited liability company, SRE NEVADA - 1, LLC, a Nevada limited liability company, SRE NEVADA - 2, LLC, a Nevada limited liability company, SRE NEVADA - 3, LLC, a Nevada limited liability company, SRE SOUTH CAROLINA - 1, LLC, a South Carolina limited liability company, SRE SOUTH CAROLINA - 2, LLC, a South Carolina limited liability company, SRE TENNESSEE - 1, LLC, a Tennessee limited liability company, SRE TENNESSEE - 2, a Tennessee limited liability company, SRE TENNESSEE - 3, LLC, a Tennessee limited liability company, SRE VIRGINIA - 1, LLC, a Virginia limited liability company, and SRE HOLDING, LLC, a North Carolina limited liability company (Collectively, "Borrowers"), whose address is 6415 Idlewild Road, Suite 109, Charlotte, North Carolina 28212, promises to pay to FORD MOTOR CREDIT COMPANY, a Delaware corporation ("Lender"), or order, at 6302 Fairview Road, Suite 500, Charlotte, North Carolina 28210, or at such other place as Lender may from time to time in writing designate, in lawful money of the United States of America, the principal sum of FIFTY MILLION AND 00/100 DOLLARS (\$50,000,000.00), or so much thereof as may be advanced from time to time, pursuant to the terms of the Construction Loan Agreement (as defined herein), together with interest on the principal balance outstanding from time to time, in like money, from the date of the first advance of principal by Lender under this Promissory Note (this "Note"), to and including the Maturity Date (as defined herein), at the rate of two and twenty-five hundredths percent (2.25%) per annum above the LIBOR Rate (as defined herein) in effect from time to time (the "Applicable Interest Rate"):

This Note is issued by Borrowers pursuant to a Construction Loan Agreement among Lender and Borrowers dated of even date (the "Construction Loan Agreement"), which is incorporated herein by reference. Unless otherwise defined herein or unless otherwise required by the context of this Note, capitalized terms used in this Note will have the meanings ascribed to those terms in the Construction Loan Agreement.

For purposes of computing interest during the term of this Note, the Applicable Interest Rate for each calendar month shall be based on the LIBOR Rate in effect on the last day of the prior calendar month. All changes in the Applicable Interest Rate shall become effective on the first day of a calendar month following a change in the LIBOR Rate and shall be deemed in effect throughout such calendar month.

The Principal Balance and interest thereon at the Applicable Interest Rate shall be due and payable as hereinafter set forth.

Prior to the Loan Maturity Date, the outstanding Principal Balance hereunder may fluctuate up and down from time to time as Disbursements are made and Borrower repays the Principal Balance, or any portion thereof; provided, however, that the outstanding Principal Balance does not exceed \$50,000,000.00. The Disbursements shall be made subject to the terms of the Construction Loan Agreement.

The term "Advance Termination Date" shall mean 42 months from the date hereof.

The term "Agreement" shall mean the Master Construction Loan Agreement dated as of even date herewith between Borrower and Lender.

The term "Budgeted Interest" shall mean, as to each Construction Project, the amount of money shown in the Budget for such Construction Project, from which Borrowers agree Lender may pay itself interest on sums disbursed hereunder on a monthly basis as it accrues, provided that if Borrower shall pay the interest with other funds, Lender will, at Borrowers' request, reimburse Borrowers to the extent of the payment, but only to the extent available from funds allocated as Budgeted Interest. All such sums disbursed by Lender to

payment of interest shall be considered a Disbursement for such Construction Project and added to the Principal Balance.

The "LIBOR Rate" shall mean the monthly arithmetic average of the per annum interest rate announced from time to time as the one month London Interbank Offered Rates quoted each Monday for the previous Friday under the Money Rates Column of the Wall Street Journal, or as published in such other publication as Lender may designate. In the event such rate is not quoted on Monday for the previous Friday, the rate quoted on the first business day of the week for the last business day of the previous week shall be utilized.

The term "Construction Project Maturity Date" shall mean, as to each Construction Project, the date the earlier of (i) fifteen (15) months less one day from the date of the first Disbursement of the Advance for a Construction Project, (ii) three (3) months after the Completion Date, or (iii) the Loan Maturity Date.

The term "Deeds of Trust" shall mean those certain instruments entitled Deeds of Trust and Assignment of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing), from Borrowers to the Trustee specified therein, in trust for Lender, and entitled Mortgages and Assignment of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing) from Borrowers to Lender, dated as of even date with this Note and any other mortgages or deeds of trust granted by Borrowers to Lender executed hereafter, securing payment of this Note, and covering certain real and personal property described therein (collectively, the "Properties").

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The term "Loan Maturity Date" shall mean the date five (5) years less one day after the Date hereof.

The term "Other Security Documents" shall mean any and all of the documents other than this Note and the Deeds of Trust, now or hereafter executed by Borrowers and/or Sonic Automotive, Inc., and by or in favor of Lender, which wholly or partially guarantee or secure this Note or are executed in connection with this Note.

The term "Principal Balance" shall mean the aggregate unpaid principal balance of all Disbursements outstanding from time to time.

From the date hereof to and including the Loan Maturity Date, the Principal Balance and interest thereon shall be due and shall be payable as follows:

(a) consecutive monthly installments of interest on the unpaid Principal Balance outstanding shall be due and payable at the Applicable Interest Rate, commencing on the fifteenth day of the first full calendar month after the date hereof, and continuing monthly thereafter on the fifteenth day of each month through and including the Loan Maturity Date; and

(b) on each Construction Project Maturity Date, a principal installment equal to the aggregate amount of all outstanding Disbursements made for such Construction Project; and

(c) on the Loan Maturity Date, a final installment which shall include all unpaid amounts of the Principal Balance and interest accrued and unpaid thereon and any and all other payments due under this Note and the Deeds of Trust and the Other Security Documents.

