As filed with the Securities and Exchange Commission on December 23, 1998

Registration No. 333-68183

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SONIC AUTOMOTIVE, INC.
(Exact Name of Registrant as Specified in Its Charter)

<TABLE>
<CAPTION>

Delaware	5511	56-2010790
<S>	<C>	<C>
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

</TABLE>

5401 East Independence Boulevard
P.O. Box 18747
Charlotte, North Carolina 28212
Telephone (704) 532-3320
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Mr. O. Bruton Smith
Chairman and Chief Executive Officer
5401 East Independence Boulevard
P.O. Box 18747
Charlotte, North Carolina 28212
Telephone (704) 532-3320
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:
Peter J. Shea, Esq.
Parker, Poe, Adams & Bernstein L.L.P.
2500 Charlotte Plaza
Charlotte, North Carolina 28244
Telephone (704) 372-9000

Approximate date of commencement of proposed sale to the public:
From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

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

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

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

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

Title of Each Class of Securities to be Registered	Additional Amount to be Registered (1)	Proposed Maximum Offering Price Per Unit(2)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Additional Registration Fee(1)
<S>	<C>	<C>	<C>	<C>
Class A Common Stock, par value $0.01 per share.....	96,155	$ 35.1875	$3,383,455	$ 1,000(3)

</TABLE>

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(1) The number of shares being registered is being increased from 720,281 to 816,436. The above calculation pertains only to the additional 96,155 shares being registered. The registration for resale of such additional securities of the Registrant includes only the addition of shares of Class A Common Stock issuable upon conversion of shares of the Registrant's Class A Convertible Preferred Stock, Series II. Estimated solely for purposes of calculating the registration fee in connection with this Registration Statement; assumes that all shares of the Registrant's Class A Convertible Preferred Stock are converted into shares of Class A Common Stock based on a market price of $29.05 per share of Class A Common Stock (the average of the daily closing prices of the Class A Common Stock on the New York Stock Exchange for the 20 consecutive trading days ending one trading day prior to December 22, 1998).

(2) Estimated pursuant to Rule 457(c) solely for the purpose of calculating the amount of the registration fee. The average of the high and low prices reported on the New York Stock Exchange was $35.1875 on December 21, 1998.

(3) Reflects additional registration fee for the additional 96,155 shares. A registration fee of $5,678 pertaining to the 720,281 shares originally covered by this Registration Statement was previously paid upon the filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS

816,436 Shares*

Sonic Automotive Logo appears here

Class A Common Stock

The selling security holders who are identified in this Prospectus may offer and sell all of the shares of Class A Common Stock of Sonic Automotive, Inc. offered hereby from time to time. We previously issued the shares either in connection with our recent acquisition of the selling security holders' businesses or have or will have issued the shares upon the selling security holders' conversion of our Preferred Stock previously issued in connection with our business acquisitions. We are registering the offer and sale of the shares to satisfy our contractual obligations to provide the selling security holders with freely tradable shares. The Company will not receive any of the proceeds from the sale of the shares offered hereby. The Company does not know when the proposed sale of the shares by the selling security holders will occur. See "Use of Proceeds," "Selling Security Holders" and "Plan of Distribution."

The Class A Common Stock is traded on The New York Stock Exchange, Inc. (the "NYSE") under the symbol "SAH." The last NYSE sale price of the Class A Common Stock on December 21, 1998 was $34.875 per share. You are urged to obtain current market data.

On December 16, 1998, we declared a 2-for-1 stock split that is applicable to all Common Stock holders of record as of January 4, 1999 and will be effective as of January 25, 1999. None of the share information contained in this Prospectus reflects this stock split. See "Material Changes."

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* The shares offered hereby include the resale of 591,109 shares of Class A

Common Stock and a presently indeterminate number of shares of Class A Common Stock issuable upon the conversion of certain shares of the Company's Class A Convertible Preferred Stock (the "Preferred Stock"). The number of shares indicated to be offered for resale hereby is an estimate based upon December 22, 1998 being the Preferred Stock conversion date for such shares of Preferred Stock. This estimate is subject to adjustment and could be materially less or more than such estimated amount depending upon factors we cannot now predict, including the future market price of the Class A Common Stock and the decisions by the holders of the Preferred Stock as to when to convert such shares. If the date of December 22, 1998 was used as the date of conversion for all such Preferred Stock, then the Company would be obligated to issue a total of approximately:

(1) 137,744 shares of Class A Common Stock upon conversion of 3,675 shares of Class A Convertible Preferred Stock, Series II (the "Series II Preferred Stock"); and

(2) 87,583 shares of Class A Common Stock upon conversion of 2,313 shares of Class A Convertible Preferred Stock, Series III (the "Series III Preferred Stock").

You should not use the foregoing discussion as a prediction of the future market price of the Class A Common Stock or the date when holders will elect to convert Preferred Stock into shares of Class A Common Stock. See "Risk Factors -- Purchasers of the Shares Being Offered Will Be Diluted When Preferred Stock is Converted" and "Description of Capital Stock."

See "Risk Factors" beginning on page 4 for a discussion of certain factors you should consider before purchasing any shares being offered.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This Prospectus is not an offer to sell the shares and is not soliciting an offer to buy the shares in any state where the offer or sale is not permitted. You should not assume that the information in this Prospectus or any of its supplements is accurate as of any date other than the date on the front of these documents.

The date of this Prospectus is December 23, 1998

WHERE YOU CAN FIND MORE INFORMATION ABOUT THE COMPANY

The Company files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports and information relate to the Company's business, financial condition and other matters. You may read and copy these reports, proxy statements and other information at the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located at 7 World Trade Center, Suite 1300, New York, New York 10048 and at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may obtain information on the operation of the Commission's Public Reference Room in Washington, D.C. by calling the Commission at 1-800-SEC-0330. Copies may be obtained from the Commission upon payment of the prescribed fees. The Commission maintains an Internet Web site that contains reports, proxy and information statements and other information regarding the Company and other registrants that file electronically with the Commission. The address of such site is http://www.sec.gov. Such information may also be read and copied at the offices of the NYSE at 20 Broad Street, New York, New York 10005.

The Commission allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring to those documents. The information incorporated by reference is considered to be part of this Prospectus, and information that we file later with the Commission will automatically update and supercede this information. We incorporate by reference the documents listed below and any future filings made with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), until the selling security holders sell all the shares offered hereby or we decide or terminate this offering earlier:

<TABLE>
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1. The Company's Annual Report on Form 10-K for its fiscal year ended December 31, 1997 (File No. 1-13395) (dated March 31, 1998) and Form 10-K/A Amendment No. 1 (dated April 8, 1998).
2. The Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended March 31, 1998, June 30, 1998 and September 30, 1998.
3. The Company's Current Reports on Form 8-K, filed the following dates: March 30, 1998, July 9, 1998, and July 24, 1998.
4. The Company's Amended Current Report on Form 8-K/A, filed on July 24, 1998, amending its Current Report on Form 8-K filed on March 30, 1998.
5. The Company's Amended Current Report on Form 8-K/A, filed on August 20, 1998, amending its Current Report on Form 8-K filed on July 24, 1998.
6. The description of the Company's Class A Common Stock contained in the Company's Registration Statement on Form 8-A, as amended, filed with the Commission pursuant to Section 12 of the Exchange Act.
7. The Company's Definitive Proxy Materials dated November 2, 1998.
8. The Company's Registration Statement on Form S-4 (Registration Nos. 333-64397 and 333-64397-001 through 333-64397-044) dated November 3, 1998.

</TABLE>

The Company will provide without charge to each person to whom this Prospectus is delivered, upon the written or oral request, a copy of any or all of the documents incorporated by reference in this Prospectus (excluding exhibits to such documents unless such exhibits are specifically incorporated by reference). Written or telephone requests should be directed to Mr. Todd Atenhan, Director of Investor Relations, 5401 East Independence Blvd., P.O. Box 18747, Charlotte, North Carolina, 28212, Telephone (704) 532-3320.

This Prospectus is a part of a Registration Statement on Form S-3 (the "Registration Statement") filed with the Commission by the Company. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits thereto. Statements about the contents of contracts or other documents contained in this Prospectus or in any other filing to which we refer you are not necessarily complete. You should review the actual copy of such documents filed as an exhibit to the Registration Statement or such other filing. Copies of the Registration Statement and these exhibits may be obtained from the Commission as indicated above upon payment of the fees prescribed by the Commission.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Exchange Act. These statements appear in a number of places in this Prospectus and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things:

(i) potential acquisitions by the Company;

(ii) the Company's financing plans;

(iii) trends affecting the Company's financial condition or results of operations; and

(iv) the Company's business and growth strategies.

Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Among others, factors that could adversely affect actual results and performance include:

- local and regional economic conditions in the areas served by the Company;
- the level of consumer spending;
- relationships with manufacturers;
- competition;
- site selection and related traffic and demographic patterns;
- inventory management and turnover levels;
- realization of cost savings; and
- the Company's success in integrating recent and potential future acquisitions.

The accompanying information contained in this Prospectus, including, without limitation, the information set forth under the heading "Risk Factors,"

identifies important additional factors that could materially adversely affect actual results and performance. Prospective investors are urged to carefully consider such factors.

All forward-looking statements attributable to the Company are expressly qualified in their entirety by the foregoing cautionary statement.

SUMMARY

The Company is one of the top ten automotive retailers in the United States, operating dealerships and collision repair centers in the metropolitan areas of the Southeast, Midwest and Southwest. We sell new and used cars and light trucks, sell replacement parts, provide vehicle maintenance, warranty, paint and repair services and arrange related financing and insurance for our automotive customers.

The Company has implemented a "hub and spoke" acquisition strategy to acquire (i) well-managed dealerships in new growing metropolitan and suburban geographic markets, and (ii) additional dealerships in its existing markets that will allow the Company to capitalize on regional economies of scale, offer a greater breadth of products and services and/or increase brand diversity. In addition, we selectively acquire dealerships which have underperformed the industry average but which carry attractive product lines or have attractive locations. In such cases, our current managers will operate the acquired business to improve the return on our investment in the business. In addition to indentifying, consummating and integrating attractive acquisitions, we continually focus on improving our existing dealership operations.

The Class A Common Stock is traded on the NYSE under the trading symbol "SAH." Our principal executive offices are located at 5401 East Independence Blvd., P.O. Box 18747, Charlotte, North Carolina 28212, Telephone (704) 532-3320.

RISK FACTORS

You should carefully consider and evaluate all of the information in this Prospectus, including the risk factors set forth below, before investing in the shares being offered.

Automobile Manufacturers Exercise Significant Control Over The Company's Operations and the Company Is Dependent on Them to Operate its Business

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

Vehicles manufactured by the following Manufacturers accounted for the indicated approximate percentage of the Company's 1997 new vehicle revenues on a pro forma basis taking into account the Company's initial public offering in 1997, its reorganization in connection therewith and its acquisitions of businesses in 1997 and in 1998 (hereinafter referred to as "pro forma"):

<TABLE>
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Manufacturer	Percentage of Our 1997 New Vehicle Pro Forma Revenues
<S>	<C>
Ford Motor Company	42.4%
Chrysler Corporation	18.6%
Toyota Motor Sales (U.S.A.)	10.9%
General Motors Corporation	6.7%

</TABLE>

No other Manufacturer accounted for more than 5% of the pro forma new vehicle sales of the Company during 1997. Accordingly, a significant decline in the sale of Ford, Chrysler, Toyota or GM new cars could have a material adverse effect on the Company.

Manufacturers exercise a great degree of control over the operations of the Company's dealerships. Each of the franchise agreements provides for termination or non-renewal for a variety of causes, including any unapproved change of ownership or management and other material breaches of the franchise agreements. The Company believes that it will be able to renew all of its existing franchise agreements upon expiration.

o There can be no assurance that any of our franchise agreements will be renewed or that the terms and conditions of such renewals will be favorable to the Company.

o If a Manufacturer terminates or declines to renew one or more of the Company's significant franchise agreements, such action could have a material adverse effect on the Company and its business.

o Actions taken by Manufacturers to exploit their superior bargaining position in negotiating the terms of such renewals or otherwise could also have a material adverse effect on the Company.

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

o If the Company is unable to obtain a sufficient allocation of the most popular vehicles, its profitability may be materially adversely affected. In some instances, in order to obtain additional allocations of these vehicles, the Company purchases a larger number of less desirable models than it would otherwise purchase and its profitability may be materially adversely affected thereby.

o The Company's dealerships depend on the Manufacturers for certain sales incentives and other programs that are intended to promote dealership sales or support dealership profitability. Manufacturers have historically made many changes to their incentive programs during each year. A reduction or discontinuation of a Manufacturer's incentive programs may materially adversely affect the profitability of the Company.

A Manufacturer's Adversity May Adversely Affect the Company's Profitability

The success of each of the Company's dealerships depends to a great extent on the Manufacturers':

o financial condition;

o marketing;

o vehicle design;

o production capabilities; and

o management.

Events such as strikes and other labor actions by unions, or negative publicity concerning a particular Manufacturer or vehicle model, may materially and adversely affect the Company. Similarly, the delivery of vehicles from Manufacturers later than scheduled, which may occur particularly during periods when new products are being introduced, can lead to reduced sales. Although, the Company has attempted to lessen its dependence on any one Manufacturer by establishing dealer relationships with a number of different domestic and foreign automobile Manufacturers, adverse conditions affecting Manufacturers, and Ford, Chrysler, Toyota or GM in particular, could have a material adverse effect on the Company. For instance, workers at a Chrysler engine plant went on strike in April 1997 for 29 days. The strike by the United Auto Workers caused Chrysler's vehicle production to drop during the Spring of 1997, especially for production of its most popular truck and van models. This strike materially affected the Company due to Chrysler's inability to provide the Company with a sufficient supply of new vehicles and parts during such period. In addition, in June 1998, the United Auto Workers went on strike at two GM facilities in Flint, Michigan. The strike lasted 53 days, causing 27 GM manufacturing facilities to shut down during the strike and severely affecting production of GM vehicles during the strike period. In the event of another such strike, the Company may need to purchase inventory from other automobile dealers at prices higher than it would be required to pay to the affected Manufacturer in order to carry an adequate level and mix of inventory. Consequently, such events could materially adversely affect the financial results of the Company.

The Company's Failure to Meet A Manufacturer's Consumer Satisfaction Requirements May Adversely Affect the Company's Ability to Acquire New Dealerships.

Many Manufacturers attempt to measure customers' satisfaction with their sales and warranty service experiences through systems which vary from Manufacturer to Manufacturer but which are generally known as "CSI". These Manufacturers may use a dealership's CSI scores as a factor in evaluating

applications for additional dealership acquisitions. The components of CSI have been modified from time to time in the past, and there is no assurance that such components will not be further modified or replaced by different systems in the future. To date, the Company has not been adversely affected by these standards and has not been denied approval of any acquisition based on low CSI scores, except for Jaguar's refusal to approve the acquisition of the Chattanooga Jaguar franchise comprising a portion of the Company's 1997 acquisitions which Jaguar claimed was in part due to CSI scores below the level expected of Jaguar dealership franchises. However, there can be no assurance that the Company will be able to comply with such standards in the future. Failure of the Company's dealerships to comply with the standards imposed by Manufacturers at any given time may have a material adverse effect on the Company.

The Company must also obtain approvals by the applicable Manufacturer for any of its acquisitions. See " -- Risks Associated with Acquisitions May Hinder the Company's Ability to Increase Revenues or Earnings."

Automobile Retailing Is A Mature Industry With Limited Growth Potential in New Vehicle Sales and the Company Must Rely on Its Acquisition Strategy to Increase Its Revenues and Earnings.

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

The Cyclical and Local Nature of Automobile Sales May Adversely Affect the Company's Profitability

The automobile industry is cyclical and historically has experienced periodic downturns characterized by oversupply and weak demand. Many factors affect the industry, including general economic conditions and consumer confidence, the level of discretionary personal income, interest rates and credit availability. For the year ended December 31, 1997, industry retail sales increased 0.1% as a result of retail car sales declines of 2.7% offset by retail truck sales gains of 3.8% from the same period in 1996. As of October 31, 1998, industry retail sales for the year to date increased 2.6% as a result of retail car sales declines of 1.6% offset by retail truck sale gains of 7.9% from the same period in 1997. Future recessions may have a material adverse effect on the Company's business.

Local economic, competitive and other conditions also affect the performance of dealerships. The Company's dealerships currently are located in the Charlotte, Chattanooga, Daytona Beach, Nashville, Tampa/Clearwater, Houston, Atlanta, Columbus, Greenville/Spartanburg and Montgomery markets. While the Company intends to pursue acquisitions outside of these markets, the Company expects that the majority of its operations will continue to be concentrated in these areas for the foreseeable future. As a result, the Company's results of operations will depend substantially on general economic conditions and consumer spending habits in the Southeast and, to a lesser extent, in the Houston and Columbus markets, as well as various other factors, such as tax rates and state and local regulations, specific to North Carolina, Tennessee, Florida, Texas, Georgia, Ohio, South Carolina and Alabama. There can be no assurance that the Company will be able to expand geographically, or that any such expansion will adequately insulate it from the adverse effects of local or regional economic conditions.

High Competition in Automobile Retailing Reduces the Company's Profit Margins on Vehicle Sales.

Automobile retailing is a highly competitive business with over 22,000 franchised automobile dealerships in the United States at the beginning of 1997. The Company's competition includes franchised automobile dealerships selling the same or similar makes of new and used vehicles offered by the Company in the same markets as the Company and sometimes at lower prices than those of the Company. These dealer competitors may be larger and have greater financial and marketing resources than the Company. Other competitors include other franchised dealers, private market buyers and sellers of used vehicles, used vehicle dealers, service center chains and independent service and repair shops. Gross profit margins on sales of new vehicles have been declining since 1986. The used car market faces increasing competition from non-traditional outlets such as used-vehicle "superstores," which use sales techniques such as one price shopping, and the Internet. Several groups have begun to establish nationwide networks of used vehicle superstores. In many of the markets where the Company has significant operations, used vehicle superstores operate in competition with the Company. "No negotiation" sales methods are also being tried for new cars by at least one of these superstores and by dealers for

Saturn and other dealerships. Some recent market entrants may be capable of operating on smaller gross margins compared to the Company, and may have greater financial, marketing and personnel resources than the Company. In addition, Ford has announced that it is entering into joint ventures to acquire dealerships in various cities in the United States and other manufacturers may also directly enter the retail market in the future, which could have a material adverse effect on the Company. The increased popularity of short-term vehicle leasing also has resulted, as these leases expire, in a large increase in the number of late model vehicles available in the market, which puts added pressure on margins. As the Company seeks to acquire dealerships in new markets, it may face increasingly significant competition (including from other large dealer groups and dealer groups that have publicly-traded equity) as it strives to gain market share through acquisitions or otherwise.

The Company's franchise agreements do not grant the Company the exclusive right to sell a Manufacturer's product within a given geographic area. The Company could be materially adversely affected if any of its Manufacturers award franchises to others in the same markets where the Company is operating. A similar adverse affect could occur if existing

competing franchised dealers increase their market share in the Company's markets. The Company's gross margins may decline over time as it expands into markets where it does not have a leading position. These and other competitive pressures could materially adversely affect the Company's results of operations.

The Operating Condition of Acquired Businesses Cannot Be Determined Accurately Until the Company Assumes Control. The Company May Pay Too Much to Acquire Certain Businesses.

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

Risks of Consolidating Operations as a Result of Recent Acquisitions May Adversely Affect the Company's Future Operating Results.

In connection with the Company's 1998 acquisitions, we acquired 17 dealerships. Each of these dealerships was operated and managed as a separate independent entity until acquired. The Company's future operating results will depend on our ability to integrate the operations of these businesses and manage the combined enterprise. There can be no assurance that we will be able to effectively and profitably integrate in a timely manner any of the dealerships included in the 1998 acquisitions or any future acquisitions, or to manage the combined entity without substantial costs, delays or other operational or financial problems. Our inability to do so could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Associated with Acquisitions May Hinder the Company's Ability to Increase Revenues and Earnings.

The retail automobile industry is considered a mature industry in which minimal growth is expected in unit sales of new vehicles. Accordingly, the Company's future growth will depend in large part on its ability to acquire additional dealerships as well as on its ability to manage expansion, control costs in its operations and consolidate dealership acquisitions, including its 1998 acquisitions, into existing operations. In pursuing a strategy of acquiring other dealerships, the Company faces risks commonly encountered with growth through acquisitions. These risks include, but are not limited to:

- incurring significantly higher capital expenditures and operating expenses,
- failing to assimilate the operations and personnel of the acquired dealerships,
- disrupting the Company's ongoing business,
- dissipating the Company's limited management resources,
- failing to maintain uniform standards, controls and policies,
- impairing relationships with employees and customers as a result of

changes in management and

o causing increased expenses for accounting and computer systems, as well as integration difficulties.

Failure to retain qualified management personnel at any acquired dealership may increase the risk associated with integrating such acquired dealership. Installing new computer systems has in the past disrupted existing operations as management and salespersons adjust to new technologies. In addition, as contracts with existing suppliers of the Company's computer systems expire, the Company's strategy may be to install new systems at its existing dealerships. The Company expects that it will take approximately six months to fully integrate an acquired dealership into the Company's operations and realize the full benefit of the Company's strategies and systems. There can be no assurance that the Company will be successful in overcoming these risks or any other problems encountered with such acquisitions, including in connection with the 1998 Acquisitions. Acquisitions may also result in significant goodwill and other intangible assets that are amortized in future years and reduce future stated earnings.

Although there are many potential acquisition candidates that fit the Company's acquisition criteria, there can be no assurance that the Company will be able to consummate any such transactions in the future or identify those candidates that would result in the most successful combinations, or that future acquisitions will be able to be consummated at acceptable prices and terms. In addition, increased competition for acquisition candidates could result in fewer acquisition opportunities for the Company and higher acquisition prices. The magnitude, timing and nature of future acquisitions will

depend upon various factors, including the availability of suitable acquisition candidates, competition with other dealer groups for suitable acquisitions, the negotiation of acceptable terms, the Company's financial capabilities, the availability of skilled employees to manage the acquired companies and general economic and business conditions.

In addition, the Company's future growth as a result of its acquisition of automobile dealerships will depend on its ability to obtain the requisite Manufacturer approvals. There can be no assurance that it will be able to obtain such consents in the future.

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

Limitations on the Company's Financial Resources Available for Acquisitions and the Company's Possible Inability to Refinance Existing Debt May Restrict the Company's Future Growth.

The Company intends to finance acquisitions with cash on hand, through issuances of equity or debt securities and through borrowings under credit arrangements. There is no assurance that the Company will be able to obtain additional debt or equity securities financing. Using cash to complete acquisitions could substantially limit the Company's operating or financial flexibility. Using stock to consummate acquisitions may be prohibited by the Company's franchise agreements with Manufacturers. If the Company is unable to obtain financing on acceptable terms, the Company may be required to reduce significantly the scope of its presently anticipated expansion, which could materially adversely affect the Company's business.

In addition, the Company is dependent to a significant extent on its ability to finance the purchase of inventory, which in the automotive retail industry involves significant sums of money in the form of floor plan financing. As of September 30, 1998, the Company had approximately $174.0 million of floor plan indebtedness outstanding, all of which is under the Company's floor plan credit facility (the "Floor Plan Facility") with Ford Motor Credit. Substantially all the assets of the Company's dealerships are pledged to secure such indebtedness, which may impede the Company's ability to borrow from other sources. Ford Motor Credit is associated with Ford. Consequently, deterioration of the Company's relationship with Ford could adversely affect its relationship with Ford Motor Credit and vice-versa. In addition, the Company must obtain new floor plan financing or obtain consents to assume such financing in connection with its acquisition of dealerships.

O. Bruton Smith, the Company's Chief Executive Officer and Chairman of the Board, initially guaranteed the obligations of the Company under the Company's unsecured line of credit (the "Revolving Facility") with Ford Motor Credit. Such obligations were further secured with a pledge of shares of common stock of Speedway Motorsports, Inc. owned by Sonic Financial Corporation, a

corporation controlled by Mr. Smith, and having an estimated value at the time of pledge of approximately $50.0 million (the "Revolving Pledge"). In December 1997, upon the increase of the borrowing limit under the Revolving Facility to the current maximum loan commitment of $75.0 million, Mr. Smith's personal guarantee of the Company's obligations under the Revolving Facility was released, although the Revolving Pledge remained in place and Mr. Smith was required to lend $5.5 million (the "Subordinated Smith Loan") to the Company to increase its capitalization. The Subordinated Smith Loan was required by Ford Motor Credit as a condition to its agreement to increase the borrowing limit under the Revolving Facility because the net offering proceeds to the Company from its initial public offering in November 1997 were significantly less than expected by the Company and Ford Motor Credit.

