

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date to earliest event reported): March 24, 1998

SONIC AUTOMOTIVE, INC.

(Exact name of registrant as Specified in Charter)

Delaware	1-13395	56-2010790
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(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

5401 East Independence Boulevard
P.O. Box 18747
Charlotte, North Carolina 28026

(Address of Principal Executive Offices) (Zip Code)

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

(Former Name or Former Address, if Changed Since Last Report)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(A) FINANCIAL STATEMENTS OF BUSINESS ACQUIRED. Not required

(B) PRO FORMA FINANCIAL INFORMATION. Attached as an exhibit to this report on Form 8-K/A are the following:

UNAUDITED PRO FORMA FINANCIAL STATEMENTS REFLECTING THE BUSINESS COMBINATION OF SONIC AUTOMOTIVE, INC. AND CLEARWATER DEALERSHIPS

Unaudited Pro Forma Balance Sheet at December 31, 1997 (Unaudited) and Notes thereto.

Unaudited Pro Forma Statement of Operations for the Year Ended December 31, 1997 (Unaudited) and Notes thereto.

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(C) EXHIBITS

Exhibit Number	Description
-----	-----
99.1*	Asset Purchase Agreement dated December 30, 1997 between Sonic Automotive, Inc., as buyer, and M&S Resources, Inc., Clearwater Auto Resources, Inc., and Clearwater Collision Center, Inc., as sellers and Scott Fink, Michael Cohen, Jeffrey Schuman, and Timothy McCabe as shareholders of the sellers.
99.2*	Amendment No. 1 and Supplement to Asset Purchase Agreement dated as of March 24, 1998 between Sonic Automotive, Inc., as buyer, and M&S Resources, Inc., Clearwater Auto Resources, Inc., and Clearwater Collision Center, Inc., as sellers and Scott Fink, Michael Cohen, Jeffrey Schuman, and Timothy McCabe as shareholders of the sellers.

99.3* Press Release dated January 6, 1998

99.4 Unaudited Pro Forma Financial Statements Reflecting
the Business Combination of Sonic Automotive, Inc. and
Clearwater Dealerships for the year ended
December 31, 1997.

*Filed previously

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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 hereunto duly authorized.

SONIC AUTOMOTIVE, INC.

Date: July 24, 1998

By: /s/ Theodore M. Wright

Theodore M. Wright
Chief Financial
Officer, Vice
President-Finance,
Treasurer, Secretary
and Director

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UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1997
(In Thousands except per share amounts)

<TABLE>
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	<C>	<C>	<C>	<C>
	Historical			
Forma for	Sonic	Clearwater	Pro Forma	Pro
Acquisition	Automotive, Inc.	Dealerships	Adjustments	the
	-----	-----	-----	-----
REVENUES:				
Vehicle Sales	\$ 467,858	\$ 108,812	\$ -	\$
576,670				
Parts, service and collision repair	57,537	10,500	-	
68,037				
Finance and insurance	10,606	2,587	94 (9)	
13,287				
-----	-----	-----	-----	-----
Total revenues	536,001	121,899	94	
657,994				
COST OF SALES	471,253	105,786	-	
577,039				
-----	-----	-----	-----	-----
GROSS PROFIT	64,748	16,113	94	
80,955				
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	48,520	12,226	864 (1)	
60,871			(594) (2)	
			(145) (3)	
DEPRECIATION AND AMORTIZATION	1,322	390	(143) (1)	
1,762			(133) (4)	
			326 (5)	
-----	-----	-----	-----	-----
OPERATING INCOME	14,906	3,497	(81)	
18,322				
OTHER INCOME AND EXPENSE:				
Interest expense, floor plan	8,007	779	(83) (6)	
8,703				
Interest expense, other	1,199	721	(557) (1)	
2,306			(174) (7)	
			1,117 (8)	
Gain on sale of marketable equity securities	298	-	-	
298				
Other income	-	194	-	
194				
-----	-----	-----	-----	-----
Total other expense	8,908	1,306	303	
10,517				
-----	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	5,998	2,191	(384)	7,805
INCOME TAX PROVISION	2,249	-	845 (10)	
2,946			(148) (11)	
-----	-----	-----	-----	-----
INCOME BEFORE MINORITY INTEREST	3,749	2,191	(1,081)	4,859
MINORITY INTEREST IN EARNINGS OF SUBSIDIARY	47	-	-	47
-----	-----	-----	-----	-----
NET INCOME	\$ 3,702	\$ 2,191	\$ (1,081)	\$
4,812				
=====	=====	=====	=====	=====
BASIC NET INCOME PER SHARE	\$ 0.53			\$
0.69				
=====	=====			