As to each Construction Project, unless paid by Borrowers from other funds, Lender may disburse to itself to pay interest monthly as it accrues on this Note, the amount allocated for interest before the Construction Project Maturity Date, in the Budget for such Construction Project approved by Lender as being available only for payment of that interest. Disbursements will be made on behalf of Borrowers to Lender on the payment dates when interest is due and owing hereunder and will be made by a bookkeeping entry on Lender's records reflecting, as an additional disbursement hereunder, an amount equal to the accrued interest due on the relevant payment date. If Borrowers shall pay the interest with other funds, Lender will, at Borrowers' request, reimburse Borrowers to the extent of the payment by crediting such sums to the outstanding balance of the Disbursements attributable such Construction Project, but only to the extent available from funds allocated for interest on this Note.

Borrowers may prepay the unpaid Principal Balance in whole or from time to time in part, at any time, upon payment of interest accrued on the unpaid Principal Balance outstanding through the day of prepayment and all other charges due hereunder and under the Deeds of trust and the Other Security Documents, without premium. All payments and prepayments received by Lender prior to an Event of Default, including, without limitation, any condemnation awards or insurance proceeds received under the Deeds of Trust which Lender is permitted to apply on the indebtedness evidenced hereby will be applied first to accrued unpaid interest at the Applicable Rate and then: (a) in the case where such prepayment is not made in connection with the release of a Property pursuant to Section 10 of the Construction Loan Agreement, to

the outstanding balance of Disbursements then remaining unpaid for each Construction Project, in the inverse order of their maturity, and (b) in the case where such prepayment is made in connection with the release of a Property pursuant to Section 10 of the Construction Loan Agreement, to the outstanding balance of Disbursements then remaining unpaid for the applicable Construction Project.

Notwithstanding any provision in this Note, the total liability for payments of interest and payments in the nature of interest, including without limitation, all charges, fees or any sums which may at any time be deemed to be interest, shall not exceed the amount which Lender may lawfully collect. In the event the total liability for payments of interest and payments in the nature of interest, including without limitation, all charges, fees or other sums which may at any time be deemed to be interest, shall, for any reason whatsoever, result in an effective rate of interest, which for any month or other interest payment period exceeds the amount which Lender may lawfully collect, all sums in excess of those lawfully collectible as interest for the period in question shall, without further notice to any party hereto, be applied as a premium-free reduction of the Principal Balance immediately upon receipt of such sums by Lender, with the same force and effect as though Borrowers had specifically designated such excess sums to be so applied to the reduction of the Principal Balance; provided, however, that Lender may, at any time, and from time to time, elect, by notice in writing to Borrowers, to waive, reduce or limit the collection of any sums (or refund to Borrowers any sums collected) in excess of those lawfully collectible as interest rather than accept such sums as prepayment of the Principal Balance.

Payment of this Note is secured by the Deeds of Trust and the Other Security Documents. All of the agreements, conditions, covenants, provisions and stipulations contained in the Deeds of Trust and the Other Security Documents which are to be kept and performed by Borrower are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein, and Borrowers covenant and agree to keep and perform them, or cause them to be kept and performed, strictly in accordance with their terms.

Time is of the essence hereof and if any of the Principal Balance or interest on this Note or other sum due hereunder is not paid within fifteen (15) days of when due, Borrowers shall pay to Lender a late charge payment equal to four percent (4%) of the amount of such installment or the maximum rate permitted by law, whichever is less. If any "Event of Default" (as such term is defined in the Deeds of Trust) shall occur, then Lender, at its option and without further notice, demand or presentment for payment to Borrowers or others, may declare immediately due and payable the unpaid Principal Balance and interest accrued thereon to the date of such Event of Default and thereafter at the rate of three percent (3%) per annum over the Applicable Interest Rate, together with any reasonable attorneys' fees and costs (through and including any appellate fees and other reasonable costs and any fees and costs incurred in enforcing this Note and the Deeds of Trust or the Other Security Documents in any bankruptcy or insolvency proceeding) incurred by Lender in collecting or enforcing payment thereof to the extent allowed by law and all other sums owed by Borrowers under this Note and the Deeds of Trust and the Other Security Documents, anything in this Note and the Deeds of Trust and the Other Security Documents to the contrary notwithstanding, all without any relief whatever from any valuation or appraisal laws, and payment thereof may be enforced and recovered in whole or in part at any time by one or more of the remedies provided to Lender in this Note and the Deeds of Trust and the Other Security Documents.

The remedies of Lender, as provided in this Note and the Deeds of Trust and the Other Security Documents, shall be cumulative and concurrent and may be pursued singularly, successively or together, at the sole discretion of Lender, and may be exercised as often as occasion therefor shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

Borrower waives presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Note, and all other notices except as provided in this Note, the Construction Loan Agreement, the Deeds of Trust or any Other Security Documents in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note.

Lender shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by Lender and, then, only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event.

This instrument shall be governed by and construed according to the laws of the State of North Carolina.

Whenever used, the singular shall include the plural, the plural shall include the singular, and the words "Lender" and "Borrower" shall be deemed to include their respective heirs, administrators, executors, successors and assigns.

In the event any one or more of the provisions hereof shall be invalid, illegal or unenforceable in any respect, the validity of the remaining provisions hereof shall be in no way affected, prejudiced or disturbed thereby.

The laws of South Carolina provide that in any real estate foreclosure proceeding, a defendant against whom a personal judgment is taken or asked may within thirty (30) days after the sale of the Property apply to the court for an order of appraisal. The statutory appraisal value as approved by the court would be substituted for the high bid and may decrease the amount of any deficiency owing in connection with the transaction. THE UNDERSIGNED HEREBY WAIVE AND RELINQUISH THE STATUTORY APPRAISAL RIGHTS WHICH MEANS THE HIGH BID AT THE JUDICIAL FORECLOSURE SALE WILL BE APPLIED TO THE DEBT REGARDLESS OF ANY APPRAISED VALUE OF THE MORTGAGED PROPERTY.

IN WITNESS WHEREOF, Borrowers, intending to be legally bound hereby, have duly executed this Note under seal on the day and year first above written.