Manufacturer Stock Ownership/Issuance Limits Limit the Company's Ability to Issue Additional Equity to Meet Its Financing Needs

Standard automobile franchise agreements prohibit transfers of any ownership interests of a dealership and its parent, such as Sonic, and, therefore, often do not by their terms accommodate public trading of the capital stock of a dealership or its parent. All of the Manufacturers of which Company subsidiaries are franchisees have agreed to permit trading in the Class A Common Stock. A number of Manufacturers impose restrictions upon the transferability of the Class A Common Stock.

o Ford may cause the Company to sell or resign from one or more of its Ford franchises if any person or entity (other than the current holders of the Company's Class B Common Stock, (together with the Class A Common Stock, the "Common Stock") and their lineal descendants and affiliates (collectively, the "Smith Group")) acquires 15% or more of the Company's voting securities.

o General Motors, Toyota and Nissan Motor Corporation In U.S.A. ("Infiniti") may force the sale of their respective franchises if 20% of more of the Company's voting securities are so acquired.

o American Honda Co., Inc. may force the sale of the Company's Honda franchise if any person or entity, excluding members of the Smith Group, acquires 5% of the Common Stock (10% if such entity is an institutional investor), and Honda deems such person or entity to be unsatisfactory.

o Volkswagen of America, Inc. approved of the public sale of only 25% of the voting control of the Company and requires prior approval of any change in control or management of the Company that would affect the Company's control or management of its Volkswagen franchise subsidiaries.

o Chrysler approved of the public sale of only 50% of the Common Stock and requires prior approval of any future sales that would result in a change in voting or managerial control of the Company.

In a similar manner, the Company's lending arrangements require that voting control over the Company be maintained by the Smith Group. Any transfer of shares of the Company's Common Stock, including a transfer by members of the Smith Group, will be outside the control of the Company and, if such transfer results in a change in control of the Company, could result in the termination or non-renewal of one or more of its franchise agreements and in a default under its credit arrangements. Moreover, these issuance limitations may impede the Company's ability to raise capital through additional equity offerings or to issue Common Stock as consideration for, and therefore, to consummate, future acquisitions. Such restrictions also may prevent or deter prospective acquirors from acquiring control of the Company and, therefore, may adversely impact the Company's equity value.

Purchasers of the Shares Being Offered Will Be Diluted When Preferred Stock is Converted.

Purchasers of the shares being offered may experience immediate and substantial dilution in the then-trading price of the Common Stock upon the conversion of Preferred Stock by selling security holders. The Preferred Stock entitles the holders thereof to convert such shares into shares of Class A Common Stock. The exact number of shares of Common Stock issuable upon conversion of all of the shares of Preferred Stock held by selling security holders cannot currently be estimated but, generally, such issuances of Common Stock will vary inversely with the market price of the Common Stock. If December 22, 1998 was used as the date of conversion of all shares of Preferred Stock held by the selling security holders, then the Company would be obligated to issue a total of approximately:

(1) 137,744 shares of Class A Common Stock upon conversion of 3,675 shares of Series II Preferred Stock held by selling security holders; and

(2) 87,583 shares of Class A Common Stock upon conversion of 2,313 shares of Series III Preferred Stock held by selling security holders.

The number of shares of Class A Common Stock offered for resale by this Prospectus upon conversion of the shares of Preferred Stock held by selling security holders is an estimate based upon the average of the daily closing prices for the Common Stock on the NYSE for the 20 consecutive trading days ending one trading day prior to November 30, 1998. This number is subject to adjustment and could be materially less or more than such estimated amount depending upon factors which cannot be predicted by the Company at this time, including the future market price of the Common Stock and the decisions by the selling security holders as to when to convert such shares of Preferred Stock. Sales of substantial amounts of Class A Common Stock by such selling security holders, or the perception that such sales could occur, could adversely affect the market price for the Class A Common Stock.

Potential Adverse Market Price Effect of Additional Shares Eligible for Future Sale

The 6,200,000 shares of Class B Common Stock owned beneficially by existing stockholders of the Company, the 30,000 shares of Class A Common Stock underlying options granted by the Company under its Directors Formula Stock Option Plan, the 119,187 shares of Class A Common Stock underlying warrants issued in connection with the Company's acquisitions, the 1,191,131 shares of Class A Common Stock underlying its outstanding Preferred Stock if such Preferred Stock were converted on December 22, 1998, and 591,109 shares of Class A Common Stock issued in connection with the Company's acquisitions or upon conversion of Preferred Stock issued in connection with the Company's acquisitions, are "restricted securities" as defined in Rule 144 under the Securities Act, and may in the future be resold in compliance with Rule 144. The 6,200,000 shares of Class B Common Stock are subject to certain piggyback registration rights. In addition, the Company has granted options exercisable for 1,220,009 shares of Class A Common Stock under its 1997 Stock Option Plan and 1997 Employee Stock Purchase Plan, and all such shares are registered with the Commission and

available for public resale. No prediction can be made as to the effect that resale of shares of Common Stock, or the availability of shares of Common Stock for resale, will have on the market price of the Class A Common Stock prevailing from time to time. The resale of substantial amounts of Common Stock, or the perception that such resales may occur, could materially and adversely affect prevailing market prices for the Common Stock and the ability of the Company to raise equity capital in the future.

Manufacturers' Restrictions on Acquisitions Could Limit the Company's Future Growth

The Company is required to obtain the consent of the applicable Manufacturer prior to the acquisition of any additional dealership franchises. There can be no assurance that Manufacturers will grant such approvals. In the course of acquiring Jaguar franchises associated with dealerships in Chattanooga, Tennessee and Greenville, South Carolina, Jaguar declined to consent to the Company's proposed acquisitions of those franchises. Subsequently, the Company agreed with Jaguar not to acquire any Jaguar franchise until August 3, 2001. See " -- No Consent to Acquisitions from Jaguar." Obtaining the consent of the Manufacturers for acquisitions of dealerships could also take a significant amount of time. Obtaining the approvals of the Manufacturers for the Company's 1997 and 1998 acquisitions, other than Jaguar, which was not obtained, took approximately five months. Although no assurances can be given, the Company believes that Manufacturer approvals of subsequent acquisitions from Manufacturers with which the Company has previously completed applications and agreements may take less time. Excluding Jaguar, the Company has obtained Manufacturer consent to all of its 1998 acquisitions other than from Honda in the acquisition of Economy Honda in Chattanooga, Tennessee (the "Economy Honda Acquisition"). The Company currently expects to receive the consent of Honda to the Economy Honda Acquisition prior to the closing of this acquisition, although there can be no assurance that such consent will be obtained. See " -- No Consent from Honda for the Economy Honda Acquisition." If the Company experiences delays in obtaining, or fails to obtain, approvals of the Manufacturers for acquisitions of dealerships, the Company's growth strategy could be materially adversely affected. In determining whether to approve an acquisition, the Manufacturers may consider many factors, including the moral character, business experience, financial condition, ownership structure and CSI scores of the Company and its management. In addition, under an applicable franchise agreement or under state law a Manufacturer may have a right of first refusal to acquire a dealership in

the event the Company seeks to acquire a dealership franchise.

In addition, a Manufacturer may limit the number of such Manufacturers' dealerships that may be owned by the Company or the number that may be owned in a particular geographic area.

- Ford currently limits the Company to no more than the lesser of (1) 15 Ford and 15 Lincoln Mercury dealerships or (2) that number of Ford and Lincoln Mercury dealerships accounting for 2% of the preceding year's retail sales of those brands in the United States. It also limits the Company to owning only one Ford dealership in any Ford-defined market area having three or less Ford dealerships in it and no more than 25% of the Ford dealerships in a market area having four or more Ford dealerships.

- Chrysler has asked the Company to defer any further acquisitions of Chrysler or Chrysler division dealerships until it has established a proven performance record with the Chrysler dealerships it owns. BMW has made a similar request. Moreover, Chrysler's general policy of limits ownership to ten Chrysler dealerships in the United States, six Chrysler dealerships in the same Chrysler-defined sales zone and two dealerships in the same market (but no more than one like vehicle line brand in the same market).

- Toyota currently limits the number of dealerships which may be owned by any one group to seven Toyota and three Lexus dealerships nationally and restricts the number of dealerships that may be owned to (1) the greater of one dealership, or 20% of the Toyota dealer count in a Toyota-defined "Metro" market, (2) the lesser of five dealerships or 5% of the Toyota dealerships in any Toyota region (currently 12 geographic regions), and (3) two Lexus dealerships in any one of the four Lexus geographic areas. Toyota further requires that at least nine months elapse between acquisitions.

- Honda restricts any company from holding more than seven Honda or more than three Acura franchises nationally and to restrict the number of franchises to (1) one Honda dealership in a Honda-defined "Metro" market with two to 10 Honda dealership points, (2) two Honda dealerships in a Metro market with 11 to 20 Honda dealership points, (3) three Honda dealerships in a Metro market with 21 or more Honda dealership points, (4) no more than 4% of the Honda dealerships in any one of the 10 Honda geographic zones, (5) one Acura dealership in a Metro market, and (6) two Acura dealerships in any one of the six Acura geographic zones. Toyota and Honda also prohibit ownership of contiguous dealerships and the coupling of a franchise with any other brand without their

consent. The Economy Honda Acquisition would violate Honda's contiguous dealership policy since it would result in the Company having two contiguous dealership points in Chattanooga. See " -- No Consent from Honda for Economy Honda Acquisition."

- GM has limited the number of GM dealerships that the Company may acquire during the next 12 months to five additional GM dealership locations, which number may be increased on a case-by-case basis. In addition, GM limits the maximum number of GM dealerships that the Company may acquire to 50% of the GM dealerships, by franchise line, in a GM-defined geographic market area having multiple GM dealers.

As a condition to granting their consent to the Company's 1997 acquisitions, a number of Manufacturers have also imposed certain other restrictions on the Company. These restrictions principally consist of restrictions on (1) certain material changes in the Company or extraordinary corporate transactions such as a merger, sale of a material amount of assets or change in the Board of Directors or management of the Company which could have a material adverse effect on the Manufacturer's image or reputation or could be materially incompatible with the Manufacturer's interests; (2) the removal of a dealership general manager without the consent of the Manufacturer; and (3) the use of dealership facilities to sell or service new vehicles of other manufacturers. If the Company is unable to comply with these restrictions, the Company generally must (1) sell the assets of the dealerships to the Manufacturer or to a third party acceptable to the Manufacturer, or (2) terminate the dealership agreements with the Manufacturer. Other manufacturers may impose other and more stringent restrictions in connection with future acquisitions.

The Company will own, after giving effect to its 1998 acquisitions, nine Chrysler franchises, seven Ford franchises, four BMW franchises, four GM franchises, three Toyota franchises, three Volkswagen franchises, three KIA franchises, three Mercury franchises, two Honda franchises, two Lincoln franchises, two Hyundai franchises, two Mitsubishi franchises, and one franchise each of Acura, Infiniti, Isuzu, Mercedes and Subaru. See " -- No Consent from Honda for Economy Honda Acquisition" and " -- No Consent to Acquisitions from Jaguar."

No Consent from Honda for Economy Honda Acquisition

The Company has requested the consent of Honda to the Economy Honda Acquisition. Honda has informed the Company that its acquisition of the Economy Honda dealership would violate Honda's policy against the ownership of contiguous dealerships, since the Company already owns the Cleveland Village Honda dealership located in the Chattanooga market. Therefore, Honda's approval of the Economy Honda Acquisition, is contingent upon the Company divesting its ownership of the Cleveland Village Honda dealership. The Company is currently negotiating with potential buyers for the sale of the Cleveland Village Honda dealership. There can be no assurance that the Company will be able to sell the Cleveland Village Honda dealership or that the approval of Honda to the Economy Honda Acquisition will be obtained. On a pro forma basis, the Cleveland Village Honda dealership accounted for, and the Economy Honda Dealership would have accounted for, approximately 1.9% and 2.7% of the Company's 1997 revenues and approximately 2.1% and 3.0% of gross profits, respectively.

No Consent to Acquisitions from Jaguar

In the course of acquiring Jaguar franchises in Chattanooga, Tennessee and Greenville, South Carolina, Jaguar declined to consent to the Company's proposed acquisitions of these franchises. In settling legal actions brought against Jaguar by the seller of the Chattanooga Jaguar franchise, the Company agreed with Jaguar not to acquire any Jaguar franchise until August 3, 2001. The Chattanooga and Greenville Jaguar franchises, individually and in the aggregate, would have accounted for less than 1% of the Company's 1997 revenues and gross profits on a pro forma basis.

Potential Conflicts of Interest Between the Company and Its Officers Could Adversely Affect the Company's Future Performance

Bruton Smith will continue to serve as the Chairman and Chief Executive Officer of Speedway Motorsports, Inc. Accordingly, the Company will compete with Speedway Motorsports for the management time of Mr. Smith. Under his employment agreement with the Company, Mr. Smith is required to devote approximately 50% of his business time to the affairs of the Company. The remainder of his business time may be devoted to other entities including Speedway Motorsports.

The Company has in the past and will likely in the future enter into transactions with entities controlled by either Mr. Smith or Nelson Bowers or other affiliates of the Company, including transactions with Mar Mar Realty Trust ("MMRT"), a real estate investment trust for which Mr. Smith serves as chairman of MMRT's board of trustees and is

presently its largest shareholder. The Company has recently entered into certain transactions with MMRT. The Company believes that all of its existing arrangements are favorable to the Company and were entered into on terms that, taken as a whole, reflect arm's-length negotiations, although certain lease provisions included in such transactions may be at below-market rates. Since no independent appraisals evaluating these business transactions were obtained, there can be no assurance that such transactions are on terms no less favorable than could have been obtained from unaffiliated third parties. Potential conflicts of interest could also arise in the future between the Company and these affiliated parties in connection with the enforcement, amendment or termination of these arrangements. The Company anticipates renegotiating its leases with all related parties at lease expiration at fair market rentals, which may be higher than current rents.

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

Under the General Corporation Law of Delaware generally, a corporate insider is precluded from acting on a business opportunity in his individual capacity if that opportunity is one which the corporation is financially able to undertake, is in the line of the corporation's business, is of practical advantage to the corporation and is one in which the corporation has an interest or reasonable expectancy. Accordingly, corporate insiders are generally required to engage in new business opportunities of the Company only through the Company unless a majority of the Company's disinterested directors decide under the standards discussed above that it is not in the best interest

of the Company to pursue such opportunities.

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

Lack of Majority of Independent Directors Could Result in Conflicts with Management and Majority Shareholders That May Reduce the Company's Future Performance.

Independent directors do not constitute a majority of the Board, and the Company's Board may not have a majority of independent directors in the future. In the absence of a majority of independent directors, the Company's executive officers, who also are principal stockholders and directors, could establish policies and enter into transactions without independent review and approval thereof, subject to certain restrictions under the Charter. These and other transactions could present the potential for a conflict of interest between the Company and its minority stockholders and the controlling officers, stockholders or directors.

The Loss of Key Personnel and the Limited Management and Personnel Resources of the Company Could Adversely Affect the Company's Operations and Growth

The Company's success depends to a significant degree upon the continued contributions of its management team (particularly its senior management) and service and sales personnel. Additionally, Manufacturer franchise agreements require the prior approval of the applicable Manufacturer before any change is made in franchise general managers. For instance, Volvo has required that Nelson Bowers and Richard Dyer maintain a 20% interest in, and be the general managers of, the Company's Volvo dealerships formerly owned by them. Consequently, the loss of the services of one or more of these key employees could have a material adverse effect on the Company. Although the Company has employment agreements with Bruton Smith, Bryan Scott Smith, the Company's President and Chief Operating Officer, Dennis D. Higginbotham, the Company's President of Retail Operations, Nelson Bowers, Theodore M. Wright, the Company's Chief Financial Officer, Vice President-Finance, Treasurer and Secretary, O. Ken Marks, Jr., a Regional Vice President of the Company, and Jeffrey C. Rachor, a Regional Vice President of the Company, the Company will not have employment agreements in place with other key personnel. In addition, as the Company expands it may need to hire additional managers and will likely be dependent on the senior management of any businesses acquired. The market for

qualified employees in the industry and in the regions in which the Company operates, particularly for general managers and sales and service personnel, is highly competitive and may subject the Company to increased labor costs in periods of low unemployment. The loss of the services of key employees or the inability to attract additional qualified managers could have a material adverse effect on the Company. In addition, the lack of qualified management or employees employed by the Company's potential acquisition candidates may limit the Company's ability to consummate future acquisitions.

Seasonality of the Automotive Retail Business Adversely Affects First Quarter Revenues.

The Company's business is seasonal, with a disproportionate amount of revenues occurring in the second, third and fourth fiscal quarters.

Imported Product Restrictions and Foreign Trade Risks May Impair the Company's Ability to Sell Foreign Vehicles Profitably.

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

Governmental Regulation and Environmental Regulation Compliance Costs May Adversely Affect the Company's Profitability.

The Company is subject to a wide range of federal, state and local laws and regulations, such as local licensing requirements, and consumer protection laws. The violation of these laws and regulations can result in civil and criminal penalties being levied against the Company or in a cease and desist order against Company operations that are not in compliance. Future acquisitions by the Company may also be subject to regulation, including antitrust reviews. The Company believes that it complies in all material respects with all laws and regulations applicable to its business, but future regulations may be more stringent and require the Company to incur significant additional costs.

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

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

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

Concentration of Voting Power and Antitakeover Provisions of the Company's Charter May Reduce Stockholder Value in Any Potential Change of Control of the Company

The Common Stock is divided into two classes with different voting rights, which allows for the maintenance of control of the Company by the holders of the Class B Common Stock. Holders of Class A Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders of the Company. Holders of Class B Common Stock are entitled to ten votes per share on all matters, except that the Class B Common Stock is entitled to only one vote per share with respect to any transaction proposed or approved by the Company's Board of Directors, proposed by or on behalf of the holders of the Class B Common Stock or their affiliates or as to which any members of the Smith Group or any affiliate thereof has a material financial interest (other than as a then existing stockholder of the Company) constituting a (a) "going private" transaction, (b) disposition of substantially all of the Company's assets, (c) transfer resulting in a change in the nature of the Company's business, or (d) merger or consolidation in which current holders of Common Stock would own less than 50% of the Common Stock following such transaction. The two classes vote together as a single class on all matters, except where class voting is required by Delaware law, which exception would apply, among other situations, to a vote on any proposal to modify the voting rights of the Class A Common

Stock. See "Description of Capital Stock." As of October 23, 1998, the holders of Class B Common Stock had approximately 89.7% of the combined voting power of the outstanding voting capital stock of the Company, representing 52.8% of such outstanding voting shares. Accordingly such holders of Class B Common Stock effectively have the ability to elect all of the directors of the Company and to control all other matters requiring the approval of the Company's stockholders. In addition, the Company may issue additional shares of Class B Common Stock to members of the Smith Group in the future for fair market value.

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

Certain provisions of the Certificate and the Company's Bylaws make it more difficult for stockholders of the Company to effect certain corporate actions. See "Description of Capital Stock -- Delaware Law, Certain Charter and Bylaw Provisions and Certain Franchise Agreement Provisions." Under the Company's 1997 Stock Option Plan, options outstanding thereunder become immediately exercisable upon a change in control of the Company. The agreements, corporate documents and laws described above, as well as provisions of the Company's franchise agreements (permitting Manufacturers to terminate such agreements upon a change of control) and provisions of the Company's lending arrangements (creating an event of default thereunder upon a change in control), may have the effect of delaying or preventing a change in control of the Company or preventing stockholders from realizing a premium on the sale of their shares of Class A Common Stock upon an acquisition of the Company.

Year 2000 Computer Problems May Create Costs and Problems Adversely Affecting the Company's Profitability

The Company recognizes the need to ensure that its operations will not be adversely impacted by Year 2000 software failures and it has completed an assessment of its own operations in this regard. The Company has determined that its systems are currently Year 2000 compliant and that the costs associated with making its systems Year 2000 compliant were immaterial. However, many of the Company's lenders and suppliers, including the Company's suppliers that provide finance and insurance products, may be impacted by Year 2000 complications. The Company is in the process of making inquiries to its lenders and suppliers regarding their Year 2000 compliance efforts, and is reviewing the Year 2000 disclosures in documents filed with the Commission for those lenders and suppliers that are publicly-held companies. The Company does not believe that failure of the Company's lenders or suppliers to ensure that their computer systems are Year 2000 compliant will have a material adverse impact on the Company's business, results of operations, and financial condition, although no assurances can be given in this regard. Furthermore, there can be no assurances that Year 2000 deficiencies on the part of dealerships to be acquired by the Company would not have a material adverse impact on the Company's business, results of operations, and financial condition.

The Company has not yet established a contingency plan in the event that its expectations regarding Year 2000 problems are incorrect, but the Company intends to create such a contingency plan within the next six months. At this time, it is impossible to state with certainty whether Year 2000 computer software or equipment failures on the part of the Company or third parties involved with the Company will have a material adverse impact on the Company's results of

operations, liquidity and financial condition. However, based on the Company's assessment of its own operations, the Company believes that it is adequately prepared to deal with Year 2000 problems which may arise.

Amortization of Goodwill From Acquisitions Could Change, Resulting in Significant Reduction in Earnings for Future Periods

Goodwill would have represented approximately 33.2% and 124.0% of the Company's total assets and stockholders' equity, respectively, as of September 30, 1998. Goodwill arises when an acquiror pays more for a business than the fair value of the tangible and separately measurable intangible net assets. Generally accepted accounting principles require that this and all other intangible assets be amortized over the period benefited. The Company determined that the period benefited by the goodwill will be no less than 40 years. If the Company were not to separately recognize a material intangible asset having a benefit period less than 40 years, or were not to give effect to shorter benefit periods of factors giving rise to a material portion of the

goodwill, earnings reported in periods immediately following the acquisition would be overstated. In later years, the Company 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. Earnings in later years also could be significantly affected if management determined then that the remaining balance of goodwill was impaired. The Company reviewed with its independent accountants all of the factors and related future cash flows which it considered in arriving at the amount incurred in the 1998 Acquisitions. The Company concluded that the anticipated future cash flows associated with intangible assets recognized in the acquisitions will continue indefinitely, and there is no persuasive evidence that any material portion will dissipate over a period shorter than 40 years.

USE OF PROCEEDS

The Company will not receive any proceeds from the sale by the selling security holders of the shares offered hereby. The proceeds from the sales of shares offered hereby shall be retained solely for the account of the selling security holders.

SELLING SECURITY HOLDERS

The following table sets forth certain information regarding the beneficial ownership of the shares to be offered hereby as of December 22, 1998, and as adjusted to reflect the sale of the securities offered hereby, by the selling security holders. Except as otherwise indicated, to the knowledge of the Company, all persons listed below have sole voting and investment power with respect to their securities, except to the extent that authority is shared by spouses under applicable law or as otherwise noted below. The information in the table concerning the selling security holders who may offer Class A Common Stock hereunder from time to time is based on information provided to the Company by such securityholders, except for the assumed conversion ratio of shares of Preferred Stock into Common Stock, which is based solely on the assumptions discussed or referenced in footnote (1) to the table. Information concerning such selling security holders may change from time to time and any changes of which the Company is advised will be set forth in a Prospectus Supplement to the extent required. See "Plan of Distribution." To the knowledge of the Company, none of the selling security holders has had within the past three years any material relationship with the Company or any of its predecessors or affiliates, except as set forth in the end notes to the following table.

<TABLE>
<CAPTION>

	Shares Beneficially Owned Prior to the Offering (1)	Shares to be Sold in the Offering (1)	Shares Beneficially Owned After the Offering	
Name of Selling Stockholder	Number	Number	Number	Percent
<S>	<C>	<C>	<C>	<C>
Dennis D. Higginbotham	485,294(2)	485,294(2)	0	*
Aldo B. Paret(3)	88,583	87,583	1,000	*
Century Auto Sales, Inc	89,323(4)	89,323(4)	0	*
Fairway Management Company	16,492(4)	16,492(4)	0	*
Ron Craft	137,744	137,744	0	*

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*Represents less than 1% of the outstanding Common Stock.

