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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 23, 2018

SONIC AUTOMOTIVE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-13395
(Commission
File Number)

56-2010790
(IRS Employer
Identification No.)

4401 Colwick Road
Charlotte, North Carolina
(Address of principal executive offices)

28211
(Zip Code)

Registrant's telephone number, including area code: (704) 566-2400

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Resignation of B. Scott Smith as Chief Executive Officer and President and as a Director

On September 23, 2018, B. Scott Smith notified Sonic Automotive, Inc. (the “Company”) of his intention to resign from his positions as (i) Chief Executive Officer and President of the Company, (ii) a director of the Company and (iii) an officer, director, manager or governor of each of the Company’s direct or indirect wholly-owned subsidiaries, each effective September 24, 2018, to take on a new role with the Company and to spend more time with his family. Mr. Smith confirmed to the Company that his resignation was not the result of any disagreement with the Company on any matter relating to the Company’s operations, policies or practices.

On September 25, 2018, following unanimous approval from the Compensation Committee of the Board of Directors (the “Board”) of the Company and the Company’s independent directors, the Company and Mr. Smith entered into an agreement in connection with Mr. Smith’s resignation and continued employment with the Company (the “Agreement”). The Agreement provides that Mr. Smith will continue his employment with the Company as an employee at will in his capacity as Co-Founder of the Company, subject to the terms and conditions of the Agreement, and will continue to provide strategic consulting services to the Company in that capacity.

The Agreement also contains certain customary restrictive covenants, including (i) a mutual non-disparagement covenant that will apply for a period of 10 years following the date of the Agreement, (ii) a mutual confidentiality covenant, (iii) a non-competition covenant that will apply during Mr. Smith’s employment with the Company following the date of the Agreement, (iv) a non-solicitation covenant of employees and a non-interference covenant with key suppliers that, in both cases, will apply during Mr. Smith’s employment with the Company following the date of the Agreement and for a period of two years following Mr. Smith’s resignation from employment from the Company or the Company’s termination of Mr. Smith’s employment with the Company for any reason.

In consideration of Mr. Smith’s obligations entered into pursuant to the Agreement, the Agreement provides for the following: (i) all of the currently outstanding performance-based restricted stock units (“RSUs”) previously granted to Mr. Smith in fiscal 2016 and fiscal 2017 by the Company will vest in full, with no further restrictions, effective as of the date of the Agreement; with respect to the February 23, 2018 grant to Mr. Smith of 92,525 RSUs subject to a performance condition based on the Company’s achievement of fiscal 2018 earnings per share objectives, subject to Mr. Smith’s continued employment with the Company and continued adherence to the terms and conditions of the Agreement, such grant will remain outstanding until certification of the extent of achievement of such performance condition by the Board’s Compensation Committee (to occur by no later than March 15, 2019) and any corresponding reduction in the amount of such RSUs by the Board’s Compensation Committee, and the RSUs remaining after such certification and reduction by the Board’s Compensation Committee (if any) will then immediately vest in full, with no further restrictions, effective as of the date of certification by the Board’s Compensation Committee; (ii) Mr. Smith’s base salary currently in effect will continue in effect during his continued employment with the Company; (iii) subject to his continued employment with the Company and his continued adherence to the terms and conditions of the Agreement, Mr. Smith will remain eligible for an annual performance-based cash bonus for his performance during the 2018 calendar year on the same terms and conditions as previously approved by the Compensation Committee of the Board on February 23, 2018; (iv) subject to his continued employment with the Company and his continued adherence to the terms and conditions of the Agreement, Mr. Smith will remain eligible for a grant of performance-based RSUs in February 2019 at the same time of grant as to the Company’s executive officers, in an amount equivalent to the dollar value at time of grant of Mr. Smith’s

performance-based RSU grant received on February 23, 2018, and otherwise on the same terms and conditions as will apply to the performance-based RSUs granted to the Company's executive officers in February 2019; (v) subject to his continued employment with the Company and his continued adherence to the terms and conditions of the Agreement, Mr. Smith will continue to receive all of the same benefits and perquisites currently in effect for Mr. Smith; and (vi) Mr. Smith's rights to indemnification as an officer and director of the Company and its subsidiaries, as contained in the bylaws of the Company and, as applicable, the bylaws or operating agreements of the Company's subsidiaries, will continue in full force and effect notwithstanding Mr. Smith no longer serving as an officer, director, manager or governor of such entities.

The foregoing description of the terms and conditions of the Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreement, a copy of which is filed as Exhibit 10.1 hereto and incorporated herein by reference.