SRE HOLDING, LLC, a North Carolina
limited liability company,
SREALESTATE ARIZONA - 1, LLC,
an Arizona limited liability company,
SREALESTATE ARIZONA - 2, LLC,
an Arizona limited liability company,

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SREALESTATE ARIZONA - 3, LLC,
an Arizona limited liability company,
SREALESTATE ARIZONA - 4, LLC,
an Arizona limited liability company,
SRE ALABAMA - 1, LLC,
an Alabama limited liability company,
SRE ALABAMA - 2, LLC,
an Alabama limited liability company,
SRE ALABAMA - 3, LLC,
an Alabama limited liability company,
SRE SOUTH CAROLINA - 1, a South
Carolina limited liability company,
SRE SOUTH CAROLINA - 2, a South
Carolina limited liability company,
SRE VIRGINIA - 1, LLC, a Virginia
limited liability company,
SRE TENNESSEE - 1, LLC, a Tennessee
limited liability company,
SRE TENNESSEE - 2, LLC, a Tennessee
limited liability company, and
SRE TENNESSEE - 3, LLC, a Tennessee
limited liability company

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith, Vice President
of each of the companies

Attest: /s/ Stephen K. Coss

Stephen K. Coss, Secretary
of each of the companies

SRE FLORIDA - 1, LLC, a Florida
limited liability company,
SRE FLORIDA - 2, LLC, a Florida
limited liability company,
SRE FLORIDA - 3, LLC, a Florida
limited liability company,
SRE NEVADA - 1, LLC, a Nevada
limited liability company,
SRE NEVADA - 2, LLC, a Nevada
limited liability company, and
SRE NEVADA - 3, LLC, a Nevada
limited liability company

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By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
President of each of the companies

Attest: /s/ B. Scott Smith

Stephen K. Coss,
Secretary of each of the companies

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SRE GEORGIA - 1, L.P.,
a Georgia limited partnership,
SRE GEORGIA - 2, L.P.,
a Georgia limited partnership, and
SRE GEORGIA - 3, L.P.,
a Georgia limited partnership

By: SONIC AUTOMOTIVE OF
GEORGIA, INC., a Georgia
corporation, the General Partner of
each of the partnerships

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
Vice President

Attest: /s/ Stephen K. Coss

Stephen K. Coss,
Secretary

SRE TEXAS - 1, L.P.,
a Texas limited partnership,
SRE TEXAS - 2, L.P.,
a Texas limited partnership, and
SRE TEXAS - 3, L.P.,
a Texas limited partnership

By: SONIC OF TEXAS, INC.,
a Texas corporation, the
General Partner of each of the
Partnerships

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
Vice President

Attest: /s/ Stephen K. Coss

Stephen K. Coss,
Secretary

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PROMISSORY NOTE
 (Revolving Mortgage Line of Credit)
 (LIBOR Rate)

\$100,000,000.00

Charlotte, North Carolina

June 23, 2000

FOR VALUE RECEIVED, SRE GEORGIA - 1, L.P., a Georgia limited partnership, SRE GEORGIA - 2, L.P., a Georgia limited partnership, SRE GEORGIA - 3, L.P., a Georgia limited partnership, SRE TEXAS - 1, L.P., a Texas limited partnership, SRE TEXAS - 2, L.P., a Texas limited partnership, SRE TEXAS - 3, L.P., a Texas limited partnership, SRE ALABAMA - 1, LLC, an Alabama limited liability company, SRE ALABAMA - 2, LLC, an Alabama limited liability company, SRE ALABAMA - 3, LLC, an Alabama limited liability company, SREALESTATE ARIZONA - 1, LLC, an Arizona limited liability company, SREALESTATE ARIZONA - 2, LLC, an Arizona limited liability company, SREALESTATE ARIZONA - 3, LLC, an Arizona limited liability company, SREALESTATE ARIZONA - 4, LLC, an Arizona limited liability company, SRE FLORIDA - 1, LLC, a Florida limited liability company, SRE FLORIDA - 2, LLC, a Florida limited liability company, SRE FLORIDA - 3, LLC, a Florida limited liability company, SRE NEVADA - 1, LLC, a Nevada limited liability company, SRE NEVADA - 2, LLC, a Nevada limited liability company, SRE NEVADA - 3, LLC, a Nevada limited liability company, SRE SOUTH CAROLINA - 1, LLC, a South Carolina limited liability company, SRE SOUTH CAROLINA - 2, LLC, a South Carolina limited liability company, SRE TENNESSEE - 1, LLC, a Tennessee limited liability company, SRE TENNESSEE - 2, LLC, a Tennessee limited liability company, SRE TENNESSEE - 3, LLC, a Tennessee limited liability company, SRE VIRGINIA - 1, LLC, a Virginia limited liability company, and SRE HOLDING, LLC, a North Carolina limited liability company (Collectively, "Borrowers"), whose address is 6415 Idlewild Road, Suite 109, Charlotte, North Carolina 28212, promises to pay to FORD MOTOR CREDIT COMPANY, a Delaware corporation ("Lender"), or order, at 6302 Fairview Road, Suite 500, Charlotte, North Carolina 28210, or at such other place as Lender may from time to time in writing designate, in lawful money of the United States of America, the principal sum of ONE HUNDRED MILLION AND 00/100 DOLLARS (\$100,000,000.00), or so much thereof as may be advanced from time to time pursuant to the terms of the Loan Agreement (as defined herein), together with interest on the principal balance outstanding from time to time, in like money, from the date of the first advance of principal by Lender under this Promissory Note (this "Note"), to and including the Maturity Date (as defined herein), at the rate of two percent (2.00%) per annum above the LIBOR Rate (as defined herein) in effect from time to time (the "Applicable Interest Rate"):

This Note is issued by Borrowers pursuant to a Permanent Loan Agreement among Lender and Borrowers dated as of even date, which is incorporated herein by reference. Unless otherwise defined herein or unless otherwise required by the context of this Note, capitalized terms used in this Note will have the meanings ascribed to those terms in the Loan Agreement.

For purposes of computing interest during the term of this Note, the Applicable Interest Rate for each calendar month shall be based on the LIBOR Rate in effect on the last day of the prior calendar month. All changes in the Applicable Interest Rate shall become effective on the first day of a calendar month following a change in the LIBOR Rate and shall be deemed in effect throughout such calendar month.

The Principal Balance and interest thereon at the Applicable Interest Rate shall be due and payable as hereinafter set forth.