(1) Except in the case of Shares indicated with footnotes (2) and (4), such beneficial ownership represents an estimate of the number of shares of Class A Common Stock issuable upon the conversion of shares of Preferred Stock beneficially owned by such person, assuming December 22, 1998 is the conversion date for such Preferred Stock. The average of the daily closing prices of the Class A Common Stock on the NYSE for the 20 consecutive trading days ending on the trading day immediately before such date was used to determine the number of shares of Class A Common Stock issuable upon conversion of the Preferred Stock. The actual number of shares of Class A Common Stock offered hereby is subject to adjustment and could be materially less or more than the estimated amount indicated depending upon factors which cannot be predicted by the Company at this time, including, among others, application of the conversion provisions based on market prices prevailing at the actual date of conversion. You should not use the foregoing information as a prediction of the future market price of the Class A Common Stock or the date when holders will elect to convert shares of Preferred Stock into shares of Class A Common Stock. The shares of Preferred Stock were issued in private placement transactions that

were exempt from the registration requirements of the Securities Act. See "Risk Factors -- Purchasers of the Shares Being Offered Will Be Diluted When Preferred Stock is Converted."

(2) Represents beneficial ownership of shares of Class A Common Stock issued in a private placement to Mr. Higginbotham in connection with the acquisition of businesses owned by him. Mr. Higginbotham has been the President of Retail Operations of the Company since September 1998 and a director of the Company since December 1998. Prior to joining the Company, Mr. Higginbotham owned a controlling interest in, and served as the president of, Higginbotham Chevrolet-Oldsmobile, Halifax Ford-Mercury and Higginbotham Automobiles, each of which was acquired by the Company in September 1998.

(3) Mr. Paret is currently employed by the Company's subsidiary, Casa Ford of Houston, Inc., pursuant to an employment agreement entered into in July 1998. Prior to joining the Company, Mr. Paret owned a controlling interest in, and served as the president of, Casa Ford of Houston, Inc., which was acquired by the Company in July, 1998.

(4) On December 15, 1998, Century Auto Sales, Inc. and Fairway Management Company converted all shares of Preferred Stock held by them into Class A Common Stock. The shares indicated represent such shares of Class A Common Stock beneficially owned after their conversion.

PLAN OF DISTRIBUTION

The selling security holders may sell or distribute some or all of the shares from time to time through dealers or brokers or other agents or directly to one or more purchasers, including pledgees, in transactions (which may involve crosses and block transactions) on the NYSE or other exchanges on which the Class A Common Stock may be listed for trading, in privately negotiated transactions (including sales pursuant to pledges) or in the over-the-counter market, or in brokerage transactions, or in a combination of such transactions. Such transactions may be effected by the selling security holders at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at negotiated prices, or at fixed prices, which may be changed. Brokers, dealers, or other agents participating in such transactions as agent may receive compensation in the form of discounts, concessions or commissions from the selling security holders (and, if they act as agent for the purchaser of such shares, from such purchaser). Such discounts, concessions or commissions as to a particular broker, dealer, or other agent might be in excess of those customary in the type of transaction involved. This Prospectus also may be used, with the Company's consent, by donees of the selling security holders, or by other persons, including pledgees, acquiring the shares and who wish to offer and sell such shares under circumstances requiring or making desirable its use. To the extent required, the Company will file, during any period in which offers or sales are being made, one or more supplements to this Prospectus to set forth the names of donees or pledgees of selling security holders and any other material information with respect to the plan of distribution not previously disclosed.

The selling security holders and any such brokers, dealers or other agents that participate in such distribution may be deemed to be "underwriters" within the meaning of the Securities Act, and any discounts, commissions or concessions received by any such brokers, dealers or other agents might be deemed to be underwriting discounts and commissions under the Securities Act. Neither the Company nor the selling security holders can presently estimate the amount of such compensation. The Company knows of no existing arrangements between any selling security holder and any other selling security holder, broker, dealer or other agent relating to the sale or distribution of the shares.

Under applicable rules and regulations under the Exchange Act, any person engaged in a distribution of any of the shares may not simultaneously engage in market activities with respect to the Common Stock for the applicable period under Regulation M prior to the commencement of such distribution. In addition and without limiting the foregoing, the selling security holders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including without limitation Rule 10b-5 and Regulation M, which provisions may limit the timing of purchases and sales of any of the shares by the selling security holders. All of the foregoing may affect the marketability of the Class A Common Stock.

The Company will pay substantially all of the expenses incident to this offering of the shares by the selling security holders to the public other than commissions, concessions and discounts of brokers, dealers or other agents. Each selling security holder may indemnify any broker, dealer, or other agent that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act. The Company may agree to indemnify the selling security holders and any such statutory "underwriters" and controlling persons of such "underwriters" against certain liabilities, including certain liabilities under the Securities Act.

In order to comply with certain states' securities laws, if applicable, the shares will be sold in such jurisdictions only through registered or licensed brokers or dealers.

MATERIAL CHANGES

There have been no material changes in the Company's affairs which have occurred since the end of the latest fiscal year for which certified financial statements were included in the latest annual report to security holders and which have not been described in a report on Form 10-Q or Form 8-K under the Exchange Act.

The historical audited financial statements of businesses acquired by the Company since December 31, 1997 and the financial statements of the Company pro forma for such acquisitions are hereby incorporated by reference to the Unaudited Pro Forma Consolidated Financial Data of the Company for the year ended December 31, 1997 and the six months ended June 30, 1998, the combined financial statements of Clearwater Dealerships and Affiliated Companies, the combined financial statements of Hatfield Automotive Group, the financial statements of Economy Honda Cars, the financial statements of Casa Ford of Houston, Inc., the combined financial statements of the Higginbotham Automotive Group, the financial statements of Dyer & Dyer, Inc., the combined financial statements of Bowers Dealerships and Affiliated Companies, the combined financial statements of Lake Norman Dodge, Inc. and Affiliated Companies, and the

financial statements of Ken Marks Ford, Inc., which are included in the final prospectus dated November 5, 1998 that was included in the Company's Registration Statement on Form S-4 (Registration Nos. 333-64397 and 333-64397-001 through 333-64397-044), which was filed with the Commission by the Company on November 3, 1998 and declared effective by the Commission on November 5, 1998.

On December 16, 1998, the Company's Board of Directors announced a 2-for-1 stock split applicable to the Common Stock. The stock split is applicable to all Common Stock holders of record as of January 4, 1998. The stock split will be effected as a 100% stock dividend payable on January 25, 1998. None of the share information contained in this Prospectus reflects this stock split.

DESCRIPTION OF CAPITAL STOCK

The Company's authorized capital stock consists of (i) 50,000,000 shares of Class A Common Stock, $.01 par value, (ii) 15,000,000 shares of Class B Common Stock, $.01 par value, and (iii) 3,000,000 shares of preferred stock, $.10 par value (of which 300,000 shares have been designated as the Preferred Stock). As of December 16, 1998, the Company had 5,730,559 outstanding shares of Class A Common Stock, 6,200,000 outstanding shares of Class B Common Stock and 28,167.3 outstanding shares of the Preferred Stock.

The following summary description of the Company's capital stock does not purport to be complete and is qualified in its entirety by reference to the Company's Amended and Restated Certificate of Incorporation (the "Charter") (which was filed as an exhibit to the Company's Registration Statement on Form S-1 (File No. 333-33295)), the Company's Certificate of Designations relating to the Preferred Stock (the "Designation") (which was filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998), and to Delaware law. Reference is made to such exhibits and to Delaware law for a detailed description of the provisions thereof summarized below.

Common Stock

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

Voting Rights; Conversion of Class B Common Stock to Class A Common Stock

The voting powers, preferences and relative rights of the Class A Common Stock and the Class B Common Stock are subject to the following provisions. Holders of Class A Common Stock have one vote per share on all matters submitted to a vote of the stockholders of the Company. Holders of Class B Common Stock are entitled to ten votes per share except as described below. Holders of all classes of Common Stock entitled to vote will vote together as a

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

Notwithstanding the foregoing, the holders of Class A Common Stock and Class B Common Stock vote as a single class, with each share of each class entitled to one vote per share, with respect to any transaction proposed or approved by the Board of Directors of the Company or proposed by or on behalf of holders of the Class B Common Stock or as to which any member of the Smith Group or any affiliate thereof has a material financial interest other than as a then existing stockholder of the Company constituting a (a) "going private" transaction, (b) sale or other disposition of all or substantially all of the Company's assets, (c) sale or transfer which would cause the nature of the Company's business to be no longer primarily oriented toward automobile dealership operations and related activities or (d) merger or consolidation of the Company in which the holders of the Common Stock will own less than 50% of the Common Stock following such transaction. A "going private" transaction is defined as any "Rule 13e-3 Transaction," as such term is defined in Rule 13e-3 promulgated under the Securities Exchange Act of 1934. An "affiliate" is defined as (i) any individual or entity who or that, directly or indirectly, controls, is controlled by, or is under common control with any

member of the Smith Group, (ii) any corporation or organization (other than the Company or a majority-owned subsidiary of the Company) of which any member of the Smith Group is an officer partner or is, directly or indirectly, the beneficial owner of 10% or more of any class of voting securities, or in which any member of the Smith Group has a substantial beneficial interest, (iii) a voting trust or similar arrangement pursuant to which any member of the Smith Group generally controls the vote of the shares of Common Stock held by or subject to such trust or arrangement, (iv) any other trust or estate in which any member of the Smith Group has a substantial beneficial interest or as to which any member of the Smith Group serves as trustee or in a similar fiduciary capacity, or (v) any relative or spouse of any member of the Smith Group or any relative of such spouse, who has the same residence as any member of the Smith Group.

As used in this Prospectus, the term the "Smith Group" consists of the following persons: (i) Mr. Smith and his guardian, conservator, committee, or attorney-in-fact; (ii) William S. Egan and his guardian, conservator, committee, or attorney-in-fact; (iii) each lineal descendant of Messrs. Smith and Egan (a "Descendant") and their respective guardians, conservators, committees or attorneys-in-fact; and (iv) each "Family Controlled Entity." The term "Family Controlled Entity" means (i) any not-for-profit corporation if at least 80% of its board of directors is composed of Mr. Smith, Mr. Egan and/or Descendants; (ii) any other corporation if at least 80% of the value of its outstanding equity is owned by members of the Smith Group; (iii) any partnership if at least 80% of the value of the partnership interests are owned by members of the Smith Group; and (iv) any limited liability or similar company if at least 80% of the value of the company is owned by members of the Smith Group. For a discussion of the effects of the disproportionate voting rights of the Common Stock, see "Risk Factors -- Concentration of Voting Power and Antitakeover Provisions of the Company's Charter May Reduce Stockholder Value in Any Potential Change of Control of the Company."

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

Dividends

Holders of the Class A Common Stock and the Class B Common Stock are entitled to receive ratably such dividends, if any, as are declared by the Company's Board of Directors out of funds legally available for that purpose, provided, that dividends paid in shares of Class A Common Stock or Class B Common Stock shall be paid only as follows: shares of Class A Common Stock

shall be paid only to holders of Class A Common Stock and shares of Class B Common Stock shall be paid only to holders of Class B Common Stock. The Company's Charter provides that if there is any dividend, subdivision, combination or reclassification of either class of Common Stock, a proportionate dividend, subdivision, combination or reclassification of the other class of Common Stock shall simultaneously be made.

Other Rights

Stockholders of the Company have no preemptive or other rights to subscribe for additional shares. In the event of the liquidation, dissolution or winding up of the Company, holders of Class A Common Stock and Class B Common Stock are entitled to share ratably in all assets available for distribution to holders of Common Stock after payment in full of creditors. No shares of any class of Common Stock are subject to a redemption or a sinking fund.

Transfer Agent and Registrar

The Company has appointed First Union National Bank as the transfer agent and registrar for the Common Stock.

Preferred Stock

Dividends. The Preferred Stock has no preferential dividends. Rather, holders of Preferred Stock are entitled to participate in dividends payable on the Class A Common Stock on an "as-if-converted" basis.

Voting Rights. Each share of Preferred Stock entitles its holder to a number of votes equal to that number of shares of Class A Common Stock into which it could be converted as of the record date for the vote.

Liquidation Rights. The Preferred Stock has a liquidation preference of $1,000 per share.

Conversion Rights. Each share of Preferred Stock is convertible into shares of Class A Common Stock at the holder's option at specified conversion rates. After the second anniversary of the date of issuance, any shares of Preferred Stock which have not been converted are subject to mandatory conversion to Class A Common Stock at the option of the

Company. No fractional shares of Class A Common Stock will be issued upon conversion of any shares of Preferred Stock. Instead, the Company will pay cash equal to the value of such fractional share.

Generally, each share of Preferred Stock is convertible into that number of shares of Class A Common Stock that has an aggregate Market Price at the time of conversion equal to $1,000 (with certain adjustments for the Series II and Series III Preferred Stock). "Market Price" is defined as the average closing price per share of Class A Common Stock on the New York Stock Exchange for the twenty trading days immediately preceding the date of conversion. If the Class A Common Stock is no longer listed on the New York Stock Exchange, then the Market Price will be determined on the basis of prices reported on the principal exchange on which the Class A Common Stock is listed, or if not so listed, prices furnished by NASDAQ. If the Class A Common Stock is not listed on an exchange or reported on by NASDAQ, then the Market Price will be determined by the Company's Board of Directors.

Before the first anniversary of the date of issuance of Preferred Stock, each holder of Preferred Stock is unable to convert without first giving Sonic ten business days' notice and an opportunity to redeem such Preferred Stock at the then applicable redemption price.

Redemption. The Preferred Stock is redeemable at the Company's option at any time after the date of issuance. The redemption price for the Series I Preferred Stock is $1,000 per share. The redemption price for the Series II Preferred Stock and the Series III Preferred Stock is as follows: (i) prior to the second anniversary of the date of issuance, the redemption price is the greater of $1,000 per share or the aggregate Market Price of the Class A Common Stock into which it could be converted at the time of redemption, and (ii) after the second anniversary of the date of issuance, the redemption price is the aggregate Market Price of the Class A Common Stock into which it could be converted at the time of redemption. There is no restriction on Sonic's ability to redeem the Preferred Stock while there is an arrearage in payment of dividends on such Preferred Stock.

Delaware Law, Certain Charter and Bylaw Provisions and Certain Franchise Agreement Provisions

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

Delaware Antitakeover Law. The Company, a Delaware corporation, is subject to the provisions of Delaware Law, including Section 203. In general, Section 203 prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which such person became an interested stockholder unless: (i) prior to such date, the Board of Directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; or (ii) upon becoming an interested stockholder, the stockholder then owned at least 85% of the voting stock, as defined in Section 203; or (iii) subsequent to such date, the business combination is approved by both the Board of Directors and by holders of at least 66 2/3% of the corporation's outstanding voting stock, excluding shares owned by the interested stockholder. For these purposes, the term "business combination" includes mergers, asset sales and other similar transactions with an "interested stockholder." An "interested stockholder" is a person who, together with affiliates and associates, owns (or, within the prior three years, did own) 15% or more of the corporation's voting stock. Although Section 203 permits a corporation to elect not to be governed by its provisions, the Company to date has not made this election.

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

Special Meetings of Stockholders. The Company's Bylaws provide that special meetings of stockholders may be called only by the Chairman or by the Secretary or any Assistant Secretary at the request in writing of a majority of the Board of Directors of the Company. The Company's Bylaws also provide that no action required to be taken or that may be taken at any annual or special meeting of stockholders may be taken without a meeting; the powers of stockholders to

consent in writing, without a meeting, to the taking of any action is specifically denied. These provisions may make it more difficult for stockholders to take action opposed by the Board of Directors.

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

Conflict of Interest Procedures. The Company's Charter contains provisions providing that transactions between the Company and its affiliates must be no less favorable to the Company than would be available in transactions involving arms'-length dealing with unrelated third parties. Moreover, any such transaction involving aggregate payments in excess of $500,000 must be approved by a majority of the Company's directors and a majority of the Company's independent directors. Otherwise, the Company must obtain an opinion as to the

financial fairness of the transactions to be issued by an investment banking or appraisal firm of national standing.

Restrictions under Franchise Agreements. The Company's franchise agreements impose restrictions on the transfer of the Common Stock. A number of Manufacturers prohibit transactions which affect changes in management control of the Company. For instance, Ford may cause the Company to sell or resign from its Ford franchises if any person or entity acquires 15% or more of the Company's voting securities. Likewise, General Motors, Toyota and Infiniti may force the sale of their respective franchises if 20% or more of the Company's voting securities are so acquired. Honda may force the sale of the Company's Honda franchise if any person or entity, other than members of the Smith Group, acquires 5% of the Common Stock (10% if such entity is an institutional investor), and Honda deems such person or entity to be unsatisfactory. Volkswagen has approved of the public sale of only 25% of the voting control of the Company and requires prior approval of any change in control or management of the Company that would affect the Company's control or management of its Volkswagen franchisee subsidiaries. Chrysler also has approved of the public sale of only 50% of the Common Stock and requires prior approval of any future sales that would result in a change in voting or managerial control of the Company. Such restrictions may prevent or deter prospective acquirers from obtaining control of the Company. See "Risk Factors -- Manufacturer Stock Ownership/Issuance Limits Limit the Company's Ability to Issue Additional Equity to Meet Its Financing Needs."

CERTAIN MANUFACTURER RESTRICTIONS

Under agreements between the Company and certain Manufacturers, the Company has agreed to provide the statements provided below.

The Company's agreement with Honda requires that it provide the following statement in this Prospectus:

No automobile manufacturer has been involved, directly or indirectly, in the preparation of this Prospectus or in the offering being made hereby. No automobile manufacturer has made any statements or representations in connection with the offering or has provided any information or materials that were used in connection with the offering, and no automobile manufacturer has any responsibility for the accuracy or completeness of this Prospectus.

Under the Company's Dealer Agreement with General Motors ("GM"), the Company has agreed, among other things, to disclose the following provisions:

Sonic will deliver to GM copies of all Schedules 13D and 13G, and all amendments thereto and terminations thereof, received by Sonic, within five days of receipt of such Schedules. If Sonic is aware of any ownership of its stock that should have been reported to it on Schedule 13D but that is not reported in a timely manner, it will promptly give GM written notice of such ownership, with any relevant information about the owner that Sonic possesses.

If Sonic, through its Board of Directors or through shareholder action, proposes or if any person, entity or group sends Sonic a Schedule 13D, or any amendments thereto, disclosing (a) an agreement to acquire or the acquisition of aggregate ownership of more than 20% of the voting stock of Sonic and (b) Sonic, through its Board of Directors or through shareholder action, proposes or if any plans or proposals which relate to or would result in the following: (i) the acquisition by any person of more than 20% of the voting stock of Sonic other than for the purposes of ordinary passive investment; (ii) an extraordinary corporate transaction, such as a material merger, reorganization or liquidation, involving Sonic or a sale or transfer of a material amount of assets of Sonic and its subsidiaries; (iii) any change which, together with any changes made to the Board of Directors within the preceding year, would result in a change in control of the then current Board of Sonic; or (iv) in the case of an entity that produces motor vehicles or controls or is controlled by or is under common control with an entity that either produces motor vehicles or is a motor vehicle franchisor, the acquisition by any person, entity or group of more than 20% of the voting stock of Sonic and any proposal by any such person, entity or group, through the Sonic Board of Directors or shareholders action, to change the Board of Directors of Sonic, then, if such actions in GM's business judgment could have a material or adverse effect on its image or reputation in the GM dealerships operated by Sonic or be materially incompatible with GM's interests (and upon notice of GM's reasons for such judgment), Sonic has agreed that it will take one of the remedial actions set forth in the next paragraph within 90 days of receiving such Schedule 13D or such amendment.

If Sonic is obligated under the previous paragraph to take remedial action, it will (a) transfer to GM or its designee, and GM or its designee will acquire the assets, properties or business associated with any GM dealership operated by Sonic at fair market value as determined in accordance with GM's Dealership Agreement with the Company, or (b) provide evidence to GM that such

person, entity or group no longer has such threshold level of ownership interest in Sonic or that the actions described in clause (b) of the previous paragraph will not occur.

Should Sonic or its GM franchisee subsidiary enter into an agreement to transfer the assets of the GM franchisee subsidiary to a third party, the right of first refusal described in the GM Dealer Agreement shall apply to any such transfer.

SHARES ELIGIBLE FOR FUTURE SALE

As of December 16, 1998, the Company had outstanding 5,730,559 shares of Class A Common Stock. All of these shares are freely transferable and may be resold without further registration under the Securities Act, except for any shares purchased by an "affiliate" of the Company (as defined by Rule 144 under the Securities Act), which shares will be subject to the resale limitations of Rule 144. The 6,200,000 shares of Class B Common Stock outstanding, which are convertible into Class A Common Stock, the 30,000 shares of Class A Common Stock underlying options granted under the Company's Directors Formula Stock Option Plans, the 119,187 shares of Class A Common Stock underlying warrants issued in connection with certain of the Company's acquisitions, the 1,191,131 shares of Class A Common Stock issuable upon conversion of outstanding Preferred Stock, assuming such shares of Preferred Stock were converted on December 22, 1998, and the 591,109 shares of Class A Common Stock issued in connection with the Company's acquisitions or upon conversion of Preferred Stock issued in connection with the Company's acquisitions, are "restricted" securities within the meaning of Rule 144 irrespective of whether the conversion right is exercised.

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

In addition, the Company has granted options exercisable for 1,220,009 shares of Class A Common Stock under its 1997 Stock Option Plan and 1997 Employee Stock Purchase Plan, and all such shares are registered with the Commission and available for public resale.

All of the 6,200,000 shares of Class B Common Stock currently outstanding have been held for at least one year. Any transfer of shares of the Class B Common Stock to any person other than a member of the Smith Group will result in a conversion of such shares to Class A Common Stock.

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

Additionally, the Company has entered into a Registration Rights Agreement with Sonic Financial, Bruton Smith, Scott Smith and William Egan. The Registration Rights Agreement provides piggyback registration rights with respect to 6,250,000 shares of Common Stock in the aggregate.

LEGAL MATTERS

The validity of the shares of Class A Common Stock offered hereby has been passed upon for the Company by Parker, Poe, Adams & Bernstein, L.L.P., Charlotte, North Carolina.

EXPERTS

The consolidated financial statements of Sonic Automotive, Inc. and Subsidiaries, the combined financial statements of Clearwater Dealerships and Affiliated Companies, the combined financial statements of Hatfield Automotive Group, the financial statements of Economy Honda Cars, the financial statements of Casa Ford of Houston, Inc., the combined financial statements of Higginbotham Automotive Group, the financial statements of Dyer & Dyer, Inc., the combined financial statements of Bowers Dealerships and Affiliated

Companies, the combined financial statements of Lake Norman Dodge, Inc. and Affiliated Companies, and the financial statements of Ken Marks Ford, Inc. incorporated by reference in this Prospectus and elsewhere in the Registration Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports, which are incorporated by reference herein, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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TABLE OF CONTENTS

(Sonic Automotive Inc. logo appears here)

Class A Common Stock

P R O S P E C T U S

December 23, 1998

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PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth the fees and expenses in connection with the issuance and distribution of the securities being registered hereunder. All of the costs identified below will be paid by the Company. Except for the SEC

registration fee, all amounts are estimates.

SEC Registration Fee	$ 6,678
NYSE Listing Fee	2,521
Printing and Engraving Expenses	15,000
Legal Fees and Expenses	15,000
Accounting Fees and Expenses	15,000
Miscellaneous Expenses	801
Total	$55,000

Item 15. Indemnification of Directors and Officers

The Company's Bylaws effectively provide that the Company shall, to the full extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as amended from time to time ("Section 145"), indemnify all persons whom it may indemnify pursuant thereto. In addition, the Company's Certificate of Incorporation eliminates personal liability of its directors to the full extent permitted by Section 102(b)(7) of the General Corporation Law of the State of Delaware, as amended from time to time ("Section 102(b)(7)").

Section 145 permits a corporation to indemnify its directors and officers against expenses (including attorney's fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by them in connection with any actions, suit or proceeding brought by a third party if such directors or officers acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reason to believe their conduct was unlawful. In a derivative action, indemnification may be made only for expenses actually and reasonably incurred by directors and officers in connection with the defense or settlement of an action or suit and only with respect to a matter as to which they shall have acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interest of the corporation, except that no indemnification shall be made if such person shall have been adjudged liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine upon application that the defendant officers or directors are reasonably entitled to indemnity for such expenses despite such adjudication of liability.