WEIGHTED AVERAGE SHARES OUTSTANDING	6,949	6,949
=====	=====	
DILUTED NET INCOME PER SHARE	\$ 0.53	\$
0.67		
=====	=====	
WEIGHTED AVERAGE SHARES OUTSTANDING	6,949	7,204
=====	=====	

</TABLE>

See notes to pro forma statements

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NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1997

ADJUSTMENT
- - - - -

- (1) Reflects the Company's estimate of the increase in rent expense related to lease agreements entered into with the seller of the Clearwater Dealerships for the dealerships' real property that will not be acquired by the Company, and decreases in depreciation expense (based on useful lives ranging from 31.5 to 39 years) and interest expense related to mortgage indebtedness encumbering such property. The related mortgage indebtedness was approximately \$5.90 million with interest charged at rates ranging from 9.0% to 9.5% annually.
- (2) The decrease in selling, general and administrative expenses reflects the elimination of salaries paid to the owners of the Clearwater Dealerships who will no longer be involved in the operation of the dealerships as a direct result of the acquisition of the Clearwater Dealerships.
- (3) Reflects the net decrease in selling, general and administrative expenses related to the net reduction in salaries and fringe benefits of owners and employees of the Clearwater Dealerships who will become employees of the Company, consistent with reduced salaries pursuant to certain employees' employment agreements with the Company.
- (4) Reflects the elimination of amortization expense related to goodwill that arose in the acquisition of the Clearwater Dealerships by the previous owner, assuming that the acquisition giving rise to goodwill was consummated on January 1, 1997.
- (5) Reflects the amortization over an amortization period of 40 years of approximately \$13.03 million in goodwill resulting from the acquisition of the Clearwater Dealerships which was assumed to have occurred on January 1, 1997. Subject to the Agreement, the Company will be required to make an additional payment, not to exceed \$1.75 million, equal to 50% of the pre-tax earnings of the Clearwater Dealerships for fiscal year ended December 31, 1998. Goodwill was calculated based on a \$1.66 million earnout payment based on the pro forma results of operations for 1997 and the earnings to date for 1998 of the Clearwater Dealerships. The amount of the earnout payment and the corresponding goodwill actually recorded may be higher or lower than the amount estimated here, depending on the actual fiscal year 1998 pre-tax earnings of the Clearwater Dealerships.
- (6) Reflects the decrease in floor plan interest expense resulting from the refinancing of the floor plan notes payable arrangements of the Clearwater Dealerships to the Company's corporate contractual master floor plan agreement with Ford Motor Credit Company, which requires placement of acquired dealerships floor plan financing with Ford Motor Credit Company. The average interest rate under the master agreement is approximately 7.6% compared to the 8.5% interest rate for the Clearwater Dealerships.
- (7) Reflects the decrease in other interest expense resulting from the

Company not assuming the Clearwater Dealerships' notes payable to affiliates amounting to \$500,000 at an interest rate of 10.0% and other long-term obligations amounting to \$1.31 million at interest rates ranging from 9.0% to 10.0%.

- (8) Reflects the increase in interest expense associated with borrowings amounting to \$13.15 million at an interest rate of 8.5% made under the Company's Amended and Restated Credit Agreement with Ford Motor Credit Company to provide the funds necessary for the acquisition of the Clearwater Dealerships.

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NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1997

ADJUSTMENT

- - - - -

- (9) Reflects finance and insurance revenues generated by the Clearwater Dealerships that were paid directly to the dealership owners or wholly-owned management companies and excluded from revenue in the historical statements of the Clearwater Dealerships.
- (10) The Clearwater Dealerships were not subject to federal and state income taxes because they were organized as S corporations during the period indicated. This adjustment reflects an increase in the federal and state income tax provision as if the Clearwater Dealerships had been taxable at the combined statutory income tax rate of 38.6%. Upon completion of the Acquisition, this entity that has historically not been subject to corporate income tax will thereafter be subject to federal and state income tax as a C corporation.
- (11) Reflects the net decrease in the provision for income taxes resulting from adjustments (1) through (9) above, computed using an effective income tax rate of 38.6%.

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UNAUDITED PRO FORMA BALANCE SHEET
DECEMBER 31, 1997
(In Thousands except per share amounts)

<TABLE> <CAPTION> <S>	<C>	<C>	<C>	<C>
	Historical			
	Sonic	Clearwater	Pro Forma	Pro
Forma for				
Acquisition	Automotive, Inc.	Dealerships	Adjustments	the
	-----	-----	-----	-----
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 18,304	\$ 2,065	\$ -	\$ -
20,369				
Marketable Equity Securities	270	-	-	-
270				
Receivables	19,784	1,138	-	-
20,922				
Inventories	156,514	9,215	-	-
165,729				
Deferred income taxes	405	-	-	-
405				
Due from affiliates	1,047	-	-	-
1,047				
Other current assets	1,048	282	-	-
1,330				
	-----	-----	-----	-----
Total current assets	197,372	12,700	-	-
210,072				
PROPERTY AND EQUIPMENT, NET	19,081	7,829	(7,466) (2)	-
19,444				
GOODWILL, NET	74,362	1,736	13,025 (1)	-
87,387				
			(1,736) (3)	-
OTHER ASSETS	635	-	-	-
635				
	-----	-----	-----	-----