Prior to the Advance Maturity Date, the outstanding Principal Balance hereunder may fluctuate up and down from time to time as Advances (as defined in the Loan Agreement) are made and Borrowers repay the Principal Balance, or any portion thereof; provided, however, that the outstanding Principal Balance of this Note plus the outstanding Principal Balance of the Construction Note does not exceed \$100,000,000.00. The Advances shall be made subject to the terms of the Loan Agreement.

Lender shall, and is hereby authorized by Borrowers to, endorse on Schedule A attached hereto and made a part hereof (or on a continuation of such schedule) an appropriate notation evidencing the date and amount of each Advance, the applicable Advance Rate, monthly payment amount, and the Property being funded with the Advance; provided, however, that the failure of Lender to make such a notation on this Note shall not affect any obligation of Borrowers under this Note. Any such notation shall be prima facie evidence as to the date, amount, Advance Rate and monthly payment of such Advance.

The term "Advance Rate" shall mean, as to each Advance, the rate which is two percentage points above the LIBOR Rate in effect on the day such Advance is made.

The term "Advance Termination Date" shall mean the date five (5) years from the date hereof.

The term "Loan Agreement" shall mean the Permanent Loan Agreement dated as of even date herewith between Borrowers and Lender.

The term "Construction Note" shall mean the Promissory Note dated as of even date herewith from Borrowers to the order of Lender in the principal amount of \$50,000,000.00.

The term "LIBOR Rate" shall mean the monthly arithmetic average of the per annum interest rate announced from time to time as the one month London Interbank Offered Rates quoted each Monday for the previous Friday under the Money Rates Column of the Wall Street Journal, or as published in such other publication as Lender may designate. In the event such rate is not quoted on Monday for the previous Friday, the rate quoted on the first business day of the week for the last business day of the previous week shall be utilized.

The term "Deeds of Trust" shall mean those certain instruments entitled Deeds of Trust and Assignment of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing), from Borrowers to the Trustee specified therein, in trust for Lender, and entitled Mortgages and Assignment of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing) from Borrowers to Lender, dated as of even date with this Note and any other mortgages or deeds of trust granted by Borrowers to Lender executed

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hereafter, securing payment of this Note, and covering certain real and personal property described therein (collectively, the "Properties").

The term "Loan Maturity Date" shall mean, as to each Advance, the date ten (10) years less one day after the Date hereof.

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The term "Other Security Documents" shall mean any and all of the documents other than this Note and the Deeds of Trust, now or hereafter executed by Borrower and/or Sonic Automotive, Inc., by or in favor of Lender, which wholly or partially guarantee or secure this Note or are executed in connection with this Note.

The term "Principal Balance" shall mean the aggregate unpaid principal balance of all Advances outstanding from time to time.

The term "Quarter" shall mean each three-month period commencing January 1, April 1, July 1 and October 1 during the term of this Note.

From the date hereof to and including the Loan Maturity Date, the Principal Balance and interest thereon shall be due and shall be payable, as to each Advance, as follows:

(a) equal consecutive monthly payments in an amount to be determined on the date such Advance is made, sufficient to amortize the Advance over: (i) a 300-month period if the Property being funded with the Advance is less than five (5) years old as of the date of the Advance or (ii) a 240-month period if the Property being funded with the Advance is five (5) or more years old as of the date of the Advance, (including interest at the applicable Advance Rate on the unpaid Principal Balance outstanding), commencing on the first day of the first month following funding of the first Advance hereunder, and continuing monthly thereafter on the first day of each month. The amount of each of such payments in respect of the outstanding Advances shall be aggregated by Lender each month and shall be due as one monthly installment. Each installment shall be applied first to interest at the Advance Rate and the balance to reduction of the Principal Balance.

(b) on the Loan Maturity Date, a final installment which shall include all unpaid amount of the Principal Balance and interest accrued and unpaid thereon and any and all other payments due under this Note, the Agreement, the Deeds of Trust, and the Other Security Documents; and

In the event that, because of a change in the LIBOR Rate the Applicable Interest Rate shall be greater or less than the Advance Rate for any Advance for any calendar month during a Quarter, the scheduled monthly installment determined in accordance with the foregoing paragraph (a) will not change, but Borrower and Lender shall make an adjustment as hereinafter provided. If interest due at the Applicable Interest Rate shall be higher than interest paid at the Advance Rate during any such Quarter, Borrower shall pay to Lender, within 30 days following the end of such Quarter, an amount equal to the difference between (i) the sum of the interest payments that would have been paid hereunder during such Quarter if interest payable during such Quarter had been calculated at the Applicable Interest Rate(s) in effect, and (ii) the sum of the interest payments actually made during such Quarter, computed at the

Advance Rate. If interest due at the Applicable Interest Rate shall be less than interest paid at the Advance Rate during a Quarter, Lender shall credit to the installments hereof then remaining unpaid, in the inverse order of their maturity, an amount equal to the difference (calculated as provided in the preceding sentence) on the last day of such Quarter.

Borrowers may prepay the unpaid Principal Balance in whole or from time to time in part, at any time, upon payment of interest accrued on the unpaid Principal Balance outstanding

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through the day of prepayment and all other charges due hereunder and under the Deeds of trust and the Other Security Documents, without premium. All payments and prepayments received by Lender prior to an Event of Default, including, without limitation, any condemnation awards or insurance proceeds received under the Deeds of Trust which Lender is permitted to apply on the indebtedness evidenced hereby will be applied first to accrued unpaid interest at the Applicable Rate and then: (a) in the case where such prepayment is not made in connection with the release of a Property pursuant to Section 7 of the Loan Agreement, to the outstanding principal balance of Advances then remaining unpaid in the order in which the Advances were made, and (b) in the case where such prepayment is made in connection with the release of a Property pursuant to Section 7 of the Agreement, to the outstanding principal balance of the Advance used to fund the Property being released.

Any prepayments made in connection with the release of any Property shall be noted on Schedule B attached hereto and made a part hereof. Lender shall, and is hereby authorized by Borrowers to endorse on Schedule B an appropriate notation evidencing the date and amount of each such prepayment.