Section 102(b)(7) provides that a corporation may eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for willful or negligent conduct in paying dividends or repurchasing stock out of other than lawfully available funds or (iv) for any transaction from which the director derived an improper personal benefit. No such provision shall eliminate or limit the liability of a director for any act or omission occurring prior to the date when such provision becomes effective. The Company maintains insurance against liabilities under the Act for the benefit of its officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officer or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 16. Exhibits and Financial Statement Schedules.

Exhibit No.	Description
4.1*	Form of Certificate for the Company's Class A Common Stock (incorporated by reference to Exhibit

	4.1 to the Registration Statement on Form S-1 (File No. 333-33295) of the Company).
4.2*	Form of Certificate for the Company's Class A Convertible Preferred Stock, Series I.
4.3*	Form of Certificate for the Company's Class A Convertible Preferred Stock, Series II.
4.4*	Form of Certificate for the Company's Class A Convertible Preferred Stock, Series III.
4.5*	Certificate of Designations for the Company's Class A Convertible Preferred Stock (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
4.6*	Asset Purchase Agreement dated April 10, 1998 by and among the Company, Century Auto Sales, Inc., A. Foster McKissick, III and Murray P. McKissick (incorporated by reference to Exhibit 99.9 to the Company's Current Report on Form 8-K filed July 9, 1998 (the "July 9, 1998 Form 8-K")).
4.7*	Asset Purchase Agreement dated April 10, 1998 by and among the Company, Fairway Management Company d/b/a Heritage Lincoln-Mercury-Jaguar and Fairway Ford, Inc. (incorporated by reference to Exhibit 99.11 to the July 9, 1998 Form 8-K).
4.8*	Stock Purchase Agreement dated as of April 30, 1998 by and among the Company, Aldo B. Paret and Casa Ford of Houston, Inc. (incorporated by reference to Exhibit 99.13 to the July 9, 1998 Form 8-K).
4.9*	Asset Purchase Agreement dated as of July 7, 1998 by and among the Company, HMC Finance Corporation, Inc., Halifax Ford-Mercury, Inc., Higginbotham Automobiles, Inc., Higginbotham Chevrolet-Oldsmobile, Inc., Sunrise Auto World, Inc., and Dennis D. Higginbotham (the "Higginbotham Purchase Agreement") (incorporated by reference to Exhibit 99.14 to the July 9, 1998 Form 8-K).
4.10*	Amendment No. 1 and Supplement to the Higginbotham Purchase Agreement dated as of September 16, 1998 (incorporated by reference to Exhibit 10.85a to the Company's Registration Statement on Form S-4 (Registration Nos. 333-64397 and 333-64397-001 through 333-64397-044) dated November 3, 1998).
4.11	Stock Purchase Agreement dated as of October 6, 1998 between the Company and Ron Craft.
5.1	Opinion of Parker, Poe, Adams & Bernstein, L.L.P. regarding the legality of the securities being registered.
23.1	Consent of Parker, Poe, Adams & Bernstein, L.L.P. (included in Exhibit 5.1).
23.2	Consent of Deloitte & Touche LLP.
24.1*	Powers of Attorney (included on Signature Page of Registration Statement).
27*	Financial Data Schedule (incorporated by reference to Exhibit 27 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 1998).

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* Filed previously.

Item 17. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in this Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement.

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) above do not apply if the information required to be included in a post-effective amendment by these paragraphs is contained in periodic reports filed with or furnished by the Registrant pursuant to Section 13 or 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the

Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the Offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Charlotte, State of North Carolina, on this 23rd day of December, 1998.

SONIC AUTOMOTIVE, INC.

By: /s/ Theodore M. Wright

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

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
*	Chief Executive Officer	December 23, 1998
O. Bruton Smith	(principal executive officer) and Chairman	
*	President, Chief Operating Officer and Director	December 23, 1998
B. Scott Smith		

<TABLE>

/s/ Theodore M. Wright Theodore M. Wright	Chief Financial Officer, Vice President-Finance, Treasurer and Secretary (principal financial and accounting officer) and Director	December 23, 1998
/s/ Dennis D. Higginbotham Dennis D. Higginbotham	President of Retail Operations and Director	December 23, 1998
* William R. Brooks	Director	December 23, 1998
* William P. Benton	Director	December 23, 1998
* William I. Belk	Director	December 23, 1998

</TABLE>

*By: /s/ Theodore M. Wright
Theodore M. Wright
(Attorney-in-fact for each of the persons indicated)

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No.	Description
4.1*	Form of Certificate for the Company's Class A Common Stock (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (File No. 333-33295) of the Company).
4.2*	Form of Certificate for the Company's Class A Convertible Preferred Stock, Series I.
4.3*	Form of Certificate for the Company's Class A Convertible Preferred Stock, Series II.
4.4*	Form of Certificate for the Company's Class A Convertible Preferred Stock, Series III.
4.5*	Certificate of Designations for the Company's Class A Convertible Preferred Stock (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
4.6*	Asset Purchase Agreement dated April 10, 1998 by and among the Company, Century Auto Sales, Inc., A. Foster McKissick, III and Murray P. McKissick (incorporated by reference to Exhibit 99.9 to the Company's Current Report on Form 8-K filed July 9, 1998 (the "July 9, 1998 Form 8-K")).
4.7*	Asset Purchase Agreement dated April 10, 1998 by and among the Company, Fairway Management Company d/b/a Heritage Lincoln-Mercury-Jaguar and Fairway Ford, Inc. (incorporated by reference to Exhibit 99.11 to the July 9, 1998 Form 8-K).
4.8*	Stock Purchase Agreement dated as of April 30, 1998 by and among the Company, Aldo B. Paret and Casa Ford of Houston, Inc. (incorporated by reference to Exhibit 99.13 to the July 9, 1998 Form 8-K).
4.9*	Asset Purchase Agreement dated as of July 7, 1998 by and among the Company, HMC Finance Corporation, Inc., Halifax Ford-Mercury, Inc., Higginbotham Automobiles, Inc., Higginbotham Chevrolet-Oldsmobile, Inc., Sunrise Auto World, Inc., and Dennis D. Higginbotham (the "Higginbotham Purchase Agreement") (incorporated by reference to Exhibit 99.14 to the July 9, 1998 Form 8-K).
4.10*	Amendment No. 1 and Supplement to the Higginbotham Purchase Agreement dated as of September 16, 1998 (incorporated by reference to Exhibit 10.85a to the Company's Registration Statement on Form S-4 (Registration Nos. 333-64397 and 333-64397-001 through 333-64397-044) dated November 3, 1998).
4.11	Stock Purchase Agreement dated as of October 6, 1998 between the Company and Ron Craft.
5.1	Opinion of Parker, Poe, Adams & Bernstein, L.L.P. regarding the legality of the securities being registered.
23.1	Consent of Parker, Poe, Adams & Bernstein, L.L.P. (included in Exhibit 5.1).
23.2	Consent of Deloitte & Touche LLP.
24.1*	Powers of Attorney (included on Signature Page of Registration Statement).
27*	Financial Data Schedule (incorporated by reference to Exhibit 27 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 1998).

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* Filed previously.

EXHIBIT 4.11

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT dated as of October 6, 1998 (this "AGREEMENT") between SONIC AUTOMOTIVE, INC., a Delaware corporation (the "BUYER"), and RON CRAFT(the "SELLER").

W I T N E S S E T H:

WHEREAS, the Seller owns in the aggregate 2,108 shares of common stock, par value $100 per share (the "SHARES"), of Ron Craft Chevrolet-Cadillac-Oldsmobile-Geo, Inc., a Texas corporation (the "CORPORATION"), which shares represent all of the issued and outstanding shares of capital stock of the Corporation and are owned of record and beneficially by the Seller; and

WHEREAS, the Buyer desires to purchase the Shares from the Seller, and the Seller is willing to sell the Shares to the Buyer, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and representations hereinafter stated, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE
PURCHASE AND SALE

1.1 AGREEMENT OF PURCHASE AND SALE. On the terms and subject to the conditions of this Agreement and in reliance upon the representations and warranties of the parties herein, at the closing referred to in Article 2 hereof (the "CLOSING"), the Seller shall sell, transfer, convey and deliver to the Buyer, and the Buyer shall purchase from the Seller, the Shares.

1.2 PURCHASE PRICE.

(a) PURCHASE PRICE. As the purchase price to be paid by the Buyer for the Shares, the Buyer shall pay to the Seller the sum of $12,250,000, subject to adjustment as provided in Section 1.2(c) below (as so adjusted, the "PURCHASE PRICE").

(b) PAYMENT OF PURCHASE PRICE. The Purchase Price shall be paid as follows:

(1) (A) At the Closing, the sum of $8,575,000 shall be payable by the Buyer to the Seller by wire transfer of immediately available funds to the account of the Seller, which shall be designated by the Seller in writing at least one full Business Day prior to the Closing Date (as defined in Article 2 hereof). A total of five hundred (500) shares of Preferred Stock (as defined in Section 1.2(b)(2)(A) below) (the "ESCROW AMOUNT") shall be placed in escrow with First Union National Bank or another escrow agent mutually acceptable to

the parties hereto (the "ESCROW AGENT") by the Buyer in accordance with the escrow agreement in the form of Exhibit A hereto, with such other changes thereto as the Escrow Agent shall reasonably request (the "ESCROW AGREEMENT"). For purposes of this Agreement, a "BUSINESS DAY" is a day other than a Saturday, a Sunday or a day on which banks are required to be closed in the State of North Carolina.

(B) The term of the Escrow Agreement shall be for a period of ninety (90) days from the Closing Date (or such shorter or longer period of time as shall be necessary to complete the determination of Net Book Value pursuant to Section 1.2(c) below). If, as of the date which is ninety (90) days from the Closing Date (or such earlier or later date as shall be necessary to complete the determination of the Net Book Value pursuant to Section 1.2(c) below), the Buyer shall have made no claims in respect of any Net Book Value Shortfall (as defined in Section 1.2(c) below), the Buyer will execute a joint instruction with the Seller pursuant to the Escrow Agreement to instruct the Escrow Agent to pay all of the Escrow Amount to the Seller pursuant to the terms of the Escrow Agreement.

(2) (A) At the Closing, the Buyer shall issue to the Seller, 3,675 shares of the Buyer's Class A Convertible Preferred Stock, Series II (the "PREFERRED STOCK"). The Preferred Stock will be convertible into shares of the Buyer's Class A Common Stock, par value $.01 per share (the "COMMON STOCK") as provided in the Statement of Rights and Preferences attached as Exhibit B hereto. At the Closing, 3,175 shares of the Preferred Stock shall be delivered to the Seller and 500 shares of the Preferred Stock shall be delivered to the Escrow Agent.

(B) At the Seller's option, exercisable by written

notice to the Buyer by the Seller at or prior to the Closing (the "REGISTRATION NOTICE"), the Buyer shall be obligated to use its reasonable best efforts to register under the Securities Act of 1933, as amended (the "SECURITIES ACT"), on or before December 31, 1998, the shares (the "COMMON SHARES") of the Common Stock which are issuable upon conversion of the Preferred Stock (such Common Shares being hereafter called the "REGISTRABLE COMMON SHARES").

(C) If requested by the managing or lead managing underwriter for any such registered offering of the Common Shares which is an underwritten public offering, the Seller shall execute and deliver such underwriting agreement with the managing or lead managing underwriter in such form as is customarily used by such underwriter with any modifications as the parties thereto shall agree. In connection with any such registration, the Seller shall supply to the Buyer such information as may be reasonably requested by the Buyer in connection with the preparation and filing of a registration statement with the Securities and Exchange Commission. The Seller shall not supply any information to the Buyer for inclusion in such registration statement that will, taken as a whole, at the time the registration statement becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. Provided that the Buyer shall have timely completed such registration of the Common Shares, the Seller shall promptly convert the Preferred Stock into the Registrable Common Shares.

(D) In the event that the Buyer fails to timely complete such registration of the Registrable Common Shares, the Seller may, at its option exercisable by

written notice to the Buyer not later than January 31, 1999, require the Buyer to purchase up to all of the Preferred Stock held by the Seller at the price of $1,000 per share. Such notice to the Buyer shall specify the number of shares of Preferred Stock held by the Seller required to be purchased and a closing date for such purchase which shall be not sooner than fifteen (15) days and not longer than thirty (30) days from the date of delivery of such notice. At the closing of such purchase, the Buyer shall deliver to the Seller the applicable purchase price in the same manner that the cash portion of the Purchase Price paid at Closing was paid against delivery by the Seller of (i) the certificates for the shares of Preferred Stock of the Seller being purchased, duly endorsed for transfer to the Buyer, and (ii) a certificate signed by the Seller to the effect that such Preferred Stock of the Seller is being sold free and clear of all encumbrances and claims of third persons. The foregoing "put" rights of the Seller shall also apply to the shares of the Preferred Stock which are included in the Escrow Shares; PROVIDED, HOWEVER, the obligation of the Buyer to purchase such shares of Preferred Stock shall arise only if, as and when such shares of the Preferred Stock are delivered to the Seller pursuant to the Escrow Agreement.

(E) In the event the Seller does not timely deliver a Registration Notice, the Buyer shall have no obligation to register the Common Shares, except as hereinafter provided. Thereafter, the Buyer's sole obligations with respect to the Preferred Stock and the Common Shares shall be to (i) use its reasonable best efforts to make available current public information with respect to the Buyer within the meaning of Subsection (c)(1) of Securities and Exchange Commission ("SEC") Rule 144 ("RULE 144") to the extent necessary to facilitate public resales by the Seller of the Common Shares pursuant to Rule 144, and (ii) use its reasonable best efforts to provide "piggyback" registration rights with respect to the Registrable Common Shares in the event that the Buyer shall undertake a registered public offering utilizing a registration statement on SEC Forms S-1 or S-3 (or any successor form thereto). In such case, the provisions of subsection 2(C) immediately above shall be applicable. Furthermore, such piggyback registration rights shall be subject to customary provisions, including those regarding expenses, underwriter cut-backs and pro-rations with other holders of such registration rights, and shall terminate at such time as the holder of such registration rights shall be free to sell all of such holder's Registrable Common Shares under Rule 144.

(c) ADJUSTMENT PROCEDURES.

(1) Not later than 60 days after the Closing Date, the Buyer will prepare and deliver to the Seller an unaudited balance sheet (the "CLOSING BALANCE SHEET") of the Corporation as of the Closing Date, consisting of a computation of the net book value of the tangible assets of the Corporation as of the Closing Date (excluding amounts receivable from the Seller and his Affiliates (as hereinafter defined) as of the Closing Date), less the book value of the liabilities of the Corporation as of the Closing Date (excluding amounts payable by the Corporation to the Seller and his Affiliates), all as determined in accordance with generally accepted accounting principles consistently applied ("GAAP") and utilizing the first in-first out (FIFO) method of inventory accounting; PROVIDED, HOWEVER, that (A) no 1997 or older vehicles shall be included in new vehicle inventory, (B) used vehicle inventories shall be valued as mutually agreed by the Buyer and the Seller, based upon a physical inventory to be conducted by them not later than the Business Day immediately preceding

the Closing Date, with any used vehicles as to which the Buyer and the Seller cannot reach agreement as to value being valued by a

mutually acceptable third party appraiser not later than the Closing Date, (C) parts and accessories inventories shall include only (I) General Motors Corporation ("GM") returnable parts and accessories, which shall be valued based on the value of such returnable parts under applicable returnable parts and accessories plans, and (II) salable GM nonreturnable parts and accessories and salable non-GM parts and accessories, which shall be valued at book value in accordance with GAAP, (D) the tangible net book value of the Corporation shall be calculated after giving effect in accordance with GAAP to (i) the receipt by the Corporation of the full amount of the affiliate receivables specifically identified in Section 7.8(a) hereof, and (ii) the Permitted Bonuses and Distributions contemplated by Section 5.5 hereof, (E) the liabilities of the Corporation shall include any tax liabilities associated with the conversion from the last in-first out (LIFO) method of accounting to the FIFO method of accounting in accordance with GAAP, and (F) there shall be included appropriate write-offs for doubtful accounts receivable and bad debts and for damaged, spoiled, obsolete or slow-moving inventory in accordance with GAAP. The tangible net book value reflected on the Closing Balance Sheet is hereinafter called the "NET BOOK VALUE". For purposes of this Agreement, the term "AFFILIATE" shall mean any entity directly or indirectly controlling, controlled by or under common control with the specified person, whether by stock ownership, agreement or otherwise, or any parent, child or sibling of such specified person and the concept of "CONTROL" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting securities, by contract or otherwise.

(2) If within 30 days following delivery of the Closing Balance Sheet (or the next Business Day if such 30th day is not a Business Day), the Seller has not given the Buyer notice of the Seller's objection to the computation of the Net Book Value as set forth in the Closing Balance Sheet (such notice to contain a statement in reasonable detail of the nature of the Seller's objection), then the Net Book Value reflected in the Closing Balance Sheet will be deemed mutually agreed by the Buyer and the Seller. If the Seller shall have given such notice of objection in a timely manner, then the issues in dispute will be submitted to a "Big Six" accounting firm mutually acceptable to the Buyer and the Seller (the "ACCOUNTANTS") for resolution. If issues in dispute are submitted to the Accountants for resolution: (1) each party will furnish to the Accountants such workpapers and other documents and information relating to the disputed issues as the Accountants may request and are available to the party or its subsidiaries (or its independent public accountants), and will be afforded the opportunity to present to the Accountants any material relating to the determination and to discuss the determination with the Accountants; (2) the Accountants will be instructed to determine the Net Book Value based upon their resolution of the issues in dispute; (3) such determination by the Accountants of the Net Book Value, as set forth in a notice delivered to both parties by the Accountants, will be binding and conclusive on the parties; and (4) the Buyer and the Seller shall each bear 50% of the fees and expenses of the Accountants for such determination.

(3) To the extent that Net Book Value, as deemed mutually agreed by the parties or as determined by the Accountants, as aforesaid, equals or exceeds $5,500,000 (any such excess being called the "NET BOOK VALUE EXCESS"), the Buyer shall be obligated to (A) execute and deliver to the Escrow Agent a joint instruction to deliver the Escrow Amount to the Seller pursuant to the Escrow Agreement, and (B) pay any Net Book Value Excess promptly to the Seller, together with interest on the amount of the Net Book Value Excess at the Buyer's

floor plan financing rate from time to time in effect (the "INTEREST RATE") from the Closing Date to the date of such payment. To the extent that the Net Book Value, as deemed mutually agreed by the parties or as determined by the Accountants, as aforesaid, is less than $5,500,000 (the "NET BOOK VALUE SHORTFALL"), the Seller shall be obligated to pay the amount of the Net Book Value Shortfall, together with interest thereon at the Interest Rate from the Closing Date to the date of such payment, promptly to the Buyer. In furtherance of such obligation of the Seller, the parties shall execute and deliver to the Escrow Agent a joint instruction to deliver up to all of the Escrow Amount to the Buyer. To the extent that the Net Book Value Shortfall, together with interest thereon at the Interest Rate from the Closing Date to the date of such payment, exceeds $500,000, the Seller shall be obligated to pay the amount of such excess promptly to the Buyer.

1.3 DELIVERY OF THE SHARES.

(a) At the Closing, the Seller shall deliver to the Buyer a certificate or certificates representing the Shares, duly endorsed in blank or with a fully executed stock power attached, all in proper form for transfer with all transfer taxes, if any, paid by the Seller.

(b) The Shares shall be delivered to the Buyer free and clear of

all liens, pledges, encumbrances, claims, security interests, charges, voting trusts, voting agreements, other agreements, rights, options, warrants or restrictions or claims of any kind, nature or description, other than restrictions, if any, on resale of the Shares by the Buyer imposed by applicable securities laws (collectively, "ENCUMBRANCES").

1.4 NON-COMPETITION AGREEMENT. At the Closing, the Seller will enter into a non-competition agreement with the Buyer and the Corporation substantially in the form of Exhibit C hereto (the "NON-COMPETITION AGREEMENT").

ARTICLE
CLOSING

The Closing shall take place in Baytown, Texas, at a mutually agreed location, at 9:30 a.m., local time, on the Closing Date. The Closing Date shall be the fifth (5th) Business Day, or such shorter period as the Buyer may choose, following the date the Buyer gives notice of the Closing to the Seller, but in no event later than November 30, 1998 (the "CLOSING DATE DEADLINE"); PROVIDED, HOWEVER, if as of the Closing Date Deadline, the consents or approvals of GM contemplated in Section 7.10 shall not have been obtained and/or the audited financial statements contemplated in Section 7.13 shall not have been completed, the Buyer may elect to extend the Closing Date Deadline until December 31, 1998. The date upon which the Closing shall take place is hereinafter called the "CLOSING DATE."

ARTICLE
REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby represents and warrants to the Buyer as follows:

3.1 OWNERSHIP OF SHARES. The Seller owns of record and beneficially all of the Shares, and will have, at the time of the Closing, good and valid title to the Shares, free and clear of all Encumbrances.

3.2 SELLER'S POWER AND AUTHORITY; CONSENTS AND APPROVALS.

(a) The Seller has full capacity, right, power and authority to execute and deliver this Agreement and the other agreements, documents and instruments to be executed and delivered by the Seller in connection herewith, to consummate the transactions contemplated hereby and thereby and to perform his obligations hereunder and thereunder.

(b) Except as set forth on Schedule 3.2(b) hereto, no authorization, approval or consent of, or notice to or filing or registration with, any governmental agency or body, or any other third party, is required in connection with the execution and delivery by the Seller of this Agreement and the other agreements, documents and instruments to be executed and delivered by the Seller in connection herewith, the consummation of the transactions contemplated hereby and thereby and the performance by the Seller of his obligations hereunder and thereunder.

3.3 EXECUTION AND ENFORCEABILITY. This Agreement and the other agreements, documents and instruments to be executed by the Seller in connection herewith, and the consummation by the Seller of the transactions contemplated hereby and thereby, have been duly authorized, executed and delivered by the Seller and constitute, and the other agreements, documents and instruments contemplated hereby, when executed and delivered by the Seller, shall constitute, the legal, valid and binding obligations of the Seller, enforceable against the Seller in accordance with their respective terms, except to the extent that enforceability may be limited by bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally.

3.4 LITIGATION REGARDING SELLER. There are no actions, suits, claims, investigations or legal, administrative or arbitration proceedings pending or, to the Seller's knowledge, threatened or probable of assertion, against the Seller relating to the Shares, this Agreement or the transactions contemplated hereby before any court, governmental or administrative agency or other body. The Seller knows of no basis for the institution of any such suit or proceeding. No judgment, order, writ, injunction, decree or other similar command of any court or governmental or administrative agency or other body has been entered against or served upon the Seller relating to the Shares, this Agreement or the transactions contemplated hereby.

3.5 INTEREST IN COMPETITORS AND RELATED ENTITIES; CERTAIN TRANSACTIONS.

(a) Except as set forth on Schedule 3.5 hereto, neither the Seller nor any Affiliate of the Seller (i) has any direct or indirect interest in any person or entity engaged or involved in

any business which is included in the definition of the "BUYER'S BUSINESS," as defined in the Non- Competition Agreement, (ii) has any direct or indirect

interest in any person or entity which is a lessor of assets or properties to, material supplier of, or provider of services to, the Corporation, or (iii) has a beneficial interest in any contract or agreement to which the Corporation is a party; PROVIDED, HOWEVER, that the foregoing representation and warranty shall not apply to any person or entity, or any interest or agreement with any person or entity, which is a publicly held corporation in which the Seller individually owns less than 3% of the issued and outstanding voting stock.

(b) Except as set forth in Schedule 3.5 hereto, there are no transactions between the Corporation and the Seller (including the Seller's Affiliates), or any of the directors, officers or salaried employees of the Corporation, or the family members or Affiliates of any of the above (other than for services as employees, officers and directors), including, without limitation, any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from the Seller, or any such officer, director or salaried employee, family member, or Affiliate or any corporation, partnership, trust or other entity in which such family member, Affiliate, officer, director or employee has a substantial interest or is a shareholder, officer, director, trustee or partner.

3.6 SELLER NOT FOREIGN PERSON. The Seller is a "United States person" as that term is defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "CODE"), and the regulations promulgated thereunder.

3.7 ORGANIZATION; GOOD STANDING; QUALIFICATIONS; AND POWER. The Corporation is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas and has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Corporation is not qualified to do business as a foreign corporation in any jurisdiction.