TOTAL ASSETS	\$ 291,450	\$ 22,265	\$ 3,823	\$
317,538				
	=====	=====	=====	

LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES:				
Notes payable - floor plan	\$ 133,236	\$ 8,321	\$ -	\$
141,557				
Trade accounts payable	6,612	789	-	
7,401				
Accrued interest	1,071	-	-	
1,071				
Other accrued liabilities	10,748	466	-	
11,214				
Payable to affiliates	445	500	(500) (4)	
445				
Current maturities of long term debt	584	1,090	(1,090) (2) (6)	
584				
	-----	-----	-----	-----
Total current liabilities	152,696	11,166	(1,590)	
162,272				
LONG-TERM DEBT	38,640	6,117	(6,117) (2) (6)	
51,786				
			13,146 (5)	
PAYABLE TO COMPANY'S CHAIRMAN	5,500	-	-	
5,500				
PAYABLE TO AFFILIATES	4,394	-	-	
4,394				
DEFERRED INCOME TAXES	1,079	-	-	
1,079				
INCOME TAX PAYABLE	4,776	-	-	
4,776				
STOCKHOLDERS' EQUITY				
Preferred stock	-	-	3,366 (1)	
3,366				
Class A Common Stock	50	-	-	
50				
Class B Common Stock	63	-	-	
63				
Common Stock of Acquired Entity	-	1,202	(1,202) (1)	
-				
Paid in capital	68,045	1,210	(1,210) (1)	
68,045				
Retained earnings	16,186	2,570	(2,570) (1)	
16,186				
Unrealized gain on marketable equity securities	21	-	-	
21				
	-----	-----	-----	-----
Total stockholders' equity	84,365	4,982	(1,616)	
87,731				
	-----	-----	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 291,450	\$ 22,265	\$ 3,823	\$
317,538				
	=====	=====	=====	
=====				

</TABLE>

See notes to pro forma statements

ADJUSTMENT
- - - - -

(1) Reflects the preliminary allocation of the aggregate purchase price of

the Clearwater Dealerships based on the estimated fair value of the net assets acquired. Because the carrying amount of the net assets acquired, which primarily consist of accounts receivable, inventory, equipment, and floor plan indebtedness, approximates their fair value, management believes the application of purchase accounting will not result in an adjustment to the carrying amount of those net assets. The amount of goodwill and corresponding amortization expense actually recorded may ultimately be different from the amounts estimated here, depending upon the actual fair value of tangible net assets acquired at closing, changes in the estimated fair value of the shares of preferred stock issued as determined by an independent appraisal which has not yet been finalized, as well as the actual earnout payment made by the Company (see note 7). The estimated purchase price allocation consists of the following:

Estimated total consideration:	
Cash	\$ 11,487,000
Preferred stock	3,366,000
Earnout payment (7)	1,659,000

	16,512,000
Less estimated fair value of tangible net assets acquired	3,487,000

Excess of purchase price over fair value of net tangible assets acquired	\$ 13,025,000
	=====

- (2) Reflects the real property of the Clearwater Dealerships, which is not being acquired in the Acquisition and the related mortgage indebtedness in the amount of \$5.90 million.
- (3) Reflects the elimination of goodwill that arose in the acquisition of the Clearwater Dealerships by the previous owner.
- (4) Reflects the Payable to a Clearwater Dealership stockholder that will not be assumed by the Company.
- (5) Reflects borrowings amounting to \$13.15 million made under the Company's Amended and Restated Credit Agreement with Ford Motor Credit Company to provide a portion of the funds necessary for the acquisition of the Clearwater Dealerships.
- (6) Reflects the capital loans of the Clearwater Dealerships amounting to \$1.31 million which will not be assumed by the Company.
- (7) Subject to the Agreement, the Company will be required to make an additional payment, not to exceed \$1.75 million, equal to 50% of the pre-tax earnings of the Clearwater Dealerships for fiscal year ended December 31, 1998. The amount of the earnout payment recorded was estimated based on the pro forma results of operations for 1997 and the earnings to date for 1998 of the Clearwater Dealerships. The amount of the earnout payment and the corresponding goodwill actually recorded may be higher or lower than the amount estimated here, depending on the actual fiscal year 1998 pre-tax earnings of the Clearwater Dealerships.