Notwithstanding any provision in this Note, the total liability for payments of interest and payments in the nature of interest, including without limitation, all charges, fees or any sums which may at any time be deemed to be interest, shall not exceed the amount which Lender may lawfully collect. In the event the total liability for payments of interest and payments in the nature of interest, including without limitation, all charges, fees or other sums which may at any time be deemed to be interest, shall, for any reason whatsoever, result in an effective rate of interest, which for any month or other interest payment period exceeds the amount which Lender may lawfully collect, all sums in excess of those lawfully collectible as interest for the period in question shall, without further notice to any party hereto, be applied as a premium-free reduction of the Principal Balance immediately upon receipt of such sums by Lender, with the same force and effect as though Borrowers had specifically designated such excess sums to be so applied to the reduction of the Principal Balance; provided, however, that Lender may, at any time, and from time to time, elect, by notice in writing to Borrowers, to waive, reduce or limit the collection of any sums (or refund to Borrowers any sums collected) in excess of those lawfully collectible as interest rather than accept such sums as prepayment of the Principal Balance.

Payment of this Note is secured by the Deeds of Trust and the Other Security Documents. All of the agreements, conditions, covenants, provisions and stipulations contained in the Deeds of Trust and the Other Security Documents which are to be kept and performed by Borrowers are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein, and Borrowers covenant and agree to keep and perform them, or cause them to be kept and performed, strictly in accordance with their terms.

Time is of the essence hereof and if any of the Principal Balance or interest on this Note or other sum due hereunder is not paid within fifteen (15) days of when due, Borrowers shall pay to Lender a late charge payment equal to four percent (4%) of the amount of such installment or the maximum rate permitted by law, whichever is less. If any "Event of Default" (as such term is defined in the Deeds of Trust) shall occur, then Lender, at its option and without further notice, demand or presentment for payment to Borrowers or others, may declare immediately due and payable the unpaid Principal Balance and interest accrued thereon to the date of such Event of Default and thereafter at the rate of three percent (3%) per annum over

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the Applicable Interest Rate, together with any reasonable attorneys' fees and costs (through and including any appellate fees and other reasonable costs and any fees and costs incurred in enforcing this Note, the Agreement, the Deeds of Trust or the Other Security Documents in any bankruptcy or insolvency proceeding) incurred by Lender in collecting or enforcing payment thereof to the extent allowed by law and all other sums owed by Borrowers under this Note, the Agreement and the Deeds of Trust and the Other Security Documents, anything in this Note, the Agreement, the Deeds of Trust and the Other Security Documents to the contrary notwithstanding, all without any relief whatever from any valuation or appraisal laws, and payment thereof may be enforced and recovered in whole or in part at any time by one or more of the remedies provided to Lender in this

Note, the Agreement and the Deeds of Trust and the Other Security Documents.

The remedies of Lender, as provided in this Note, the Agreement, the Deeds of Trust and the Other Security Documents, shall be cumulative and concurrent and may be pursued singularly, successively or together, at the sole discretion of Lender, and may be exercised as often as occasion therefor shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

Borrower waives presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Note, and all other notices except as provided in this Note, the Loan Agreement, the Deeds of Trust or any Other Security Documents in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note.

Lender shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by Lender and, then, only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event.

This instrument shall be governed by and construed according to the laws of the State of North Carolina.

Whenever used, the singular shall include the plural, the plural shall include the singular, and the words "Lender" and "Borrower" shall be deemed to include their respective heirs, administrators, executors, successors and assigns.

In the event any one or more of the provisions hereof shall be invalid, illegal or unenforceable in any respect, the validity of the remaining provisions hereof shall be in no way affected, prejudiced or disturbed thereby.

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The laws of South Carolina provide that in any real estate foreclosure proceeding, a defendant against whom a personal judgment is taken or asked may within thirty (30) days after the sale of the Property apply to the court for an order of appraisal. The statutory appraisal value as approved by the court would be substituted for the high bid and may decrease the amount of any deficiency owing in connection with the transaction. THE UNDERSIGNED HEREBY WAIVE AND RELINQUISH THE STATUTORY APPRAISAL RIGHTS WHICH MEANS THE HIGH BID AT THE JUDICIAL FORECLOSURE SALE WILL BE APPLIED TO THE DEBT REGARDLESS OF ANY APPRAISED VALUE OF THE MORTGAGED PROPERTY.

IN WITNESS WHEREOF, Borrowers, intending to be legally bound hereby, have duly executed this Note under seal on the day and year first above written.

SRE HOLDING, LLC, a North Carolina
limited liability company,
SREALESTATE ARIZONA - 1, LLC,
an Arizona limited liability company,
SREALESTATE ARIZONA - 2, LLC,
an Arizona limited liability company,
SREALESTATE ARIZONA - 3, LLC,
an Arizona limited liability company,
SREALESTATE ARIZONA - 4, LLC,
an Arizona limited liability company,
SRE ALABAMA - 1, LLC,
an Alabama limited liability company,
SRE ALABAMA - 2, LLC,
an Alabama limited liability company,
SRE ALABAMA - 3, LLC,
an Alabama limited liability company,
SRE SOUTH CAROLINA - 1, a South
Carolina limited liability company,
SRE SOUTH CAROLINA - 2, a South
Carolina limited liability company,
SRE VIRGINIA - 1, LLC, a Virginia
limited liability company,
SRE TENNESSEE - 1, LLC, a Tennessee
limited liability company,
SRE TENNESSEE - 2, LLC, a Tennessee
limited liability company, and
SRE TENNESSEE - 3, LLC, a Tennessee
limited liability company

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith, Vice President

of each of the companies

Attest: /s/ Stephen K. Coss

Stephen K. Coss, Secretary
of each of the companies

SRE FLORIDA - 1, LLC, a Florida
limited liability company,
SRE FLORIDA - 2, LLC, a Florida
limited liability company,
SRE FLORIDA - 3, LLC, a Florida
limited liability company,
SRE NEVADA - 1, LLC, a Nevada
limited liability company,
SRE NEVADA - 2, LLC, a Nevada
limited liability company, and
SRE NEVADA - 3, LLC, a Nevada
limited liability company

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
President of each of the companies