3.8 CAPITALIZATION. The authorized capital stock of the Corporation consists only of shares of common stock, par value $100 per share, of which 2,180 are issued and outstanding and constitute the Shares. All of the Shares are duly authorized, validly issued, fully paid and non-assessable and are held by the Seller. Except as set forth on Schedule 3.8 hereto, there are no preemptive rights, whether at law or otherwise, to purchase any of the securities of the Corporation and there are no outstanding options, warrants, "phantom" stock plans, subscriptions, agreements, plans or other commitments pursuant to which the Corporation is or may become obligated to sell or issue any shares of its capital stock or any other debt or equity security, and there are no outstanding securities convertible into shares of such capital stock or any other debt or equity security.

3.9 SUBSIDIARIES AND INVESTMENTS. The Corporation does not own or maintain, directly or indirectly, any capital stock of or other equity or ownership or proprietary interest in any other corporation, partnership, association, trust, joint venture or other entity and does not have any commitment to contribute to the capital of, make loans to, or share in the losses of, any such entity.

3.10 NO VIOLATION; CONFLICTS. Except as set forth on Schedule 3.10 hereto, the execution and delivery by the Seller of this Agreement and the other agreements, documents and instruments to be executed and delivered by the Seller in connection herewith, the consummation by the Seller of the transactions contemplated hereby and thereby and the performance by the Seller of his obligations hereunder and thereunder do not and will not (a) conflict with or violate any of the terms of the Articles of Incorporation or By-Laws of the Corporation, (b) violate or conflict with any law, ordinance, rule or regulation, or any judgment, order, writ, injunction, decree or similar command of any court, administrative or governmental agency or other body, applicable to the Corporation, (c) violate or conflict with the terms of, or result in the acceleration of, any indebtedness or obligation of the Corporation under, or violate or conflict with or result in a breach of, or constitute a default under, any indenture, mortgage, deed of trust, or other material agreement or instrument to which the Corporation is a party or by which the Corporation or any of its assets or properties is bound or affected, (d) result in the creation or imposition of any Encumbrance of any nature upon any of the assets or properties of the Corporation, (e) constitute an event permitting termination of any agreement, license or other right of the Corporation, or (f) require any authorization, approval or consent of, or any notice to or filing or registration with, any governmental agency or body, or any other third party, applicable to the Corporation or any of its properties or assets.

3.11 TITLE TO ASSETS; RELATED MATTERS. The Corporation has good and valid title to all assets, rights, interests and other properties, real, personal and mixed, tangible and intangible, owned by it (collectively, the "ASSETS"), free and clear of all Encumbrances, except those specified on Schedule 3.11 and liens for taxes not yet due and payable. The Assets include all properties and assets (real, personal and mixed, tangible and intangible) owned by the Corporation and used by it in the conduct of its business.

3.12 POSSESSION. The tangible assets included within the Assets are in the

possession or control of the Corporation and no other person or entity has a right to possession or claims possession of all or any part of such Assets, except the rights of lessors of Leased Equipment and Leased Premises (each as defined in Section 3.16 hereof) under their respective contracts and leases.

3.13 FINANCIAL STATEMENTS.

(a) The Seller has delivered to the Buyer prior to the date hereof:

(i) the unaudited balance sheets of the Corporation as of December 31, 1997 and the related unaudited statements of income, stockholders' equity and changes in cash flows for the fiscal years then ended (collectively, the "ANNUAL FINANCIAL STATEMENTS"); and

(ii) the unaudited balance sheet of the Corporation as of August 31, 1998 and the related unaudited statements of income, stockholders' equity and changes in cash flow for the eight month period then ended (collectively, the "INTERIM FINANCIAL STATEMENTS") (the Annual Financial Statements and the Interim Financial Statements are hereinafter collectively referred to as the "FINANCIAL STATEMENTS").

(b) The Financial Statements (i) are in accordance with the books and records of the Corporation, which books and records are true, correct and complete, and (ii) fully and fairly present the financial position of the Corporation as of the dates indicated and the results of operation, stockholders' equity and changes in cash flows of the Corporation for the periods indicated.

3.14 ACCOUNTS RECEIVABLE. All accounts receivable of the Corporation are collectible at the aggregate recorded amounts thereof, subject to the reserve for doubtful accounts maintained by the Corporation in the ordinary course of business, and are not subject to any known counterclaims or setoffs.

3.15 INVENTORIES. All inventories of the Corporation consist of items of a quality and quantity usable and saleable in the ordinary course of business of the Corporation, and the levels of inventories are consistent with the levels maintained by the Corporation in the ordinary course consistent with past practice and the Corporation's obligations under its agreements with all applicable vehicle manufacturers and distributors. The value of new car inventories is carried on the basis of the LIFO method, the value of used car inventories and parts and accessories inventories is carried at cost except that used car inventories are adjusted to the lower of cost or market on an annual basis.

3.16 REAL PROPERTY; MACHINERY AND EQUIPMENT.

(a) OWNED REAL PROPERTY. The Corporation owns no real property.

(b) LEASED PREMISES. Schedule 3.16(b) hereto contains a complete list and description (including buildings and other structures thereon) of all real property of which the Corporation is a tenant (herein collectively referred to as the "LEASED PREMISES" or the "REAL PROPERTY"). True, correct and complete copies of all leases of all Leased Premises (the "LEASES") have been delivered to the Buyer. With respect to each Lease, to the knowledge of the Seller, no event or condition currently exists which would give rise to a material repair or restoration obligation if such Lease were to terminate. The Seller has no knowledge of any event or condition which currently exists which would create a legal or other impediment to the use of the Leased Premises as currently used, or would increase the additional charges or other sums payable by the tenant under any of the Leases (including, without limitation, any pending tax reassessment or other special assessment affecting the Leased Premises). The improvements and building systems which comprise a part of the Leased Premises as to which the Corporation is responsible for the maintenance and repair thereof are in normal operating condition, taking into account their age, and have been maintained and repaired in accordance with normal industry practices.

(c) CLAIMS. Except as set forth on Schedule 3.16(c), there has been no work performed, services rendered or materials furnished in connection with repairs, improvements, construction, alteration, demolition or similar activities with respect to the Real Property for at least ninety (90) days before the date hereof; to the knowledge of the Seller, there are no outstanding claims or persons entitled to any claim or right to a claim for a mechanics' or

materialman's lien against the Real Property; and, to the knowledge of the Seller, there is no person or entity other than the Corporation in or entitled to possession of the Real Property.

(d) EASEMENTS, ETC. To the knowledge of the Seller, the Corporation has all easements and rights, including, but not limited to, easements for power lines, water lines, sewers, roadways and other means of ingress and egress, necessary to conduct the business the Corporation now conducts, all such

easements and rights are perpetual, unconditional appurtenant rights to the Real Property, and none of such easements or rights are subject to any forfeiture or divestiture rights.

(e) CONDEMNATION. To the knowledge of the Seller, neither the whole nor any portion of any of the Real Property has been condemned, expropriated, ordered to be sold or otherwise taken by any public authority, with or without payment or compensation therefor, and the Seller does not know of any such condemnation, expropriation, sale or taking, or have any grounds to anticipate that any such condemnation, expropriation, sale or taking is threatened or contemplated. The Seller has no knowledge of any pending assessments which would affect the Real Property.

(f) ZONING, ETC. To the knowledge of the Seller, none of the Real Property is in violation of any public or private restriction or any law or any building, zoning, health, safety, fire or other law, ordinance, code or regulation, and, to the knowledge of the Seller, no notice from any governmental body has been served upon the Corporation or upon any of the Real Property claiming any violation of any such law, ordinance, code or regulation or requiring or calling to the attention of the Corporation the need for any work, repair, construction, alterations or installation on or in connection with said properties which has not been complied with. To the knowledge of the Seller, all improvements which comprise a part of the Real Property are located within the record lines of the Real Property and none of the improvements located on the Real Property encroach upon any adjoining property or any easements or rights of way and no improvements located on any adjoining property encroach upon any of the Real Property or any easements or rights of way servicing the Real Property.

(g) OWNED EQUIPMENT. For purposes of this Agreement, the term "OWNED EQUIPMENT" means all material machinery, equipment, motor vehicles, furniture and fixtures owned by the Corporation.

(h) LEASED EQUIPMENT. Schedule 3.16(h) hereto contains a list of all leases or other agreements, whether written or oral, under which the Corporation is lessee of or holds or operates any items of machinery, equipment, motor vehicles, furniture and fixtures or other property (other than real property) owned by any third party (collectively, the "LEASED EQUIPMENT").

(i) MAINTENANCE OF EQUIPMENT. The Owned Equipment and the Leased Equipment (i) are in normal operating condition, maintenance and repair in accordance with industry standards taking into account the age thereof, and (ii) are adequate for the operations of the business of the Corporation in all material respects substantially as it is being operated as of the date hereof.

3.17 PATENTS; TRADEMARKS; TRADE NAMES; COPYRIGHTS; LICENSES, ETC.

(a) Except as set forth on Schedule 3.17 hereto, there are no patents, trademarks, trade names, service marks, service names and copyrights, and there are no applications therefor or licenses thereof, inventions, trade secrets, computer software, logos, slogans, proprietary processes and formulae and all other proprietary information, know-how and intellectual property rights, whether patentable or unpatentable, that are owned or leased by the Corporation or used in the conduct of the Corporation's business. The Corporation is not a party to, nor pays a royalty to anyone under, any license or similar agreement. There is no existing claim, or, to the knowledge of the Seller, any basis for any claim, against the Corporation that any of its operations, activities or products infringe the patents, trademarks, trade names, copyrights or other property rights of others or that the Corporation is wrongfully or otherwise using the property rights of others.

(b) The Corporation has the right to use the name "Ron Craft Chevrolet Cadillac Oldsmobile" in the State of Texas and, to the knowledge of the Seller, no person uses, or has the right to use, such name or any derivation thereof in connection with the manufacture, sale, marketing or distribution of products or services commonly associated with an automobile dealership.

3.18 CERTAIN LIABILITIES.

(a) All accounts payable by the Corporation to third parties as of the date hereof arose in the ordinary course of business and none are delinquent or past-due.

(b) Schedule 3.18 hereto sets forth a list of all indebtedness of the Corporation, other than accounts payable, as of the close of business on the day preceding the date hereof, including, without limitation, money borrowed, indebtedness of the Corporation owed to stockholders and former stockholders, the deferred purchase price of assets, letters of credit and capitalized leases, indicating, in each case, the name or names of the lender, the date of maturity, the rate of interest, any prepayment penalties or premiums and the unpaid principal amount of such indebtedness as of such date.

3.19 NO UNDISCLOSED LIABILITIES. The Corporation does not have any material liabilities or obligations of any nature, known or unknown, fixed or contingent,

matured or unmatured, other than those (a) reflected in the Financial Statements, (b) incurred in the ordinary course of business since the date of the Financial Statements and of the type and kind reflected in the Financial Statements, or (c) disclosed specifically on Schedule 3.19 hereto or otherwise reasonably disclosed in this Agreement or the other Schedules hereto.

3.20 ABSENCE OF CHANGES. Since December 31, 1997, the business of the Corporation has been operated in the ordinary course, consistent with past practices and, except as set forth on Schedule 3.20 hereto, there has not been incurred, nor has there occurred:

(a) Any damage, destruction or loss (whether or not covered by insurance), adversely affecting the business or assets of the Corporation in excess of $50,000; (b) Any

strikes, work stoppages or other labor disputes involving the employees of the Corporation; Any sale, transfer, pledge or other disposition of any of the Assets of the Corporation having an aggregate book value of $50,000 or more (except sales of vehicles and parts inventory in the ordinary course of business); Any declaration or payment of any dividend or other distribution in respect of its capital stock or any redemption, repurchase or other acquisition of its capital stock; (e) Any amendment, termination, waiver or cancellation of any Material Agreement (as defined in Section 3.29 hereof) or any termination, amendment, waiver or cancellation of any material right or claim of the Corporation under any Material Agreement (except in each case in the ordinary course of business and consistent with past practice); (f) Any (1) general uniform increase in the compensation of the employees of the Corporation (including, without limitation, any increase pursuant to any bonus, pension, profit-sharing, deferred compensation or other plan or commitment), (2) increase in any such compensation payable to any individual officer, director, consultant or agent thereof, or (3) loan or commitment therefor made by the Corporation to any officer, director, stockholder, employee, consultant or agent of the Corporation; (g) Any change in the accounting methods, procedures or practices followed by the Corporation or any change in depreciation or amortization policies or rates theretofore adopted by the Corporation; (h) Any material change in policies, operations or practices of the Corporation with respect to business operations followed by the Corporation, including, without limitation, with respect to selling methods, returns, discounts or other terms of sale, or with respect to the policies, operations or practices of the Corporation concerning the employees of the Corporation; (i) Any capital appropriation or expenditure or commitment therefor on behalf of the Corporation in excess of $50,000 individually or $100,000 in the aggregate; (j) Any write-down or write-up of the value of any inventory or equipment of the Corporation or any increase in inventory levels in excess of historical levels for comparable periods; (k) Any account receivable in excess of $50,000 or note receivable in excess of $50,000 owing to the Corporation which (1) has been written off as uncollectible, in whole or in part, (2) has had asserted against it any claim, refusal or right of setoff, or (3) the account or note debtor has refused to, or threatened not to, pay for any reason, or such account or note debtor has become insolvent or bankrupt; (l) Any other change in the condition (financial or otherwise), business operations, assets, earnings, business or prospects of the Corporation which, in the judgment of the Seller, has, or could reasonably be expected to have, a material adverse effect on the assets, business or operations of the Corporation; or (m) Any agreement, whether in writing or otherwise, for the Corporation to take any of the actions enumerated in this Section 3.20.

3.21 TAX MATTERS.

(a) All federal, state and local tax returns and tax reports required as of the date hereof to be filed by the Corporation for taxable periods ending prior to the date hereof have been duly and timely filed prior to the due date thereof (as such due date may have been lawfully extended) by the Corporation with the appropriate governmental agencies, and all such returns and reports are true, correct and complete.

(b) All federal, state and local income, profits, franchise, sales, use, occupation, property, excise, payroll, withholding, employment, estimated and other taxes of any nature, including interest, penalties and other additions to such taxes ("TAXES"), payable by, or due from, the Corporation for all periods prior to the date hereof have been fully paid or adequately

reserved for by the Corporation or, with respect to Taxes required to be accrued, the Corporation has properly accrued or will properly accrue such Taxes in the ordinary course of business consistent with past practice of the Corporation.

(c) Except as set forth on Schedule 3.21 hereto, the federal income tax returns of the Corporation have not been examined by the Internal Revenue Service ("IRS") for the years ended 1994 through 1997. Except as set forth on Schedule 3.21 hereto, the Corporation has not received any notice of any

assessed or proposed claim or deficiency against it in respect of, or of any present dispute between it and any governmental agency concerning, any Taxes. Except as set forth on Schedule 3.21 hereto, no examination or audit of any tax return or report of the Corporation by any applicable taxing authority is currently in progress and there are no outstanding agreements or waivers extending the statutory period of limitation applicable to any tax return or report of the Corporation. Copies of all federal, state and local tax returns and reports required to be filed by the Corporation for the years ended 1997, 1996, 1995, 1994, 1993 and 1992, together with all schedules and attachments thereto, have been delivered by the Seller to the Buyer.

(d) The Corporation is not now, and has never been, a member of a consolidated group for federal income tax purposes or a consolidated, combined or similar group for state tax purposes. No consent under Code Section 341 has been made affecting the Corporation. The Corporation is not a party to any agreement or arrangement that would result in the payment of any "excess parachute payments" under Code Section 280G. The Corporation is not required to make any adjustment under Code Section 481(a). No power of attorney relating to Taxes is currently in effect affecting the Corporation.

3.22 COMPLIANCE WITH LAWS, ETC. The Corporation has conducted its operations and business in compliance in all material respects with, and all of the Assets comply in all material respects with, (i) all applicable laws, rules, regulations and codes (including, without limitation, any laws, rules, regulations and codes relating to anticompetitive practices, contracts, discrimination, employee benefits, employment, health, safety, fire, building and zoning, but excluding Environmental Laws which are the subject of Section 3.36 hereof) and (ii) all applicable orders, rules, writs, judgments, injunctions, decrees and ordinances. The Corporation has not received any notification of any asserted present or past failure by it to comply with such laws, rules or regulations, or such orders, writs, judgments, injunctions, decrees or ordinances. Set forth on Schedule 3.22 hereto are all orders, writs, judgments, injunctions, decrees and other awards of any court or governmental agency applicable to the Corporation or its business or operations. The Seller has delivered to the Buyer copies of all reports, if any, of the Corporation required to be submitted under the Federal Occupational Safety and Health Act of 1970, as amended, and under all other applicable health and safety laws and regulations. The deficiencies, if any, noted on such reports have been corrected by the Corporation and any deficiencies noted by inspection through the Closing Date will have been corrected by the Corporation by the Closing Date.

3.23 LITIGATION REGARDING THE CORPORATION. Except as set forth on Schedule 3.23 hereto, there are no actions, suits, claims, investigations or legal, administrative or arbitration proceedings pending, or, to the Seller's knowledge, threatened or probable of assertion, against

the Corporation or relating to its assets, business or operations or the transactions contemplated by this Agreement, and the Seller does not know of any basis for the institution of any such suit or proceeding. No order, writ, judgment, injunction, decree or similar command of any court or any governmental or administrative agency or other body has been entered against or served upon the Corporation relating to the Corporation or its assets, business or operations.

3.24 PERMITS, ETC. Set forth on Schedule 3.24 hereto is a list of all governmental licenses, permits, approvals, certificates of inspection and other authorizations, filings and registrations that are necessary for the Corporation to own and operate its business as presently conducted (collectively, the "PERMITS"). All such Permits have been duly and lawfully secured or made by the Corporation and are in full force and effect. There is no proceeding pending, or, to the Seller's knowledge, threatened or probable of assertion, to revoke or limit any such Permit. None of the transactions contemplated by this Agreement will terminate, violate or limit the effectiveness of any such Permit.

3.25 EMPLOYEES; LABOR RELATIONS. As of the date hereof, the Corporation employed a total of approximately 106 employees. As of the date hereof, (a) the Corporation is not delinquent in the payment (i) to or on behalf of its past or present employees of any wages, salaries, commissions, bonuses, benefit plan contributions or other compensation for all periods prior to the date hereof, or (ii) of any amount which is due and payable to any state or state fund pursuant to any workers' compensation statute, rule or regulation or any amount which is due and payable to any workers' compensation claimant; (b) there are no collective bargaining agreements currently in effect between the Corporation and labor unions or organizations representing any employees of the Corporation; (c) no collective bargaining agreement is currently being negotiated by the Corporation; (d) to the knowledge of the Seller, there are no union organizational drives in progress and there has been no formal or informal request to the Corporation for collective bargaining or for an employee election from any union or from the National Labor Relations Board; and (e) no dispute exists between the Corporation and any of its sales representatives or, to the knowledge of the Seller, between any such sales representatives with respect to territory, commissions, products or any other terms of their representation.

3.26 COMPENSATION. Schedule 3.26 contains a schedule of all employees (including sales representatives) and consultants of the Corporation whose individual cash compensation for the year ended December 31, 1997, is in excess of $100,000, together with the amount of total compensation paid to each such person for the twelve month period ended December 31, 1997 and the current aggregate base salary or hourly rate (including any bonus or commission) for each such person.

3.27 EMPLOYEE BENEFITS.

(a) The Seller has listed on Schedule 3.27 and has delivered to the Buyer true and complete copies of all Employee Plans (as defined below) and related documents, established, maintained or contributed to by the Corporation (which shall include for this purpose and for the purpose of all of the representations in this Section 3.27, the Seller and all employers, whether or not incorporated, that are treated together with the Corporation as a single employer with the meaning of Section 414 of the Code). The term "EMPLOYEE PLAN" shall include all plans

described in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and also shall include, without limitation, any deferred compensation, stock, employee or retiree pension benefit, welfare benefit or other similar fringe or employee benefit plan, program, policy, contract or arrangement, written or oral, qualified or nonqualified, funded or unfunded, foreign or domestic, covering employees or former employees of the Corporation and maintained or contributed to by the Corporation.

(b) Where applicable, each Employee Plan (i) has been administered in material compliance with the terms of such Employee Plan and the requirements of ERISA and the Code; and (ii) is in material compliance with the reporting and disclosure requirements of ERISA and the Code. The Corporation does not maintain or contribute to, and has never maintained or contributed to, an Employee Plan subject to Title IV of ERISA or a "multiemployer plan." There are no facts relating to any Employee Plan that (i) have resulted in a "prohibited transaction" of a material nature or have resulted or is reasonably likely to result in the imposition of a material excise tax, penalty or liability pursuant to Section 4975 of the Code, (ii) have resulted in a material breach of fiduciary duty or violation of Part 4 of Title I of ERISA, or (iii) have resulted or could result in any material liability (whether or not asserted as of the date hereof) of the Corporation or any ERISA affiliate pursuant to Section 412 of the Code arising under or related to any event, act or omission occurring on or prior to the date hereof. Each Employee Plan that is intended to qualify under Section 401(a) or to be exempt under Section 501(c)(g) of the Code is so qualified or exempt as of the date hereof in each case as such Employee Plan has received favorable determination letters from the Internal Revenue Service with respect thereto. To the knowledge of the Seller, the amendments to and operation of any Employee Plan subsequent to the issuance of such determination letters do not adversely affect the qualified status of any such Employee Plan. No Employee Plan has an "accumulated funding deficiency" as of the date hereof, whether or not waived, and no waiver has been applied for. The Corporation has made no promises or incurred any liability under any Employee Plan or otherwise to provide health or other welfare benefits to former employees of the Corporation, except as specifically required by law. There are no pending or, to the best knowledge of the Seller, threatened, claims (other than routine claims for benefit) or lawsuits with respect to any of the Corporation's Employee Plans. As used in this Section 3.27, all technical terms enclosed in quotation marks shall have the meaning set forth in ERISA.

3.28 POWERS OF ATTORNEY. There are no persons, firms, associations, corporations or business organizations or entities holding general or special powers of attorney from the Corporation.

3.29 MATERIAL AGREEMENTS.

(a) LIST OF MATERIAL AGREEMENTS. Set forth on Schedule 3.29(a) hereto is a list or, where indicated, a brief description of all leases and all other contracts, agreements, documents, instruments, guarantees, plans, understandings or arrangements, written or oral, which are material to the Corporation or its business or assets (collectively, the "MATERIAL AGREEMENTS"). True copies of all written Material Agreements and written summaries of all oral Material Agreements described or required to be described on Schedule 3.29(a) have been furnished to the Buyer.

(b) PERFORMANCE, DEFAULTS, ENFORCEABILITY. The Corporation has in all material respects performed all of its obligations required to be performed by it to the date hereof, and is not in default or alleged to be in default in any material respect, under any Material Agreement, and there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute such a default. To the knowledge of the Seller, no other party to any Material Agreement is in default in any respect of any of its obligations thereunder. Each of the Material Agreements is valid and in full force and

effect and enforceable against the parties thereto in accordance with their respective terms, and, except as set forth in Schedule 3.29(b) hereto, the consummation of the transactions contemplated by this Agreement will not (i) require the consent of any party thereto or (ii) constitute an event permitting termination thereof.

3.30 BROKERS' OR FINDERS' FEES, ETC. No agent, broker, investment banker, person or firm acting on behalf of the Corporation or the Seller or any person, firm or corporation affiliated with the Seller or under his authority is or will be entitled to any brokers' or finders' fee or any other commission or similar fee directly or indirectly from any of the parties hereto in connection with the sale of the Shares contemplated hereby, other than any such fee or commission the entire cost of which will be borne by the Seller.

3.31 BANK ACCOUNTS, CREDIT CARDS, SAFE DEPOSIT BOXES AND CELLULAR TELEPHONES. Schedule 3.31 hereto lists all bank accounts, credit cards and safe deposit boxes in the name of, or controlled by, the Corporation, and all cellular telephones provided and/or paid for by the Corporation, and details about the persons having access to or authority over such accounts, credit cards, safe deposit boxes and cellular telephones.

3.32 INSURANCE.

(a) Schedule 3.32(a) hereto contains a list of all policies of liability, theft, fidelity, life, fire, product liability, workmen's compensation, health and any other insurance and bonds maintained by, or on behalf of, the Corporation on its properties, operations, inventories, assets, business or personnel (specifying the insurer, amount of coverage, type of insurance, policy number and any pending claims in excess of $5,000 thereunder). Each such insurance policy identified therein is and shall remain in full force and effect on and as of the Closing Date and the Corporation is not in default with respect to any provision contained in any such insurance policy and has not failed to give any notice or present any claim under any such insurance policy in a due and timely fashion. The Corporation has not, during the last three (3) fiscal years, been denied or had revoked or rescinded any policy of insurance.

(b) Set forth on Schedule 3.32(b) hereto is a summary of information pertaining to material property damage and personal injury claims in excess of $5,000 against the Corporation during the past five (5) years, all of which are fully satisfied or are being defended by the insurance carrier and involve no exposure to the Corporation.

3.33 WARRANTIES. Set forth on Schedule 3.33 hereto are descriptions or copies of the forms of all express warranties and disclaimers of warranty made by the Corporation (separate and distinct from any applicable manufacturers', suppliers' or other third-parties' warranties or disclaimers of warranties) during the past five (5) years to customers or users of the vehicles,

parts, products or services of the Corporation. There have been no breach of warranty or breach of representation claims against the Corporation during the past five (5) years which have resulted in any cost, expenditure or exposure to the Corporation of more than $100,000 individually or in the aggregate.

3.34 DIRECTORS AND OFFICERS. Set forth on Schedule 3.34 hereto is a true and correct list of the names and titles of each director and officer of the Corporation.

3.35 SUPPLIERS AND CUSTOMERS. The Corporation is not required to provide bonding or any other security arrangements in connection with any transactions with any of its respective customers and suppliers. To the knowledge of the Seller, no such supplier, customer or creditor intends or has threatened, or reasonably could be expected, to terminate or modify any of its relationships with the Corporation.

3.36 ENVIRONMENTAL MATTERS.

(a) For purposes of this Section 3.36, the following terms shall have the following meaning: (i) "ENVIRONMENTAL LAW" means all present federal, state and local laws, statutes, regulations, rules, ordinances and common law, and all judgments, decrees, orders, agreements, or permits, issued, promulgated, approved or entered thereunder by any government authority relating to pollution, Hazardous Materials, worker safety or protection of human health or the environment. (ii) "HAZARDOUS MATERIALS" means any waste, pollutant, chemical, hazardous material, hazardous substance, toxic substance, hazardous waste, special waste, solid waste, petroleum or petroleum-derived substance or waste (regardless of specific gravity), or any constituent or decomposition product of any such pollutant, material, substance or waste, including, but not limited to, any hazardous substance or constituent contained within any waste and any other pollutant, material, substance or waste regulated under or as defined by any Environmental Law.

(b) The Corporation has obtained all permits, licenses and other authorizations or approvals required under Environmental Laws for the conduct

and operation of the Assets and the business of the Corporation ("ENVIRONMENTAL PERMITS"). All such Environmental Permits are in good standing, the Corporation is and has been in compliance in all material respects with the terms and conditions of all such Environmental Permits, and no appeal or any other action is pending or, to the knowledge of the Seller, threatened to revoke any such Environmental Permit.

(c) The Corporation and its business, operations and assets are in compliance in all material respects with all Environmental Laws.

(d) Neither the Corporation nor the Seller has received any written or oral order, notice, complaint, request for information, claim, demand or other communication from any government authority or other person, whether based in contract, tort, implied or express warranty, strict liability, or any other common law theory, or any criminal or civil statute, arising from or with respect to (i) the presence, release or threatened release of any Hazardous Material or any other environmental condition on, in or under the Real Property or any other property formerly owned, used or leased by the Corporation, (ii) any other circumstances forming the

basis of any actual or alleged violation by the Corporation or the Seller of any Environmental Law or any liability of the Corporation or the Seller under any Environmental Law, (iii) any remedial or removal action required to be taken by the Corporation or the Seller under any Environmental Law, or (iv) any harm, injury or damage to real or personal property, natural resources, the environment or any person alleged to have resulted from the foregoing, nor is the Seller aware of any facts which might reasonably give rise to such notice or communication. Neither the Corporation nor the Seller has entered into any agreements concerning any removal or remediation of Hazardous Materials.

(e) No lawsuits, claims, civil actions, criminal actions, administrative proceedings, investigations or enforcement or other actions are pending or, to the knowledge of the Seller, threatened under any Environmental Law with respect to the Corporation, the Seller or the Real Property.

(f) Neither the Seller or the Corporation nor, to the knowledge of the Seller, any other person has released, discharged, spilled or disposed of Hazardous Materials onto, and, to the knowledge of the Seller, no Hazardous Materials have migrated onto, the Real Property or any other property previously owned, operated or leased by the Corporation, and, to the knowledge of the Seller, no environmental condition exists (including, without limitation, the presence, release, threatened release or disposal of Hazardous Materials) related to the Real Property, to any property previously owned, operated or leased by the Corporation, or to the Corporation's past or present operations, which would constitute a violation of any Environmental Law or otherwise give rise to costs, liabilities or obligations under any Environmental Law. Notwithstanding the foregoing, certain petroleum products are stored and handled by the Corporation in the ordinary course of business in compliance in all material respects with all Environmental Laws.

(g) Neither the Corporation nor the Seller, nor, to the knowledge of the Seller, any of their respective predecessors in interest, has transported or disposed of, or arranged for the transportation or disposal of, any Hazardous Materials to any location (i) which is listed on the National Priorities List, the CERCLIS list under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or any similar federal, state or local list, (ii) which is the subject of any federal, state or local enforcement action or other investigation, or (iii) about which either the Corporation or the Seller has received or has reason to expect to receive a potentially responsible party notice or other notice under any Environmental Law.

(h) To the knowledge of the Seller, no environmental lien has attached or is threatened to be attached to the Real Property.

(i) Except as set forth on Schedule 3.36 hereto, neither the Corporation nor the Seller has installed or placed on the Real Property and, to the knowledge of the Seller, the Real Property does not contain, any: (i) septic tanks into which process wastewater or any Hazardous Materials have been disposed; (ii) asbestos; (iii) polychlorinated biphenyls (PCBs); (iv) underground injection or monitoring wells; or (v) underground storage tanks.

(j) Except as set forth on Schedule 3.36, there have been no environmental studies or reports made relating to the Real Property or any other property or facility previously owned, operated or leased by the Corporation.

(k) The Corporation has not agreed to assume, defend, undertake, guarantee, or provide indemnification for, any liability, including, without limitation, any obligation for corrective or remedial action, of any other person under any Environmental Law for environmental matters or conditions.

3.37 [INTENTIONALLY LEFT BLANK].

3.38 BUSINESS GENERALLY. Except as set forth on Schedule 3.38 hereto, the Seller is not aware of the existence of any conditions, including, without limitation, any actual or potential competitive factors in the markets in which the Corporation participates, which have not been disclosed in writing to the Buyer and which could reasonably be expected to have a material adverse effect on the business and operations of the Corporation, other than general business and economic conditions generally affecting the industry and markets in which the Corporation participates.

3.39 MISSTATEMENTS AND OMISSIONS. To the knowledge of the Seller, no representation and warranty by the Seller contained in this Agreement, and no statement contained in any certificate or Schedule furnished or to be furnished by the Seller to the Buyer in connection with this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make such representation and warranty or such statement not misleading.

ARTICLE
REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants to the Seller as follows:

4.1 ORGANIZATION AND GOOD STANDING. The Buyer is a corporation duly organized and validly existing and in good standing under the laws of the State of Delaware.

4.2 BUYER'S POWER AND AUTHORITY; CONSENTS AND APPROVALS.

(a) The Buyer has all requisite corporate power and authority to execute and deliver this Agreement and the other agreements, documents and instruments to be executed and delivered by the Buyer in connection herewith, to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder.

(b) Except as set forth in Schedule 4.2(b) hereto, no authorization, approval or consent of, or notice to or filing or registration with, any governmental agency or body, or any other third party, is required in connection with the execution and delivery by the Buyer of this Agreement and the other agreements, documents and instruments to be executed by the Buyer in

connection herewith, the consummation by the Buyer of the transactions contemplated hereby or thereby or the performance by the Buyer of its obligations hereunder and thereunder.

4.3 EXECUTION AND ENFORCEABILITY. This Agreement and the other agreements, documents and instruments to be executed and delivered by the Buyer in connection herewith, and the consummation by the Buyer of the transactions contemplated hereby and thereby, have been duly and validly authorized, executed and delivered by all necessary corporate action on the part of the Buyer and this Agreement constitutes, and the other agreements, documents and instruments to be executed and delivered by the Buyer in connection herewith, when executed and delivered by the Buyer, shall constitute the legal, valid and binding obligations of the Buyer, enforceable against the Buyer in accordance with their respective terms, except to the extent that enforceability may be limited by bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally and general equity principles.

4.4 LITIGATION REGARDING BUYER. There are no actions, suits, claims, investigations or legal, administrative or arbitration proceedings pending or, to the Buyer's knowledge, threatened or probable of assertion against the Buyer relating to this Agreement or the transactions contemplated hereby before any court, governmental or administrative agency or other body, and no judgment, order, writ, injunction, decree or other similar command of any court or governmental or administrative agency or other body has been entered against or served upon the Buyer relating to this Agreement or the transactions contemplated hereby.

4.5 NO VIOLATION; CONFLICTS. The execution and delivery by the Buyer of this Agreement and the other agreements, documents and instruments to be executed and delivered by the Buyer in connection herewith, the consummation by the Buyer of the transactions contemplated hereby and thereby and the performance by the Buyer of its obligations hereunder and thereunder do not and will not (a) conflict with or violate any of the terms of the Certificate of Incorporation or By-Laws of the Buyer, or (b) violate or conflict with any domestic law, ordinance, rule or regulation, or any judgement, order, writ, injunction or decree of any court, administrative or governmental agency or other body, material to the Buyer.

4.6 BROKERS' OR FINDERS' FEES, ETC. No agent, broker, investment banker, person or firm acting on behalf of the Buyer or any person, firm or corporation affiliated with the Buyer or under its authority is or will be entitled to any brokers' or finders' fee or any other commission or similar fee directly or indirectly from any of the parties hereto in connection with the sale of the

Shares contemplated hereby.

4.7 AUTHORIZATION OF THE PREFERRED STOCK. The issuance of the Preferred Stock, as well as the Common Shares issuable upon conversion of the Preferred Stock, has been duly authorized by all necessary corporate action of the Buyer. Upon the issuance of the Preferred Stock pursuant to this Agreement, and upon the issuance of Common Shares upon conversion of any shares of the Preferred Stock, the Preferred Stock and/or Common Shares, as the case may be, shall be validly issued, fully paid and non-assessable.

4.8 CAPITALIZATION. The authorized capital stock of the Buyer consists of:

(a) 3,000,000 shares of Preferred Stock, par value $0.10 per share, of which 300,000 shares are designated Class A Convertible Preferred Stock and are, in turn, divided into 100,000 shares of Series I (the "SERIES I PREFERRED STOCK"), 100,000 shares of Series II (the "SERIES II PREFERRED STOCK") and 100,000 shares of Series III (the "SERIES III PREFERRED STOCK"); as of September 1, 1998, approximately 19,500 shares of Series I Preferred Stock are issued and outstanding and/or are committed to be issued by the Buyer, approximately 6,600 shares of Series II Preferred Stock are issued and outstanding and/or are committed to be issued by the Buyer, and approximately 15,000 shares of Series III Preferred Stock are issued and outstanding and/or are committed to be issued by the Buyer;

(b) 50,000,000 shares of Class A Common Stock, par value $0.01 per share, of which 5,041,462 shares are issued and outstanding; and

(c) 15,000,000 shares of Class B Common Stock, par value $0.01 per share, of which 6,250,000 shares are issued and outstanding.

All outstanding capital stock of the Buyer is duly authorized, validly issued, fully paid and non-assessable and has been issued in conformity with all applicable federal and state securities laws.

4.9 DISCLOSURE MATERIALS. The Buyer has delivered to the Seller' Agent copies of (i) the Prospectus dated November 10, 1997 (the "PROSPECTUS"), (ii) the Buyer's Annual Report on Form 10-K for the Fiscal Year ended December 31, 1997, (iii) the Buyer's Quarterly Reports on Form 10-Q for the three-month periods ended March 31, 1998 and June 30, 1998, and (iv) any Current Reports on Form 8-K, filed in 1998, each in the form (excluding exhibits) filed with the SEC (collectively, such Forms 10-K, 10-Q and 8-K, together with the Buyer's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, which the Buyer will deliver to the Seller after it is filed with the SEC, being hereinafter referred to as its "REPORTS"). Neither the Prospectus nor any of the Reports contained, at the time of filing thereof with the SEC, any untrue statement of any material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading.

4.10 MISSTATEMENTS AND OMISSIONS. To the knowledge of the Buyer, no representation and warranty by the Buyer contained in this Agreement, and no statement contained in any certificate or Schedule furnished or to be furnished by the Buyer to the Seller in connection with this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make such representation and warranty or such statement not misleading.

ARTICLE
PRE-CLOSING COVENANTS OF THE SELLER

The Seller hereby covenants and agrees that, from and after the date hereof until the Closing:

5.1 PROVIDE ACCESS TO INFORMATION; COOPERATION WITH BUYER.

(a) ACCESS. The Seller shall afford, and cause the Corporation to afford, to the Buyer, its attorneys, accountants, and representatives, free and full access at all reasonable times, and upon reasonable prior notice, to the properties, books and records of the Corporation, and to interview personnel, suppliers and customers of the Corporation, in order that the Buyer may have a full opportunity to make such investigation (including the Environmental Audit contemplated by Section 5.11 below) as it shall reasonably desire of the assets, business and operations of the Corporation (including, without limitation, any appraisals or inspections thereof), and provide to the Buyer and its representatives such additional financial and operating data and other information as to the business and properties of the Corporation as the Buyer shall from time to time reasonably request. The Seller shall, promptly after the date hereof, furnish to the Buyer the due diligence materials set forth on Schedule 5.1 hereto.

(b) COOPERATION IN OBTAINING CONSENTS. The Seller shall promptly notify GM of the execution and delivery of this Agreement and use reasonable best efforts in cooperating with the Buyer in the preparation of and delivery to

all applicable automobile manufacturers or distributors, as soon as practicable after the date hereof, of an application and other information necessary to obtain such automobile manufacturer's or distributor's consent to or the approval of the transactions contemplated by this Agreement.

5.2 OPERATION OF BUSINESS OF THE CORPORATION. The Seller shall cause the Corporation to (a) maintain its corporate existence in good standing, (b) operate its business substantially as presently operated and only in the ordinary course and consistent with past operations and its obligations under any existing agreements with all applicable automobile manufacturers or distributors, (c) use its best efforts to preserve intact its present business organizations and employees and its relationships with persons having business dealings with them, including, but not limited to, all applicable automobile manufacturers or distributors and any floor plan financing creditors, (d) comply in all respects with all applicable laws, rules and regulations, (e) maintain its insurance coverages, (f) pay all Taxes, charges and assessments when due, subject to any valid objection or contest of such amounts asserted in good faith and adequately reserved against, (g) make all debt service payments when contractually due and payable, (h) pay all accounts payable and other current liabilities when due, (i) maintain the Employee Plans and each plan, agreement and arrangement listed on Schedule 3.27, and (j) maintain its property, plant and equipment in good operating condition in accordance with industry standards taking into account the age thereof.

5.3 BOOKS OF ACCOUNT. The Seller shall cause the Corporation to maintain its books and records of account in the usual, regular and ordinary manner.

5.4 EMPLOYEES. The Seller shall (i) use his reasonable best efforts to encourage such personnel of the Corporation as the Buyer may designate in writing to remain employees of the Corporation after the date of the Closing, and (ii) not take any action, or permit the Corporation to take any action, to encourage any of the personnel of the Corporation to leave their positions with the Corporation.

5.5 CERTAIN PROHIBITIONS. The Seller shall not permit the Corporation to (i) issue any equity or debt security or any options or warrants, (ii) enter into any subscriptions, agreements, plans or other commitments pursuant to which the Corporation is or may become obligated to issue any of its debt or equity securities, (iii) otherwise change or modify its capital structure, (iv) engage in any reorganization or similar transaction, (v) sell or otherwise dispose of any of its assets, other than sales of inventory in the ordinary course of business, (vi) declare or make payment of any dividend or other distribution in respect of its capital stock or redeem, repurchase or otherwise acquire any of its capital stock, except that the Corporation may pay bonuses and dividends or make distributions as provided in Schedule 5.5 hereto (the "PERMITTED BONUSES AND DISTRIBUTIONS") and such bonuses, dividends or distributions shall not, as of the Closing, constitute a breach of the Seller's representations and warranties contained in Sections 3.20(d) and 3.20(f), as applicable, or (vii) agree to take any of the foregoing actions.

5.6 OTHER CHANGES. The Seller shall not permit the Corporation to take, cause, agree to take or cause to occur any of the actions or events set forth in Section 3.20 of this Agreement.

5.7 ADDITIONAL INFORMATION. The Seller shall furnish and cause the Corporation to furnish to the Buyer such additional information with respect to any matters or events arising or discovered subsequent to the date hereof which, if existing or known on the date hereof, would have rendered any representation or warranty made by the Seller or any information contained in any Schedule hereto or in other information supplied in connection herewith then inaccurate or incomplete. The receipt of such additional information by the Buyer shall not operate as a waiver by the Buyer of the obligations of the Seller to satisfy the conditions to Closing set forth in Section 7.1 hereof.

5.8 PUBLICITY. Except as may be required by law or the applicable rules or regulations of any securities exchange, the Seller shall not (i) make or permit the Corporation to make any press release or other public announcement relating to this Agreement or the transactions contemplated hereby, without the prior written approval of the Buyer, and (ii) otherwise disclose the existence and nature of their discussions or negotiations regarding the transactions contemplated hereby to any person or entity other than their accountants, attorneys and similar professionals, all of whom shall be subject to this nondisclosure obligation as agents of the Seller, as the case may be. The Seller shall cooperate with the Buyer in the preparation and dissemination of any public announcements of the transactions contemplated by this Agreement.

5.9 OTHER NEGOTIATIONS. The Seller shall not pursue, initiate, encourage or engage in, nor shall any of their respective Affiliates or agents pursue, initiate, encourage or engage in, and the Seller shall cause the Corporation and its Affiliates, directors, officers and agents not to pursue, initiate, encourage or engage in, any negotiations or discussions with, or provide any information to, any other person or entity (other than the Buyer and its representatives and

Affiliates) regarding the sale of the assets or capital stock of the Corporation or any merger or similar transaction involving the Corporation.

5.10 CLOSING CONDITIONS. The Seller shall use all reasonable best efforts to satisfy promptly the conditions to Closing set forth in Article 7 hereof required herein to be satisfied by the Seller prior to the Closing.

5.11 ENVIRONMENTAL AUDIT. The Seller shall cause the Corporation to allow an environmental consulting firm selected by the Buyer (the "ENVIRONMENTAL AUDITOR") to have prompt access to the Real Property in order to conduct an environmental investigation, satisfactory to the Buyer in scope (such scope being sufficient to result in a Phase I environmental audit report and a Phase II environmental audit report, if desired by the Buyer), of, and to prepare a report with respect to, the Real Property (the "ENVIRONMENTAL AUDIT"). The Environmental Auditor shall use reasonable efforts to coordinate all visits to the Real Property or conversations with employees of the Corporation with the Seller or his designee and shall use reasonable efforts to minimize any disruption of the Corporation's business in performing its investigations. The Seller shall cause the Corporation to provide to the Environmental Auditor: (i) reasonable access to all its existing records concerning the matters which are the subject of the Environmental Audit; and (ii) reasonable access to the employees of the Corporation and the last known addresses of former employees of the Corporation who are most familiar with the matters which are the subject of the Environmental Audit (the Seller agreeing to use reasonable efforts to have such former employees respond to any reasonable requests or inquiries by the Environmental Auditor). The Seller shall otherwise cooperate and cause the Corporation to cooperate with the Environmental Auditor in connection with the Environmental Audit. The Buyer shall pay all of the costs, fees and expenses incurred in connection with the preparation of the Phase I environmental audit report, and the Buyer and the Seller shall each bear 50% of the costs, fees and expenses incurred in connection with the preparation of the Phase II environmental audit report, if any such report is recommended in the Phase I report; provided, however, the Buyer may conduct a Phase II environmental audit at its own expense if such audit is not recommended in the Phase I report.

5.12 AUDITED FINANCIAL STATEMENTS. The Seller shall allow, cooperate with and assist Buyer's accountants, and shall instruct the Corporation's accountants to cooperate, in the preparation of audited financial statements of the Corporation as necessary for any required filings by the Buyer with the Securities and Exchange Commission or with the Buyer's lenders; PROVIDED that the expense of such audit shall be borne by the Buyer.

5.13 HART-SCOTT-RODINO. Subject to the determination by the Buyer that any of the following actions is not required, the Seller shall promptly prepare and file Notification and Report Forms under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT") with the Federal Trade Commission (the "FTC") and the Antitrust Division of the Department of Justice (the "ANTITRUST DIVISION"), and respond as promptly as practicable to all inquiries received from the FTC or the Antitrust Division for additional information or documentation. The Buyer shall pay the filing fee under the HSR Act.

ARTICLE
PRE-CLOSING COVENANTS OF BUYER

The Buyer hereby covenants and agrees that, from and after the date hereof until the Closing:

6.1 PUBLICITY. Except as may be required by law or by the rules of the New York Stock Exchange, or as necessary in connection with the transactions contemplated hereby, the Buyer shall not (i) make any press release or other public announcement relating to this Agreement or the transactions contemplated hereby, without the prior written approval of the Seller, or (ii) otherwise disclose the existence and nature of its discussions or negotiations regarding the transactions contemplated hereby to any person or entity other than its accountants, attorneys and similar professionals, all of whom shall be subject to this nondisclosure obligation as agents of the Buyer.

6.2 CLOSING CONDITIONS. The Buyer shall use all reasonable best efforts to satisfy promptly the conditions to Closing set forth in Article 8 hereof required herein to be satisfied by the Buyer prior to the Closing.

6.3 APPLICATION TO AUTOMOBILE MANUFACTURERS AND DISTRIBUTORS. Subject to the reasonable cooperation of the Seller, the Buyer shall provide to all applicable automobile manufacturers and distributors as promptly as practicable after the execution and delivery of this Agreement any application or other information with respect to such application necessary in connection with the seeking of the consents of such manufacturers and distributors to the transactions contemplated by this Agreement.

6.4 HART-SCOTT-RODINO. Subject to the determination by the Buyer that any of the following actions is not required, the Buyer shall promptly prepare and file Notification and Report Forms under the HSR Act with the FTC and the Antitrust Division, respond as promptly as practicable to all inquiries received

from the FTC or the Antitrust Division for additional information or documentation, and the Buyer shall pay all filing fees in connection therewith.

6.5 ACCESS. The Buyer shall afford to the Seller, his attorneys, accountants, and representatives, free and full access at all reasonable times, and upon reasonable prior notice, to the properties, books and records of the Buyer, and to interview personnel, suppliers and customers of the Buyer, in order that the Seller may have a full opportunity to make such investigation as he shall reasonably desire the assets, business and operations of the Buyer. The Seller shall maintain in strict confidence all information obtained from the Buyer, other than such information which is a matter of public record.

6.6 RELEASE OF PERSONAL GUARANTEES. The Buyer shall use its reasonable best efforts to obtain the release of the Seller as of the Closing Date from his personal guarantees of the Corporation's obligations specified in Schedule 6.6 hereto (collectively, the "PERSONAL GUARANTEES").

ARTICLE
CONDITIONS TO OBLIGATIONS OF THE BUYER AT THE CLOSING

The obligations of the Buyer to perform this Agreement at the Closing are subject to the satisfaction at or prior to the Closing of the following conditions, unless waived in writing by the Buyer:

7.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties made by the Seller in this Agreement shall be true and correct in all material respects at and as of the date of this Agreement and at and as of the Closing as though made at and as of the Closing.

7.2 PERFORMANCE OF OBLIGATIONS OF THE SELLER. The Seller shall have performed all obligations required to be performed by the Seller under this Agreement, and complied with all covenants for which compliance by the Seller is required under this Agreement, prior to or at the Closing, including, without limitation, delivery of the stock certificates and stock powers for the Shares described in Section 1.3 hereof.