Attest: /s/ Stephen K. Coss

Stephen K. Coss,
Secretary of each of the companies

SRE GEORGIA - 1, L.P.,
a Georgia limited partnership,
SRE GEORGIA - 2, L.P.,
a Georgia limited partnership, and
SRE GEORGIA - 3, L.P.,
a Georgia limited partnership

By: SONIC AUTOMOTIVE OF
GEORGIA, INC., a Georgia
corporation, the General Partner of
each of the partnerships

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
Vice President

Attest: /s/ Stephen K. Coss

Stephen K. Coss,
Secretary

SRE TEXAS - 1, L.P.,
a Texas limited partnership,
SRE TEXAS - 2, L.P.,
a Texas limited partnership, and
SRE TEXAS - 3, L.P.,
a Texas limited partnership

By: SONIC OF TEXAS,
INC., a Texas corporation, the
General Partner of each of the
Partnerships

By: /s/ B. Scott Smith (SEAL)

B. Scott Smith,
Vice President

Attest: /s/ Stephen K. Coss

Stephen K. Coss,
Secretary

GUARANTY

This Guaranty, dated June 23, 2000, is from SONIC AUTOMOTIVE, INC., a Delaware corporation ("Guarantor"), whose address is 6415 Idlewild Road, Suite 109, Charlotte, North Carolina 28212 ("Guarantor's Address"), to FORD MOTOR CREDIT COMPANY, a Delaware corporation ("Lender").

WHEREAS, each of the entities listed on Schedule 1 attached hereto (collectively, "Borrower") have requested construction financing from Lender in the aggregate principal amount not to exceed \$50,000,000.00 (the "Construction Loan"), to be evidenced by the Promissory Note, dated as of even date herewith (the "Construction Note"), from Borrower to the order of Lender in the principal amount of \$50,000,000.00; and

WHEREAS, Lender proposes to make the Construction Loan to Borrower in accordance with the terms and conditions of the Master Construction Loan Agreement dated as of even date herewith (the "Construction Loan Agreement"); and

WHEREAS, Borrower has also requested permanent financing from Lender in the aggregated principal amount not to exceed \$100,000,000.00 (the "Permanent Loan" and together with the Construction Loan, the "Loans"), to be evidenced by the Promissory Note, dated as of even date herewith (the "Permanent Note" and together with the Construction Note, the "Note"), from Borrower to the order of Lender in the principal amount of \$100,000,000.00; and

WHEREAS, the Loans will be secured by the Deeds of Trust and Assignment of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing) dated as of even date herewith and hereafter, from Borrower, as grantor, to the trustee specified therein, for the benefit of Lender, as beneficiary, and the Mortgages and Assignments of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing) dated as of even date herewith and hereafter, from Borrower, as mortgagor, to Lender, as mortgagee (collectively, the "Deed of Trust"); and

WHEREAS, Lender will not make the Loans unless Guarantor guarantees payment and performance of the terms thereof, and Borrower has requested Guarantor to execute this Guaranty; and

WHEREAS, the proceeds of the Loans will be used to finance the cost of acquisition of various parcels of real estate and the costs of construction of dealership facilities and related improvements thereon, and Guarantor acknowledges that it will be benefited directly and indirectly from the Loans;

NOW, THEREFORE, in consideration of the premises and other valuable consideration, receipt of which is hereby acknowledged, and to induce Lender to make the Loans, Guarantor hereby covenants and agrees with Lender as follows:

1. The parties hereby incorporate the foregoing recitals in this Guaranty as though fully set forth herein, agreeing that such recitals are material, true and correct. Unless

previously defined above, the terms "Event of Default", "Indebtedness", "Obligations", "Security Documents", and "Property" shall have the meanings set forth in the Loan Agreement, the Note and the Deeds of Trust.

2. Guarantor hereby absolutely, irrevocably and unconditionally guarantees to Lender (i) the due and punctual payment of the Indebtedness as and when it shall become due and payable whether by lapse of time, by acceleration of maturity or otherwise, and (ii) the performance of the Obligations, irrespective of the validity, regularity or enforceability of the Note or the Security Documents.

3. This is a guaranty of payment, and not of collection, and a guaranty of performance.

(a) Guarantor agrees that immediately upon the occurrence of an Event of Default and written demand by Lender, Guarantor shall pay to Lender the full amount of the Indebtedness and shall do and perform each of the Obligations, as if the Indebtedness and the Obligations constituted the direct and primary obligations of Guarantor. Lender shall be entitled to proceed directly against Guarantor for payment of the Indebtedness or performance of the Obligations, without first pursuing or exhausting any remedy which Lender then may have against Borrower. To that end and without limiting the foregoing, Guarantor hereby expressly waives any rights it otherwise might have had under the provisions of N.C.G.S. Sections 26-7, et. seq., and all similar laws.

(b) Guarantor agrees that any failure of Lender to exercise its right to proceed directly against Guarantor, or any delay in the exercise thereof, shall not be construed as a waiver by Lender with respect thereto, and that Lender may proceed directly against Guarantor at any time after the

occurrence of an Event of Default. Guarantor hereby waives (i) notice of acceptance, presentment for payment, demand for payment, protest or notice of protest and dishonor, notice of demand and all other notices and demands of any kind and description now or hereafter provided by any law or statute, and (ii) all other rights and defenses (including suretyship defenses generally), the assertion or exercise of which would in any way diminish the liability of Guarantor hereunder.

4. Guarantor represents and warrants to Lender that:

(a) Guarantor has received copies of the Security Documents and is familiar with and fully understands all of their terms and conditions;

(b) Lender has not made any representations or warranties to Guarantor regarding the creditworthiness of Borrower or the prospects of repayment from sources other than Borrower;

(c) this Guaranty is executed at the request of Borrower;

(d) Guarantor has established adequate means of obtaining from Borrower on a continuing basis financial and other information pertaining to the business of Borrower; and

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(e) Guarantor assumes full responsibility for keeping fully informed with respect to the business, operation, condition and assets of Borrower. Guarantor hereby waives any duty on the part of Lender to disclose or report to Guarantor any information now or hereafter known to Lender relating to the business, operation, condition or assets of Borrower; regardless of whether Lender has reason to believe that any such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, since Guarantor acknowledges hereby that it is fully responsible for being informed and keeping itself informed of the financial condition of Borrower and of all circumstances bearing on the risk of non-payment of any indebtedness hereby guaranteed.