7.3 CLOSING DOCUMENTATION. The Buyer shall have received the following documents, agreements and instruments from the Seller:

(a) a certificate signed by the Seller and dated the date of the Closing certifying as to the satisfaction of the conditions set forth in Sections 7.1 and 7.2 hereof;

(b) such duly signed resignations of directors and officers of the Corporation as the Buyer shall have previously requested;

(c) an opinion of Rogers & Hardin, counsel for the Seller, or such other counsel to the Seller as the Seller has designated and who shall be reasonably acceptable to the Buyer, dated the date of the Closing and addressed to the Buyer, in form and substance reasonably acceptable to the Buyer and its counsel;

(d) copies of all authorizations, approvals, consents, notices, registrations and filings referred to in Schedules 3.2(b), 3.10 and 3.29(b) hereof including, without limitation, any required consents of the landlords under the Leases necessary to enable the Corporation to continue as the tenant thereunder at the same lease rentals and on the same terms as existed prior to the Closing;

(e) a certificate dated as of a recent date from (i) the Secretary of State of the State of Texas to the effect that the Corporation is duly incorporated and in good standing in such state and stating that the Corporation owes no franchise taxes in such state and listing all documents of the Corporation on file with said Secretary of State;

(f) a copy of the Corporation's Articles of Incorporation, including all amendments thereto, certified as of a recent date by the Secretary of State of the State of Texas;

(g)evidence, reasonably satisfactory to the Buyer, of the authority and incumbency of the persons acting on behalf of the Corporation in connection with the execution of any document delivered in connection with this Agreement;

(h) Uniform Commercial Code Search Reports on Form UCC-11 with respect to the Corporation from the states and local jurisdictions where the principal places of business of the Corporation and its assets are located;

(i) a certificate of the Seller as to the Seller's non-foreign status in appropriate form;

(j) the corporate minute books and stock record books of the Corporation, and all other books and records of, or pertaining to, the business and operations of the Corporation;

(k) estoppel letter[s] of lender[s] to the Corporation, in form and substance reasonably satisfactory to the Buyer, with respect to amounts owing by the Corporation as of the Closing; and

(l) such other instruments and documents as the Buyer shall reasonably request not inconsistent with the provisions hereof.

7.4 APPROVAL OF LEGAL MATTERS. The form of all instruments, certificates and documents to be executed and delivered by the Seller to the Buyer pursuant to this Agreement and all legal matters in respect of the transactions as herein contemplated shall be reasonably satisfactory to the Buyer and its counsel, none of whose approval shall be unreasonably withheld or delayed.

7.5 NO LITIGATION. No action, suit or other proceeding shall be pending or threatened before any court, tribunal or governmental authority seeking or threatening to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or seeking to obtain damages in respect thereof, or involving a claim that consummation thereof would result in the violation of any law, decree or regulation of any governmental authority having appropriate jurisdiction, and no order, decree or ruling of any governmental authority or court shall have been entered challenging the legality, validity or propriety of, or otherwise relating to, this Agreement or the transactions contemplated hereby, or prohibiting, restraining or otherwise preventing the consummation of the transactions contemplated hereby.

7.6 NO MATERIAL ADVERSE CHANGE OR UNDISCLOSED LIABILITY. There shall have been no material adverse change or development in the business, prospects, properties, earnings, results of operations or financial condition of the Corporation, or any of its assets.

7.7 NO ADVERSE LAWS. There shall not have been enacted, adopted or promulgated any statute, rule, regulation or order which materially adversely affects the business or assets of the Corporation.

7.8 AFFILIATE AND OTHER TRANSACTIONS.

(a) Each of the $550,000 receivable owing to the Corporation from Ron Craft Chrysler Plymouth Jeep, Inc. and the $112,000 receivable owing to the Corporation from R&M Realty, Inc. shall have been paid in full to the Corporation prior to the Closing Date.

(b) All other amounts owing to the Corporation from the Seller or any Affiliate thereof or from any of the Corporation's officers and employees shall have either been paid in full or written off by the Corporation, in either case, on or prior to the Closing Date.

7.9 ESCROW AGREEMENT. The Seller and the Escrow Agent shall have duly executed and delivered to the Buyer the Escrow Agreement.

7.10 GM APPROVALS. GM shall have given any required approval of the transfer of the Shares to the Buyer and shall have given any required approval of O. Bruton Smith or his designee as the authorized dealer operator of each of the Corporation's Chevrolet, Cadillac and Oldsmobile dealership franchises, and GM shall have executed or agreed to execute any required dealer agreements and/or amendments or supplements thereto in connection with the foregoing.

7.11 NON-COMPETITION AGREEMENT. Ron Craft shall have duly executed and delivered to the Buyer and the Corporation the Non-Competition Agreement.

7.12 [INTENTIONALLY LEFT BLANK].

7.13 AUDITED FINANCIAL STATEMENTS. The Buyer shall have completed preparation of such audited financial statements of the Corporation as may be required by applicable regulations of the Securities and Exchange Commission or by any of the Buyer's lenders. If this condition shall not have been satisfied by the close of business on December 30, 1998, it shall be deemed to have been waived by the Buyer.

7.14 HART-SCOTT-RODINO WAITING PERIOD. All applicable waiting periods under the HSR Act shall have expired without any indication by the Antitrust Division or the Federal Trade Commission that either of them intends to challenge the transactions contemplated hereby or, if any such challenge or investigation is made or commenced, the conclusion of such challenge or investigation permits the transactions contemplated hereby in all material respects.

ARTICLE
CONDITIONS TO OBLIGATIONS OF THE SELLER AT THE CLOSING

The obligations of the Seller to perform this Agreement at the Closing are subject to the satisfaction at or prior to the Closing of the following conditions, unless waived in writing by the Seller:

8.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties made by the Buyer in this Agreement shall be true and correct in all material respects at and as of the date of this Agreement and at and as of the Closing as though made at and as of the Closing.

8.2 PERFORMANCE OF OBLIGATIONS OF THE BUYER. The Buyer shall have performed all obligations required to be performed by it under this Agreement, and complied with all covenants for which compliance by it is required under this Agreement, prior to or at the Closing, including, without limitation, payment of the cash portion of the Purchase Price and delivery of the Preferred Stock to the Seller and the Escrow Agent, all pursuant to Section 1.2(b) hereof.

8.3 CLOSING DOCUMENTATION. The Seller shall have received the following documents, agreements and instruments from the Buyer:

(a) a certificate signed by a duly authorized signatory of the Buyer and dated as of the Closing Date certifying as to the satisfaction of the conditions set forth in Sections 8.1 and 8.2 hereof;

(b) an opinion of Parker, Poe, Adams & Bernstein L.L.P., counsel for the Buyer, dated as of the Closing Date and addressed to the Seller, in form and substance reasonably satisfactory to the Seller and their counsel;

(c) such resolutions of the Buyer, as sole shareholder of the Corporation, and the directors of the Corporation electing directors and appointing officers, respectively, of the Corporation, effective upon the Closing;

(d) certificates dated as of a recent date from the Secretary of State of the State of Delaware to the effect that the Buyer is duly incorporated and in good standing in such state;

(e) a copy of the Buyer's Certificate of Incorporation, including all amendments thereto, certified by the Secretary of State of the State of Delaware;

(f) a certificate of the Secretary of an Assistant Secretary of the Buyer as to (i) the resolutions of the Buyer's Board of Directors authorizing this Agreement and the transactions contemplated hereby (including the issuance of the Preferred Stock), and (ii) the authority and incumbency of the persons acting on behalf of the Buyer in connection with the execution of any document delivered in connection with this Agreement; and

(g) such other instruments and documents as the Seller shall reasonably request not inconsistent with the provisions hereof.

8.4 APPROVAL OF LEGAL MATTERS. The form of all certificates, instruments and documents to be executed or delivered by the Buyer to the Seller pursuant to this Agreement and all legal matters in respect of the transactions as herein contemplated shall be reasonably

satisfactory to the Seller and their counsel, none of whose approval shall be unreasonably withheld or delayed.

8.5 NO LITIGATION. No action, suit or other proceeding shall be pending or threatened before any court, tribunal or governmental authority seeking or threatening to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or seeking to obtain substantial damages in respect thereof, or involving a claim that consummation thereof would result in the violation of any law, decree or regulation of any governmental authority having appropriate jurisdiction, and no order, decree or ruling of any governmental authority or court shall have been entered challenging the legality, validity or propriety of, or otherwise relating to, this Agreement or the transactions contemplated hereby, or prohibiting, restraining or otherwise preventing the consummation of the transactions contemplated hereby.

8.6 ESCROW AGREEMENT. The Buyer and the Escrow Agent shall have duly executed and delivered to the Seller the Escrow Agreement.

8.7 HART-SCOTT-RODINO WAITING PERIOD. All applicable waiting periods under the HSR Act shall have expired without any indication of the Antitrust Division or the Federal Trade Commission that either of them intends to challenge the transactions contemplated hereby, or, if any such challenge or investigation is made or commenced, the conclusion of such challenge or investigation permits the transactions contemplated hereby in all material respects.

8.8 RELEASE FROM PERSONAL GUARANTEE. The Seller shall have been released as of the Closing from his Personal Guarantee to GM or its affiliates.

8.9 NO MATERIAL ADVERSE CHANGE. There shall have been no material adverse change in business, results of operations or financial condition of the Buyer, other than those occasioned as a result of events or occurrences of industry-wide significance or application.

ARTICLE
SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION, ETC.

9.1 SURVIVAL. All statements contained in any Schedule or certificate delivered hereunder or in connection herewith by or on behalf of any of the parties pursuant to this Agreement shall be deemed representations and warranties by the respective parties hereunder unless otherwise expressly provided herein. The representations and warranties of the Seller or the Buyer contained in this Agreement, including those contained in any Schedule or certificate delivered hereunder or in connection herewith, shall survive the Closing for a period of two years with the exception of (i) the representations and warranties of the Seller contained in Section 3.21, which shall survive the Closing until the expiration of the applicable tax statutes of limitation plus a period of sixty (60) days, (ii) the representations and warranties of the Seller contained in Section 3.19, which shall survive the Closing until the earlier of three years from the Closing Date or the expiration of the applicable statute of limitations for a breach thereof, and (iii) the representations and warranties of the Seller contained in Section 3.36, which shall survive the Closing until the earlier of five years from the Closing Date or the expiration of the

applicable statute of limitation for a breach thereof. As to each representation and warranty of the parties hereto, the date to which such representation and warranty shall survive is hereinafter referred to as the "SURVIVAL DATE".

9.2 AGREEMENT TO INDEMNIFY BY SELLER. Subject to the terms and conditions of Sections 9.4 and 9.5 hereof, the Seller hereby agrees to indemnify and save the Buyer, the Corporation and their respective shareholders, officers, directors, employees, successors and assigns (each, a "BUYER INDEMNITEE") harmless from and against, for and in respect of, any and all damages, losses, obligations, liabilities, demands, judgments, injuries, penalties, claims, actions or causes of action, encumbrances, costs, and expenses (including, without limitation, reasonable attorneys' fees and expert witness fees), suffered, sustained, incurred or required to be paid by any Buyer Indemnitee (collectively, "BUYER'S DAMAGES") arising out of, based upon, in connection with, or as a result of:

(a) the untruth, inaccuracy or breach of any representation and warranty of the Seller contained in or made pursuant to this Agreement, including in any Schedule or certificate delivered hereunder or in connection herewith;

(b) the breach or nonfulfillment of any covenant or agreement of any Seller contained in this Agreement or in any other agreement, document or instrument delivered hereunder or pursuant hereto (including, without limitation, the Seller's obligation to pay taxes as provided in Schedule 5.5 hereto);

(c) any loss of life, injury to persons or property, or damage to natural resources caused by the actual, alleged, or threatened release, storage, transportation, treatment or generation, of Hazardous Materials generated, stored, used, disposed of, treated, handled or shipped by the Corporation on or before the Closing Date;

(d) any cleanup of Hazardous Materials released, disposed of or discharged: (i) on, beneath or adjacent to the Real Property prior to or on the date of the Closing; or (ii) at any other location if such substances were generated, used, stored, treated, transported or released by the Corporation prior to or on the Closing Date, but only to the extent necessary to comply with applicable Environmental Laws or with any legal obligations to a third party;

(e) all known or unknown environmental liabilities and claims of the Corporation or arising out of the ownership the Shares prior to the Closing, including, without limitation, the presence, release or threatened release of Hazardous Materials and any liabilities or obligations arising under any Environmental Law, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), as amended; or

(f) any and all costs of installing pollution control equipment or other equipment to bring any of the Real Property into compliance with any Environmental Law if such equipment is installed because any of the Real Property was not in compliance with any Environmental Laws as of the date of the Closing;

PROVIDED, HOWEVER, that with respect to the foregoing indemnification obligation of the Seller contained in paragraphs (a) and (c) through (f) of this Section 9.2, the Seller shall not have any

indemnification obligation until (and only to the extent that) Buyer's Damages in respect of all claims for indemnity pursuant to all such paragraphs shall exceed a cumulative aggregate total of $125,000; PROVIDED, FURTHER, no claim for indemnification under paragraphs (c) through (f) of this Section 9.2 shall be

made after the fifth anniversary of the Closing Date.

9.3 AGREEMENT TO INDEMNIFY BY BUYER. Subject to the terms and conditions of Sections 9.4 and 9.5 hereof, the Buyer hereby agrees to indemnify and save the Seller and their successors and assigns (each, a "SELLER INDEMNITEE") harmless from or against, for and in respect of, any and all damages, losses, obligations, liabilities, demands, judgments, injuries, penalties, claims, actions or causes of action, encumbrances, costs, and expenses (including, without limitation, reasonable attorneys' fees and expert witness fees) suffered, sustained, incurred or required to be paid by any Seller Indemnitee arising out of, based upon or in connection with or as a result of:

(a) the untruth, inaccuracy or breach of any representation and warranty of the Buyer contained in or made pursuant to this Agreement, including in any Schedule or certificate delivered hereunder or in connection herewith;

(b) the breach or nonfulfillment of any covenant or agreement of the Buyer contained in this Agreement or in any other agreement, document or instrument delivered hereunder or pursuant hereto;

(c) the assertion against any Seller Indemnitee of any claims, liabilities or obligations arising out of the Buyer's operation of the business and/or the use of the Seller's name after the Closing, except to the extent that such claims, liabilities or obligations relate to matters which are indemnifiable by the Seller pursuant to Section 9.2;

(d) the Personal Guarantees;

(e) the waiver by the Buyer of the condition to closing set forth in Section 7.10 above; or

(f) the Buyer's obligation to pay Covered Taxes as provided in Schedule 5.5 hereto.

9.4 CLAIMS FOR INDEMNIFICATION. No claim for indemnification with respect to a breach of a representation and warranty shall be made under this Agreement after the applicable Survival Date unless prior to such Survival Date the Buyer Indemnitee or the Seller Indemnitee, as the case may be, shall have given the Seller or the Buyer, as the case may be, written notice of such claim for indemnification based upon actual loss sustained, or potential loss anticipated, as a result of the existence of any claim, demand, suit, or cause of action against such Buyer Indemnitee or Seller Indemnitee, as the case may be.

9.5 PROCEDURES REGARDING THIRD PARTY CLAIMS. The procedures to be followed by the Buyer and the Seller with respect to indemnification hereunder regarding claims by third persons which could give rise to an indemnification obligation hereunder shall be as follows:

(a) Promptly after receipt by any Buyer Indemnitee or Seller Indemnitee, as the case may be, of notice of the commencement of any action or proceeding (including, without limitation, any notice relating to a tax audit) or the assertion of any claim by a third person which the person receiving such notice has reason to believe may result in a claim by it for indemnity pursuant to this Agreement, such person (the "INDEMNIFIED PARTY") shall give a written notice of such action, proceeding or claim to the party against whom indemnification pursuant hereto is sought (the "INDEMNIFYING PARTY"), setting forth in reasonable detail the nature of such action, proceeding or claim, including copies of any documents and written correspondence from such third person to such Indemnified Party.

(b) The Indemnifying Party shall be entitled, at its own expense, to participate in the defense of such action, proceeding or claim, and, if (i) the action, proceeding or claim involved seeks (and continues to seek) solely monetary damages, (ii) the Indemnifying Party confirms, in writing, its obligation hereunder to indemnify and hold harmless the Indemnified Party with respect to such damages in their entirety pursuant to Sections 9.2 or 9.3 hereof, as the case may be, and (iii) the Indemnifying Party shall have made provision which, in the reasonable judgment of the Indemnified Party, is adequate to satisfy any adverse judgment as a result of its indemnification obligation with respect to such action, proceeding or claim, then the Indemnifying Party shall be entitled to assume and control such defense with counsel chosen by the Indemnifying Party and approved by the Indemnified Party, which approval shall not be unreasonably withheld or delayed. The Indemnified Party shall be entitled to participate therein after such assumption, the costs of such participation following such assumption to be at its own expense. Upon assuming such defense, the Indemnifying Party shall have full rights to enter into any monetary compromise or settlement which is dispositive of the matters involved; PROVIDED, that such settlement is paid in full by the Indemnifying Party and will not have any direct or indirect continuing material adverse effect upon the Indemnified Party.

(c) With respect to any action, proceeding or claim as to which (i) the Indemnifying Party does not have the right to assume the defense or (ii) the

Indemnifying Party shall not have exercised its right to assume the defense, the Indemnified Party shall assume and control the defense of and contest such action, proceeding or claim with counsel chosen by it and approved by the Indemnifying Party, which approval shall not be unreasonably withheld. The Indemnifying Party shall be entitled to participate in the defense of such action, proceeding or claim, the cost of such participation to be at its own expense. The Indemnifying Party shall be obligated to pay the reasonable attorneys' fees and expenses of the Indemnified Party to the extent that such fees and expenses relate to claims as to which indemnification is due under Sections 9.2 or 9.3 hereof, as the case may be. The Indemnified Party shall have full rights to dispose of such action, proceeding or claim and enter into any monetary compromise or settlement; PROVIDED, HOWEVER, in the event that the Indemnified Party shall settle or compromise any action, proceeding or claim for which indemnification is due under Sections 9.2 or 9.3 hereof, as the case may be, it shall act reasonably and in good faith in doing so.

(d) Both the Indemnifying Party and the Indemnified Party shall cooperate fully with one another in connection with the defense, compromise or settlement of any such action, proceeding or claim, including, without limitation, by making available to the other all pertinent information and witnesses within its control.

9.6 EFFECTIVENESS. The provisions of this Article 9 shall be effective upon consummation of the Closing, and prior to the Closing, shall have no force and effect.

ARTICLE
TERMINATION

10.1 TERMINATION. Notwithstanding any other provision herein contained to the contrary, this Agreement may be terminated at any time prior to the Closing Date:

(a) by the written mutual consent of the Buyer and the Seller;

(b) At any time after the Closing Date Deadline (as the same may have been extended pursuant to Article 2 hereof), by written notice by the Buyer or the Seller to the other party(ies) hereto if the Closing shall not have been completed on or before the Closing Date Deadline (as the same may have been extended pursuant to Article 2 hereof); PROVIDED, HOWEVER, no party may terminate this Agreement pursuant to this Section 10.1(b) if such party is in breach of any material representation, warranty or covenant of such party contained in this Agreement;

(c) By written notice by the Buyer to the Seller if, after any initial HSR Act filing, the FTC makes a "second request" for information and clearance is not received from the FTC and the Antitrust Division prior to December 31, 1998, or if the FTC or the Antitrust Division challenges the transactions contemplated hereby;

(d) By the Buyer, by written notice to the Seller, in the event that approval by any applicable automobile manufacturer or distributor of the transactions contemplated by this Agreement is not received by the Closing Date Deadline (as the same may have been extended pursuant to Article 2 hereof);

(e) By the Buyer, by written notice to the Seller, in the event that any applicable automobile manufacturer or distributor (or any person claiming by, through or under it) shall exercise any right of first refusal, preemptive right or other similar right, with respect to the dealership business of the Corporation; or

(f) By the Buyer (no later than the thirtieth (30th) day after the date hereof) if the Buyer is not satisfied, in its sole discretion, with the results of the Buyer's due diligence investigation contemplated by Section 5.1(a) hereof.

10.2 PROCEDURE AND EFFECT OF TERMINATION. In the event of termination of this Agreement pursuant to Section 10.1, this Agreement shall be of no further force or effect; PROVIDED, HOWEVER, that any termination pursuant to Section 10.1 shall not relieve (i) the Buyer of any liability under Section 10.3 below, (ii) the Seller of any liability under Section 10.4 below, or (iii) except as provided in Section 10.5 below, any party hereto of any liability for breach of any representation and warranty, covenant or agreement hereunder occurring prior to such termination. In addition, in the event of any such termination, all filings, applications and other submissions made pursuant to this Agreement or prior to the execution of this Agreement

in contemplation thereof shall, to the extent practicable, be withdrawn from the agency or other entity to which made.

10.3 PAYMENT OF BUYER'S TERMINATION FEE . If this Agreement is terminated by the Seller pursuant to Section 10.1(b) above and the failure to complete the

Closing on or before the Closing Date Deadline shall have been due to the Buyer's knowing breach of its material representations and warranties or its material covenants or obligations under this Agreement, then the Buyer shall, upon demand of the Seller, promptly pay to the Seller in immediately available funds, as liquidated damages for the loss of the transaction, a termination fee of $500,000 (the "BUYER'S TERMINATION FEE").

10.4 PAYMENT OF SELLER'S TERMINATION FEE. If this Agreement is terminated by the Buyer pursuant to Section 10.1(b) above and the failure to complete the Closing on or before the Closing Date Deadline shall have been due to the Seller's breach of any of his material representations and warranties or any of his material covenants or obligations under this Agreement, then the Seller shall, upon demand of the Buyer, promptly pay to the Buyer in immediately available funds, as liquidated damages for the loss of the transaction, a termination fee of $500,000 (the "SELLER'S TERMINATION FEE").

10.5 TERMINATION FEES EXCLUSIVE REMEDIES FOR DAMAGES. The respective rights of the parties to terminate this Agreement under Section 10.1(b) and to be paid the Seller's Termination Fee or the Buyer's Termination Fee, as the case may be, shall be the respective parties' sole and exclusive remedies for damages; in the event of such termination by either party, such party shall have no right to equitable relief for any breach or alleged breach of this Agreement, other than for specific performance for the payment of the Seller's Termination Fee or the Buyer's Termination Fee, as the case may be. Nothing contained in this Agreement shall prevent any party from electing not to exercise any right it may have to terminate this Agreement and, instead, seeking any equitable relief to which it would otherwise be entitled in the event of breach by any other party hereto.

ARTICLE
CERTAIN TAXES AND EXPENSES

11.1 CERTAIN TAXES AND EXPENSES.

(a) All sales, use, transfer, intangible, excise, documentary stamp, recording, gross income, gross receipts and other similar taxes or fees which may be due or payable in connection with the consummation of the transactions contemplated hereby shall be paid by the Seller.

(b) Except as otherwise herein provided, the Seller and the Buyer shall be responsible for the payment of their respective fees, costs and expenses incurred in connection with the negotiation and consummation of the transactions contemplated hereby and shall not be liable to the other party or parties for the payment of any such fees, costs and expenses.

ARTICLE
MISCELLANEOUS

12.1 CERTAIN TAX RETURNS. The Seller shall cooperate with and provide assistance to the Buyer and the Corporation in connection with the preparation and filing of all federal, state, local and foreign income tax returns which relate to the Corporation and to periods prior to Closing but which are not required to be filed until after the Closing.

12.2 PARTIES IN INTEREST; NO THIRD-PARTY BENEFICIARIES. Subject to Section 12.4 hereof, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of the parties hereto. Nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon or give to any employee of the Corporation or the Buyer, or any other person, firm, corporation or legal entity, other than the parties hereto and their successors and assigns, any rights, remedies or other benefits under or by reason of this Agreement.

12.3 ENTIRE AGREEMENT; AMENDMENTS. This Agreement (including all Exhibits and Schedules hereto) and the other writings referred to herein or delivered pursuant hereto contain the entire understanding of the parties hereto with respect to its subject matter. There are no representations, promises, warranties, covenants or undertakings other than as expressly set forth herein or therein. This Agreement supersedes all prior agreements and understandings between the parties hereto with respect to its subject matter. This Agreement may be amended or modified only by a written instrument duly executed by the parties hereto.