Lender shall have no duty to inquire into the authority or powers of Borrower or any officer, employee or agent of Borrower with regard to any Indebtedness, and all Indebtedness made or created in good faith reliance upon the professed exercise of any such authority or powers shall be guaranteed hereunder.

5. Nothing in this Guaranty is intended or shall be construed to prevent Lender, upon the occurrence of an Event of Default, in the exercise of its sole discretion, from foreclosing the liens of the Security Documents and enforcing the provisions thereof.

6. Guarantor hereby consents that the covenants and provisions contained in the Note and the Security Documents may be altered, extended, changed, modified, released or canceled by Borrower with the approval of Lender all without the consent of Guarantor, and Guarantor agrees that this Guaranty and the liability of Guarantor hereunder shall in no way be affected, diminished or released thereby. A release of any other guaranty of the Loan shall not diminish or release the obligations of Guarantor hereunder. Without limiting the generality of the foregoing, Guarantor specifically agrees that it shall not be released by any action taken by Lender which would afford Borrower a defense based on any anti-deficiency statutes of the state in which the Property is located as they may now or hereafter provide, including without limitation, exercise by Lender of its right to conduct a sale of any or all of the Property securing the Loan as provided in the Security Documents.

7. All remedies afforded to Lender by reason of this Guaranty are separate and cumulative remedies and it is agreed that no one of such remedies, whether exercised by Lender or not, shall be deemed to be in exclusion of any of the other remedies available to Lender, and shall in no way limit or prejudice any other legal or equitable remedy which Lender may have in the collateral covered by the Security Documents.

8. Guarantor hereby agrees that until all of the terms, covenants and conditions of this Guaranty are fully performed, Guarantor's obligations hereunder shall not be released, in whole or in part, by any act or thing which might, but for this provision, be deemed a legal or equitable discharge of a surety or guarantor or by reason of any waiver, extension, modification, forbearance or delay or other act or omission of Lender, or its failure to proceed promptly or otherwise or by reason of any action taken or omitted, or circumstances which may or might vary the risk of, or affect the rights or remedies of, Guarantor or by reason of any further dealings between Borrower and Lender relating to the Security Documents or otherwise, and Guarantor hereby expressly waives and surrenders any defense to Guarantor's liability hereunder based upon any of the foregoing acts, omissions, things, agreements or waivers of any of them; it being the purpose and intent of the parties hereto that the obligations of

Guarantor hereunder are absolute and unconditional under any and all circumstances. Guarantor hereby waives any defenses based upon any election of remedies by Lender, including, without limitation, an election to proceed by non-judicial rather than judicial foreclosure.

9. In the event that for any reason whatsoever Borrower is now or hereafter becomes indebted to Guarantor, Guarantor agrees that the amount of such indebtedness and all interest thereon shall at all times be subordinate as to lien, time of payment and in all other respects to the Note and the Security Documents, and that Guarantor shall not be entitled to enforce or receive payment thereof until all sums then due and owing to Lender shall have been paid in full. Nothing herein contained is intended or shall be construed to give to Guarantor any right of subrogation in or under the Note or the Security Documents, or any right to participate in any way therein, or in the right, title and interest of Lender in and to the collateral covered by the Security Documents, notwithstanding any payments made by Guarantor under this Guaranty, all rights of subrogation, reimbursement, contribution and participation being hereby expressly waived and released.

10. Any notice, demand or request by Lender to Guarantor shall be in writing, and shall be deemed to have been duly given or made if either delivered personally to Guarantor or mailed by certified mail or registered mail addressed to the Guarantor's Address.

11. Guarantor agrees that Lender may assign this Guaranty and all of its rights, interests and remedies hereunder, to any other person, firm, bank or corporation whatsoever, without notice to or consent by Guarantor.

12. In the event that more than one person or entity guarantees the Loan, the covenants and agreements of Guarantor contained herein shall be the joint and several covenants and agreements of each such person and/or entity including each Guarantor hereunder.

13. This instrument shall inure to the benefit of Lender and Lender's successors and assigns, and shall bind Guarantor, and Guarantor's heirs, executors, administrators, legal representatives, successors and assigns.

14. Guarantor agrees to pay reasonable attorneys' fees and expenses incurred by Lender in enforcement of the Security Documents, including this Guaranty.

15. This Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time any whole or partial payment of the Indebtedness or performance of Obligations is or is sought to be rescinded or must otherwise be restored or returned by the Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Borrower, or upon or as a result of the appointment of a receiver, intervenor or conservator or trustee or similar office for, Borrower or any substantial part of its property, or otherwise, all as though such payments and performance had not been made.

16. This Guaranty shall be governed by, and construed and enforced in accordance with, the laws of the State of North Carolina.

17. This Guaranty is secured by that certain Security Agreement of even date herewith executed by Guarantor, as debtor, in favor of Lender, as secured party.

18. The parties intend this writing to be a final expression of this agreement of guaranty and a complete and exclusive statement of the terms of this agreement of guaranty. No course of prior dealings between the parties, no usage of the trade, and no parol or extrinsic evidence of any nature, shall be used or be relevant to supplement or explain or modify any term used in this agreement of guaranty.

19. Should Guarantor fail to pay Guarantor's debts generally as they become due, or voluntarily seek, consent to, or acquiesce in the benefit (or benefits) of the Federal Bankruptcy Code, together with all amendments and revisions thereto (the "Bankruptcy Code"), or any other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar debtor relief law from time to time in effect affecting the rights to creditors generally (collectively, "Debtor Relief Laws"), or become a party to or be made the subject of any proceeding provided for by any Debtor Relief Law (other than as a creditor or claimant) that it should consent thereto or shall fail to cause to be discharged within 90 days, then, in any such event, the Indebtedness and the Obligations shall be, as between Guarantor and Lender, fully matured, due, payable, and/or refundable obligations of Guarantor to Lender (without regard to whether Borrower is then in default under the Security Documents or whether the Indebtedness or the Obligations of any part thereof, are then due, owing or performable by Borrower), payable and/or performable in full by Guarantor to Lender upon demand, which, for purposes of Section 502(c) of the Bankruptcy

Code, shall be the estimate amount owing in respect of the contingent claim created under this Guaranty.

Guarantor has executed this Guaranty under seal as of the date first above written.

SONIC AUTOMOTIVE, INC.,
a Delaware corporation

By /s/ B. Scott Smith (SEAL)

B. Scott Smith, President

Attest: /s/ Stephen K. Coss

Stephen K. Coss, Secretary

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SCHEDULE 1

1. SRE Alabama - 1, LLC, an Alabama limited liability company
2. SRE Alabama - 2, LLC, an Alabama limited liability company
3. SRE Alabama - 3, LLC, an Alabama limited liability company
4. SRealEstate Arizona - 1, LLC, an Arizona limited liability company
5. SRealEstate Arizona - 2, LLC, an Arizona limited liability company
6. SRealEstate Arizona - 3, LLC, an Arizona limited liability company
7. SRealEstate Arizona - 4, LLC, an Arizona limited liability company
8. SRE Florida - 1, LLC, a Florida limited liability company
9. SRE Florida - 2, LLC, a Florida limited liability company
10. SRE Florida - 3, LLC, a Florida limited liability company
11. SRE Georgia - 1, L.P., a Georgia limited partnership
12. SRE Georgia - 2, L.P., a Georgia limited partnership
13. SRE Georgia - 3, L.P., a Georgia limited partnership
14. SRE Holding, LLC, a North Carolina limited liability company
15. SRE Nevada - 1, LLC, a Nevada limited liability company
16. SRE Nevada - 2, LLC, a Nevada limited liability company
17. SRE Nevada - 3, LLC, a Nevada limited liability company
18. SRE South Carolina - 1, LLC, a South Carolina limited liability company
19. SRE South Carolina - 2, LLC, a South Carolina limited liability company
20. SRE Tennessee - 1, LLC, a Tennessee limited liability company
21. SRE Tennessee - 2, LLC, a Tennessee limited liability company
22. SRE Tennessee - 3, LLC, a Tennessee limited liability company
23. SRE Texas - 1, L.P., a Texas limited partnership

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24. SRE Texas - 2, L.P., a Texas limited partnership
25. SRE Texas - 3, L.P., a Texas limited partnership
26. SRE Virginia - 1, LLC, a Virginia limited liability company

SECURITY AGREEMENT

June 23, 2000

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned SONIC AUTOMOTIVE, INC., a Delaware corporation, conducting business at 6415 Idlewild Road, Suite 109, Charlotte, North Carolina 28212, hereby grants unto FORD MOTOR CREDIT COMPANY, a Delaware corporation (hereinafter called "Lender"), whose address is 6302 Fairview Road, Suite 500, Charlotte, North Carolina 28210, a security interest in the following types of property located at the undersigned's place(s) of business set out above, or elsewhere, now owned or hereafter acquired by the undersigned (hereinafter called the "Collateral") and the proceeds thereof:

- a. All furniture, fixtures, machinery, supplies and other equipment.
- b. All motor vehicles, tractors, trailers, implements, service parts and accessories and other inventory of every kind.
- c. All accounts, instruments, contract rights, chattel paper and general intangibles.

Lender may, in the name of the undersigned or otherwise, receive, collect and receipt for the payment of all monies payable with respect to the foregoing accounts, instruments, contract rights, chattel paper and general intangibles and give full discharge therefor; endorse any checks, drafts, money orders or instruments for the payment thereof payable to or to the order of the undersigned that may be received by Lender in connection therewith; sue for, settle, adjust and compromise all present and future claims arising thereunder or in connection therewith; sell, assign, pledge or make any other agreement with respect thereto; and exercise all other rights and remedies that the undersigned would have with respect thereto but for this Security Agreement.

The undersigned warrants that, having due regard to all restrictions contained in its formation and operating documents, the undersigned has the power and authority to enter into this Security Agreement in the manner set out herein, and the undersigned has taken all steps necessary to insure that this Security Agreement is legally valid and enforceable in accordance with its terms and conditions.

If an Event of Default (as defined in the Deeds of Trust referred to herein) occurs, Lender shall have, in addition to all other rights and remedies provided by law, the remedies of a secured party under the Uniform Commercial Code including, without limitation, the right to take possession of the Collateral and for this purpose Lender may enter upon the premises where the Collateral may be situated and remove the same therefrom. In the event Lender takes possession of the Collateral, Lender may without notice sell the same at public or private sale or otherwise in such manner and upon such terms as shall appear to Lender to be reasonable and apply the proceeds of such sale or disposition, less the expenses of retaking, holding,

preparing for sale and selling the Collateral and reasonable attorney's fees and legal expenses incurred by Lender to the partial or complete satisfaction of any indebtedness or obligation of the undersigned to Lender.

Pursuant to a guaranty of even date herewith, the undersigned has guaranteed the obligation of each of the entities listed on Schedule 1 attached hereto (collectively, "Borrower"), to Lender under (i) a Promissory Note dated of even date herewith in the principal amount of \$50,000,000.00, (ii) a Promissory Note dated of even date herewith in the principal amount of \$100,000,000.00 (collectively, the "Notes"), and (iii) the Deeds of Trust and Assignment of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing) dated as of even date herewith and hereafter, from Borrower, as grantor, to the trustee specified therein, for the benefit of Lender, as beneficiary, and the Mortgages and Assignments of Leases and Rents and Security Agreement (and Financing Statement and Fixture Filing) dated as of even date herewith and hereafter, from Borrower, as mortgagor, to Lender, as mortgagee (collectively, the "Deeds of Trust") securing such Notes. This Security Agreement is granted by the undersigned to Lender to secure in part the obligations of the undersigned under such guaranty and any other guaranties now or hereafter executed by the undersigned of such Notes and the Deeds of Trust, including any amendments, increases, modifications and renewals thereof.

In Witness Whereof, the undersigned hereto has caused these presents to be duly executed under seal as of the day and year first above written.

a Delaware corporation

By /s/ B. Scott Smith (SEAL)

B. Scott Smith, President

Attest: /s/ Stephen K. Coss

Stephen K. Coss, Secretary

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SCHEDULE 1

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