12.4 ASSIGNMENT. This Agreement shall not be assignable by any party hereto without the prior written consent of the other parties; PROVIDED, HOWEVER, the Buyer may assign its rights and obligations hereunder to any Affiliate of the Buyer presently existing or hereafter formed and to any person or entity that shall acquire all or substantially all of the assets of the Buyer or the Corporation (including any such acquisition by merger or consolidation); PROVIDED, FURTHER, that no such assignment shall release the Buyer from its obligations hereunder without the consent of the Seller. Nothing contained in this Agreement shall prohibit its assignment by the Buyer as collateral security and the Seller hereby agrees to execute any acknowledgment of such assignment by

the Buyer as may be required by any lender to the Buyer.

12.5 REMEDIES. Except as expressly provided in this Agreement to the contrary, each of the parties to this Agreement is entitled to all remedies in the event of breach provided at law or in equity, specifically including, but not limited to, specific performance.

12.6 HEADINGS. The Article and Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

12.7 NOTICES. All notices, claims, certificates, requests, demands and other communications hereunder shall be given in writing and shall be delivered personally, sent by telecopier or sent by a nationally recognized overnight courier, postage prepaid, and shall be deemed to have been duly given when so delivered personally, or when telecopier receipt is

acknowledged or one (1) business day after the date of deposit with such nationally recognized overnight courier. All such notices, claims, certificates, requests, demands and other communications shall be addressed to the respective parties at the addresses set forth below or to such other address as the person to whom notice is to be given may have furnished to the others in writing in accordance herewith.

If to the Buyer, to:

Sonic Automotive, Inc.
5401 E. Independence Boulevard
Charlotte, North Carolina 28212
Attention: Theodore M. Wright, Chief Financial Officer
Telecopier No.: (704) 536-5116

With a copy to:

Parker, Poe, Adams & Bernstein L.L.P.
2500 Charlotte Plaza
Charlotte, North Carolina 28244
Attention: Edward W. Wellman, Jr., Esq.
Telecopier No.: (704) 334-4706

If to the Seller, to:

Mr. Ron Craft
Ron Craft Chevrolet Cadillac Oldsmobile, Inc.
3401 North Main
Baytown, Texas 77521
Telecopier No.: (281) 334-5831

With a copy to:

Rogers & Hardin
2700 International Tower
229 Peachtree Street, N.E.
Atlanta, Georgia 30303
Attention: David Thunhorst, Esq.
Telecopier No.: (404) 525-2224

12.8 COUNTERPARTS. This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, and all such counterparts together shall constitute but one agreement.

12.9 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without giving effect to its rules governing conflict of laws.

12.10 WAIVERS. Any party to this Agreement may, by written notice to the other parties hereto, waive any provision of this Agreement from which such party is entitled to receive a benefit. The waiver by any party hereto of a breach by another party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by such other party of such provision or any other provision of this Agreement.

12.11 SEVERABILITY. In the event that any provision, or part thereof, in this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions, or parts thereof, shall not in any way be affected or impaired thereby.

12.12 KNOWLEDGE. Whenever any representation or warranty of the Seller contained herein or in any other document executed and delivered in connection herewith is based upon the knowledge of the Seller, such knowledge shall be deemed to include (i) the best actual knowledge, information and belief of the

Seller and (ii) any information which the Seller would reasonably be expected to be aware of in the prudent discharge of his duties in the ordinary course of business (including consultation with legal counsel) as an officer of the Corporation; PROVIDED, HOWEVER, for purposes of Section 10.4 hereof, the concept of "knowing" shall be limited to actual knowledge.

12.13 JURISDICTION; ARBITRATION.

(a) Subject to the other provisions of this Section 12.13, any judicial proceeding brought with respect to this Agreement must be brought in any court of competent jurisdiction in the State of Texas, and, by execution and delivery of this Agreement, each party hereto (i) accepts, generally and unconditionally, the exclusive jurisdiction of such courts and any related appellate court, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement, and (ii) irrevocably waives any objection it may now or hereafter have as to the venue of any such suit, action or proceeding brought in such court or that such court is an inconvenient forum.

(b) Any dispute, claim or controversy arising out of or relating to this Agreement (except for accounting matters provided for in Section 1.2(c) hereto), or the interpretation or breach hereof (including, without limitation, any of the foregoing based upon a claim to any termination fee hereunder), shall be resolved by binding arbitration under the commercial arbitration rules of the American Arbitration Association (the "AAA RULES") to the extent such AAA Rules are not inconsistent with this Agreement. Judgment upon the award of the arbitrators may be entered in any court having jurisdiction thereof or such court may be asked to judicially confirm the award and order its enforcement, as the case may be. The demand for arbitration shall be made by any party hereto within a reasonable time after the claim, dispute or other matter in question has arisen, and in any event shall not be made after the date when institution of legal proceedings, based on such claim, dispute or other matter in question, would be barred by the applicable statute of limitations. The arbitration panel shall consist of three (3) arbitrators, one of whom shall be appointed by each party hereto within thirty (30) days after any request for arbitration hereunder. The two arbitrators thus appointed shall choose the third arbitrator within thirty (30) days after their appointment; PROVIDED, HOWEVER, that if the two arbitrators are unable to agree on the appointment of the third arbitrator within 30 days after their

appointment, either arbitrator may petition the American Arbitration Association to make the appointment. The place of arbitration shall be Houston, Texas. The arbitrators shall be instructed to render their decision within sixty (60) days after their selection and to allocate all costs and expenses of such arbitration (including legal and accounting fees and expenses of the respective parties) to the parties in the proportions that reflect their relative success on the merits (including the successful assertion of any defenses).

(c) Nothing contained in this Section 12.13 shall prevent any party hereto from seeking any equitable relief to which it would otherwise be entitled from a court of competent jurisdiction.

12.14 SELLER'S ACCESS POST CLOSING. The Buyer shall provide to the Seller reasonable access to the books and records of the Corporation to the extent that the Seller shall reasonably request in connection with any third party action, suit or proceeding to which the Seller is a party or in connection with the taking of any other action necessary or appropriate arising out of or relating to the transactions contemplated by this Agreement.

12.15 SELLER'S HEALTHCARE COVERAGE. The Buyer shall use its reasonable best efforts to include the Seller and his wife in the Buyer's health insurance plans, it being understood that (a) such inclusion shall be at the Seller's sole expense, and (b) such inclusion shall be subject to any necessary approval of the Buyer's insurance carrier(s) for coverage thereunder and shall also be subject to any limitations imposed by applicable state or federal law (including, without limitation, non-discrimination provisions of applicable law).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered on the date first above written.

SONIC AUTOMOTIVE, INC.

By: /s/ O. Bruton Smith

Name: O. Bruton Smith
Title: Chief Executive Officer

/s/ Ron Craft

Ron Craft

EXHIBITS

Exhibit A	-	Form of Escrow Agreement
Exhibit B	-	Statement of Rights and Preferences of Preferred Stock
Exhibit C	-	Form of Non-Competition Agreement

SCHEDULES

Schedule 32.(b)	Consents and Approvals for the Seller
Schedule 3.5	Interest in other Entities
Schedule 3.7	Qualification
Schedule 3.8	Capitalization
Schedule 3.10	No Violation; Conflicts
Schedule 3.11	Encumbrances
Schedule 3.13	Financial Statements
Schedule 3.16(b)	Leased Premises
ScheduClaims6(c)	ScheduLeased Equipment
Schedule 3.17	Intellectual Property
Schedule 3.18	Certain Liabilities
Schedule 3.19	No Undisclosed Liabilities
Schedule 3.20	Absence of Changes
Schedule 3.21	Tax Matters
Schedule 3.22	Compliance with Laws
Schedule 3.23	Litigation Regarding Corporation
Schedule 3.24	Permits, Etc.
Schedule 3.26	Compensation
Schedule 3.27	Employee Benefits
Schedule 3.29(a)	Material Agreements
Schedule 3.29(b)	Required Consents for Transfers of Material Agreements
Schedule 3.31	Bank Accounts, Credit Cards and Safe Deposit Boxes
Schedule 3.32(a)	Insurance Policies
Schedule 3.32(b)	Property Damage and Personal Injury Claims
Schedule 3.33	Warranties
Schedule 3.34	Directors and Officers
Schedule 3.36	Environmental Matters
Schedule 3.38	Business Generally
Schedule 4.2(b)	Consents and Approvals for the Buyer
Schedule 5.1	Due Diligence Materials
Schedule 5.5	Permitted Bonuses and Distributions
	Annex A Bonus Automobiles
Schedule 6.6	Personal Guarantees by the Seller

STOCK PURCHASE AGREEMENT

BETWEEN

SONIC AUTOMOTIVE, INC.

AND

RON CRAFT

DATED AS OF OCTOBER 6, 1998

TABLE OF CONTENTS

SCHEDULE 5.1

DUE DILIGENCE MATERIALS

1. COPY OF CERTIFICATE OF INCORPORATION (INCLUDING ANY AND ALL AMENDMENTS THEREOF)

2. COPY OF BYLAWS (INCLUDING ANY AND ALL AMENDMENTS THEREOF)

3. COPIES OF STOCK LEDGERS AND MINUTE BOOKS

4. COPIES OF ANY IRS OR STATE GOVERNMENT AUTHORITY CORRESPONDENCE SINCE JANUARY 1, 1995

5. COPIES OF FEDERAL, STATE AND LOCAL TAX RETURNS OF THE COMPANY FILED FOR THE LAST THREE FISCAL YEARS INCLUDING FORM 5500, SALES, USE AND PROPERTY TAX RETURNS

6. COPIES OF ANY AUDITED OR REVIEWED FINANCIAL STATEMENTS FOR THE PRIOR THREE FISCAL YEARS AND DEALER STATEMENTS FOR THE PRIOR THREE FISCAL YEARS AND MONTHLY DEALER STATEMENTS SINCE THE MOST RECENT FISCAL YEAR END

7. CURRENT LIST (MOST RECENT MONTH END) OF AGED ACCOUNTS RECEIVABLES

8. CURRENT LIST (MOST RECENT MONTH END) OF NEW AND USED CAR INVENTORY ALONG WITH AN AGING REPORT FOR NEW AND USED CARS

9. COPIES OF ANY LEASES OF REAL AND PERSONAL PROPERTY ENTERED INTO BY THE COMPANY AS LESSOR OR LESSEE AND ALL DEEDS OF OWNERSHIP OF ALL REAL PROPERTY OWNED BY THE COMPANY

10. COPIES OF ANY OUTSTANDING DEBT AGREEMENTS ENTERED INTO BY THE COMPANY

11. COPIES OF OUTSTANDING AGREEMENTS WITH RETAIL LENDERS AND WARRANTY PROVIDERS INCLUDING FINANCE RESERVE SPLIT INFORMATION

12. COPIES OF ALL AUDIT LETTER RESPONSES FROM ATTORNEYS FOR THE LAST THREE YEARS

13. COPIES OF CORRESPONDENCE WITH MANUFACTURERS REGARDING AUDITS, SALES PERFORMANCE AND MARKET STUDIES SINCE JANUARY 1, 1995

14. COPIES OF ALL OUTSTANDING MATERIAL WRITTEN CONTRACTS, AGREEMENTS, UNDERSTANDINGS OR ARRANGEMENTS TO WHICH THE COMPANY IS A PARTY

15. DESCRIPTIVE SUMMARY OF ALL LITIGATION BY OR AGAINST THE COMPANY AND COPIES OF ALL PLEADINGS AND OTHER COURT DOCUMENTS

16. COPIES OF ALL INSURANCE POLICIES MAINTAINED BY THE COMPANY

17. COPIES OF LOSS RUNS FOR PROPERTY AND LIABILITY AND WORKERS' COMPENSATION INSURANCE FOR THE LAST THREE YEARS

18. COPY OF WORKERS' COMPENSATION RENEWAL CERTIFICATE

19. COPY OF MOST RECENT PREMIUM BILLING STATEMENT FOR EACH INSURANCE POLICY HELD BY THE COMPANY

20. LIST OF ANY INCURRED BUT NOT REPORTED CLAIMS FOR ALL INSURANCE POLICIES SINCE JANUARY 1, 1995

21. LIST OF ANY PENDING UNINSURED CLAIMS AND TO WHAT EXTENT ANY RESERVES HAVE BEEN ESTABLISHED

22. COPIES OF ANY CURRENT EMPLOYMENT, COMMISSION, CONSULTING OR SEVERANCE AGREEMENTS ENTERED INTO BY THE COMPANY

23. LIST OF ANY PENDING LABOR PRACTICE COMPLAINTS AND ANY GRIEVANCE OR ARBITRATION PROCEEDINGS PENDING AGAINST THE COMPANY

24. CURRENT AGED LIST (MOST RECENT MONTH END) OF ALL ACCOUNTS PAYABLE

25. COPY OF ALL REPORTS OF THE COMPANY SINCE JANUARY 1, 1995 AS REQUIRED UNDER THE FEDERAL OCCUPATIONAL SAFETY AND HEALTH ACT OF 1970 AND UNDER ALL OTHER APPLICABLE HEALTH AND SAFETY LAWS AND REGULATIONS

26. COPY OF EMPLOYEE HANDBOOK AND ANY BENEFIT PLAN DOCUMENTS (I.E. HEALTH, DENTAL, LIFE, DISABILITY, 401(K), PROFIT SHARING, ETC.)

27. LISTING OF BENEFIT PLAN AND INSURANCE POLICIES RENEWAL DATES

28. COPIES OF ANY LICENSES, PERMITS OR CONSENTS FROM OR FILINGS WITH GOVERNMENTAL AUTHORITIES NECESSARY FOR THE COMPANY TO CARRY ON ITS BUSINESS

29. LIST OF ALL BANK ACCOUNTS AND SAFE DEPOSIT BOXES MAINTAINED BY THE COMPANY AND A LIST OF PERSONS HAVING SIGNING POWER ON THE SAME

30. COPIES OF CORRESPONDENCE AND AGREEMENTS WITH MANUFACTURERS INCLUDING "QSO" FOR THE LAST TWO YEARS

31. COPIES OF CORRESPONDENCE WITH EXTERNAL ACCOUNTANTS FOR THE LAST TWO YEARS

32. COPIES OF CURRENT ADVERTISING AND PROMOTIONAL MATERIALS AND ANY FEE ARRANGEMENTS WITH THE MEDIA, INCLUDING "YELLOW PAGES" AGREEMENTS

33. ORGANIZATIONAL CHART AND NAMES OF PRINCIPAL MANAGEMENT EMPLOYEES

34. COPIES OF ANY YEARLY FORECAST AND PLANS FOR THE CURRENT YEAR AND THE NEXT THREE YEARS

35. COPIES OF THE GENERAL LEDGER TRIAL BALANCES FOR THE CURRENT AND THE PRIOR YEARS' MONTH END

36. COPIES OF SUPPORTING INFORMATION (INVOICES, W-2'S, ETC.) FOR ALL ITEMS CONSIDERED "ADD-BACKS"

37. COPIES OF ANY ENVIRONMENTAL SURVEYS AND REPORTS PREPARED BY OR ON BEHALF OF THE COMPANY

38. COPIES OF ANY CORRESPONDENCE OR REPORTS SINCE JANUARY 1, 1995 RELATED TO ANY FEDERAL, STATE OR LOCAL ENVIRONMENTAL OR HEALTH AND SAFETY INSPECTION FOR ANY COMPANY

39. NOTICE LETTERS, INCLUDING BUT NOT LIMITED TO LETTERS FROM THE ENVIRONMENTAL PROTECTION AGENCY OR OTHER POTENTIALLY RESPONSIBLE PARTIES ("PRPS") UNDER CERCLA, INFORMING ANY COMPANY THAT IT MAY BE A PRP AT A CERCLA SITE

40. COMPLETE SET OF ACCOUNTING "SCHEDULES" AS OF CURRENT MONTH END

SCHEDULE 5.5

PERMITTED BONUSES AND DISTRIBUTIONS

Subject to the provisions of this Schedule 5.5, the following bonuses and distributions may be paid or made by the Corporation prior to the Closing Date:

1. Approximately $730,000 on deposit in a GMAC money market account which includes the Seller's Owner's Bonus for fiscal year 1997 and other amounts held by the Corporation as agent for other third parties.

2. The Seller's Owner's Bonus accrued through the Closing Date for fiscal year 1998.

3. Those automobiles listed on Annex A to this Schedule 5.5, which will be distributed as a special bonus to Ron Craft for 1998. For purposes of calculating the amount of such special bonus, such automobiles will be valued by the Buyer at their fair market value.

4. Distributions of after tax earnings of the Corporation through the Closing Date, but only if such distributions will not, in the reasonable judgment of the Buyer, cause the Corporation's Net Book Value as of the Closing Date (determined as provided in Section 1.2(c) of this Agreement) to be less than $5,500,000.

The Closing Balance sheet will reflect the impact on the accounts of the Corporation, in accordance with GAAP, of the foregoing bonuses and distributions. The Seller will be responsible for payment of, and shall indemnify and hold the Buyer and the Corporation harmless from and against, any and all tax liabilities (federal, state and local) arising out of the payment or distribution to the Seller of the foregoing bonuses and payments, except for (i) tax liabilities as a result thereof accrued on the Closing Balance Sheet in accordance with GAAP, and (ii) tax liabilities (federal, state and local) on the payment of the special bonus under paragraph 3 above, but only to the extent such bonus is taxed as bonus income (the foregoing tax liabilities in items (i) and (ii) being collectively called "COVERED TAXES"). The Buyer shall be responsible for the payment of, and shall indemnify the Seller for and hold the Seller harmless from and against, all Covered Taxes.

EXHIBIT 5.1

December 23, 1998

Board of Directors
Sonic Automotive, Inc.
5401 East Independence Boulevard
Charlotte, North Carolina 28218

Dear Sirs:

We are acting as counsel to Sonic Automotive, Inc., a Delaware corporation (the "Company"), in connection with the preparation, execution, filing and processing with the Securities and Exchange Commission (the "Commission"), pursuant to the Securities Act of 1933, as amended (the "Act"), of a Registration Statement (File No. 333-68183) on Form S-3 (as amended through the date hereof, the "Registration Statement"). This opinion is furnished to you for filing with the Commission pursuant to Item 601(b)(5) of Regulation S-K promulgated under the Act.

The Registration Statement covers resales by certain selling security holders listed in the Registration Statement (the "Selling Security Holders") of certain shares of the Company's Class A Common Stock, par value $.01 per share (the "Class A Common Stock") that were issued by the Company in connection with acquisitions of the Selling Security Holders' businesses or upon conversion of shares of the Company's Class A Convertible Preferred Stock, par value $.10 per share, that were issued in connection with acquisitions of the Selling Security Holders' businesses.

In our representation of the Company, we have examined (i) the Registration Statement, (ii) the Company's Certificate of Incorporation and Bylaws, each as amended to date, (iii) all actions of the Company's Board of Directors recorded in the Company's minute book, (iv) the form of certificate for the Company's Class A Common Stock, (v) the form of certificate for the Company's Class A Convertible Preferred Stock, Series II, par value $.10 per share (the "Series II Preferred Stock"), (vi) the form of certificate for the Company's Class A Convertible Preferred Stock, Series III, par value $.10 per share (the "Series III Preferred Stock"), (vii) that certain Asset Purchase Agreement dated April 10, 1998 by and among the Company, Century Auto Sales, Inc., A. Foster McKissick, III and Murray P. McKissick, (viii) that certain Asset Purchase Agreement dated April 10, 1998 by and among the Company, Fairway Management Company d/b/a Heritage Lincoln-Mercury-Jaguar and Fairway Ford, Inc., (viii) that certain Stock Purchase Agreement dated as of April 30, 1998 by and among the Company, Aldo B. Paret and Casa Ford of Houston, Inc., (ix) that certain Asset Purchase Agreement dated as of July 7, 1998 by and among the Company, HMC Finance Corporation, Inc., Halifax Ford-Mercury, Inc., Higginbotham Automobiles, Inc., Higginbotham Chevrolet-Oldsmobile, Inc., Sunrise Auto World, Inc. and Dennis D. Higginbotham

(the "Higginbotham Purchase Agreement"), as amended by Amendment No. 1 and Supplement to the Higginbotham Purchase Agreement dated as of September 16, 1998, (x) that certain Stock Purchase Agreement dated as of October 6, 1998 between the Company and Ron Craft, (xi) a certificate of good standing with respect to the Company from the State of Delaware and (xii) such other documents as we have considered necessary for purposes of rendering the opinions expressed below.

Based upon the foregoing, we are of the following opinion:

1. The 485,294 shares of Class A Common Stock issued by the Company to Dennis D. Higginbotham have been duly authorized and validly issued and are fully paid and non-assessable.

2. The 89,323 shares of Class A Common Stock issued by the Company to Century Auto Sales, Inc. have been duly authorized and validly issued and are fully paid and non-assessable.

3. The 16,492 shares of Class A Common Stock issued by the Company to Fairway Management Company have been duly authorized and validly issued and are fully paid and non-assessable.

4. The 2,313 shares (the "Paret Preferred Shares") of Series III Preferred Stock issued by the Company to Aldo B. Paret have been duly authorized and validly issued and are fully paid and non-assessable. The 137,612 shares of Class A Common Stock reserved for issuance upon conversion of the Paret Preferred Shares have been duly authorized and, when and to the extent issued upon conversion of the Paret Preferred Shares in accordance with the Company's Certificate of Incorporation, as amended to date, will be validly issued, fully paid and non-assessable.

5. The 3,675 shares (the "Craft Preferred Shares") of Series II Preferred Stock issued by the Company to Ron Craft have been duly authorized and validly issued and are fully paid and non-assessable. The 200,000 shares of Class A Common Stock reserved for issuance upon conversion of the Craft Preferred Shares have been duly authorized and, when and to the extent issued upon conversion of the Craft Preferred Shares in accordance with the Company's Certificate of Incorporation, as amended to date, will be validly issued, fully paid and non-assessable.

The opinions expressed herein are limited to matters governed by the General Corporation Law of the State of Delaware.

We hereby consent to the use of this opinion letter as Exhibit 5.1 to the Registration Statement and to the use of our name under the heading "Legal Matters" in related prospectuses. In giving this consent, we do not admit that we are in the category of persons whose consent is

required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Parker, Poe, Adams & Bernstein L.L.P.

PJS/gci

INDEPENDENT AUDITORS' CONSENT

To the Board of Directors and Stockholders
Sonic Automotive, Inc.:

We consent to the incorporation by reference in this Amendment No. 1 to the Registration Statement of Sonic Automotive, Inc. on Form S-3 of (i) our report dated March 2, 1998 (March 24, 1998 as to Notes 2, 8 and 9) on the consolidated financial statements of Sonic Automotive, Inc. and Subsidiaries as of December 31, 1996 and 1997 and for each of the three years in the period ended December 31, 1997; (ii) our report dated February 20, 1998 on the combined financial statements of Clearwater Dealerships and Affiliated Companies as of and for the year ended December 31, 1997; (iii) our report dated May 22, 1998 on the combined financial statements of Hatfield Automotive Group as of December 31, 1996 and 1997 and for each of the three years in the period ended December 31, 1997; (iv) our report dated May 11, 1998 on the financial statements of Economy Cars, Inc. as of and for the year ended December 31, 1997; (v) our report dated June 4, 1998 on the financial statements of Casa Ford of Houston, Inc. as of and for the year ended December 31, 1997; (vi) our report dated August 21, 1998 on the combined financial statements of Higginbotham Automotive Group as of and for the year ended December 31, 1997; (vii) our report dated August 7, 1997 on the financial statements of Dyer & Dyer, Inc. as of December 31, 1995 and 1996 and for each of the three years in the period ended December 31, 1996; (viii) our report dated August 7, 1997 (October 16, 1997 as to Note 1) on the combined financial statements of Bowers Dealerships and Affiliated Companies as of December 31, 1995 and 1996 and for each of the two years in the period ended December 31, 1996; (ix) our report dated August 7, 1997 (September 29, 1997 as to Note 1) on the combined financial statements of Lake Norman Dodge, Inc. and Affiliated Companies as of and for the year ended December 31, 1996; (x) our report dated August 26, 1997 (October 15, 1997 as to Note 1) on the financial statements of Ken Marks Ford, Inc. as of and for the year ended April 30, 1997, all appearing in the Prospectus dated November 5, 1998 that was included in Sonic Automotive, Inc.'s Registration Statement on Form S-4 (Registration Statement Nos. 333-64397 and 333-64397-001 through 333-64397-044).

We also consent to the reference to us under the heading "Experts" in the Prospectus, which is part of such Registration Statement.

(Signature of Deloitte & Touche LLP appears here)

Charlotte, North Carolina

December 23, 1998