Elections of David Bruton Smith as Chief Executive Officer and Jeff Dyke as President

On September 25, 2018, the Board of the Company elected (i) David Bruton Smith, the Company's current Executive Vice Chairman and Chief Strategic Officer and a member of the Board, as Chief Executive Officer of the Company and (ii) Jeff Dyke, the Company's current Executive Vice President of Operations, as President of the Company, both effective that day.

Mr. Smith, age 44, was appointed to the office of Executive Vice Chairman and Chief Strategic Officer of the Company in March 2018. Prior to that appointment, Mr. Smith served as the Company's Vice Chairman from March 2013 to March 2018 and as an Executive Vice President of the Company from October 2008 to March 2013. Mr. Smith has served in the Company's organization since 1998 and has held a number of other positions during that time, including Senior Vice President of Corporate Development from March 2007 to October 2008, Vice President of Corporate Strategy from October 2005 to March 2007, and Dealer Operator and General Manager of several of the Company's dealerships prior to October 2005. He has also served as a director of the Company since October 2008.

Mr. Dyke, age 51, has served as the Company's Executive Vice President of Operations since October 2008, where he has been responsible for direct oversight for all of the Company's automotive operations. From March 2007 to October 2008, Mr. Dyke served as the Company's Division Chief Operating Officer – Southeast Division, where he oversaw automotive operations for the states of Alabama, Florida, Georgia, North Carolina, South Carolina, Tennessee and Texas. Mr. Dyke first joined the Company in October 2005 as the Company's Vice President of Retail Strategy, a position he held until April 2006, when he was promoted to Division Vice President – Eastern Division, a position he held from April 2006 to March 2007. Prior to joining the Company, Mr. Dyke worked in the automotive retail industry at AutoNation, Inc. from 1996 to 2005, where he held several positions in divisional, regional and dealership management with that company.

Mr. Smith is the son of O. Bruton Smith, the Company's Founder and Executive Chairman, and the brother of B. Scott Smith. Mr. Dyke has no family relationships with any director or executive officer of the Company.

For information regarding disclosure required pursuant to Item 404(a) of Regulation S-K with respect to Mr. Smith, see the discussion under the heading "Transactions with Affiliates" on page 17 of the Company's definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on March 6, 2018. There have been no transactions involving the Company and Mr. Dyke that the Company would be required to disclose pursuant to Item 404(a) of Regulation S-K.

There are no arrangements or understandings between Mr. Smith or Mr. Dyke and any other persons pursuant to which Mr. Smith was selected as the Company's Chief Executive Officer and Mr. Dyke was selected as the Company's President.

A copy of the Company's press release announcing the leadership changes described herein is filed as Exhibit 99.1 hereto and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

Exhibit No.	Description
10.1	<u>Agreement between Sonic Automotive, Inc. and B. Scott Smith, effective as of September 25, 2018.</u>
99.1	<u>Press Release of Sonic Automotive, Inc., dated September 26, 2018.</u>

SIGNATURES

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

SONIC AUTOMOTIVE, INC.

Date: September 26, 2018

By: /s/ STEPHEN K. COSS

Stephen K. Coss

Senior Vice President and General Counsel

AGREEMENT

This Agreement (“Agreement”) is made and entered into as of September 25, 2018 by and among B. Scott Smith (“Executive”), and Sonic Automotive, Inc. (“Sonic”).

BACKGROUND

1. Executive currently is employed as Chief Executive Officer and President of Sonic, and further serves as a director of Sonic and as an officer, director, manager or governor of all of Sonic’s direct or indirect wholly-owned subsidiaries.

2. Executive has informed the Board of Directors of Sonic that he would like to resign (a) his officer positions as Chief Executive Officer and President of Sonic, (b) his position as a director of Sonic, and (c) his positions as an officer, director, manager or governor of each of Sonic’s direct or indirect wholly-owned subsidiaries, subject to entering into a mutually-acceptable agreement to continue his employment with Sonic in his capacity as Co-Founder of Sonic.

NOW, THEREFORE, for and in consideration of the mutual promises hereinafter expressed, it is hereby agreed by and among the parties as follows:

1. **Resignation of Officer and Director Positions.** Pursuant to his execution and delivery of the formal resignation letter attached hereto as Exhibit A, Executive shall resign (a) his officer positions as Chief Executive Officer and President of Sonic, (b) his position as a director of Sonic, and (c) his positions as an officer, director, manager or governor of each of Sonic’s direct or indirect wholly-owned subsidiaries, in each case effective September 24, 2018. Executive’s employment with Sonic will continue as an employee at will in his capacity as Co-Founder of Sonic, and Executive will continue to provide strategic consulting services to Sonic in this capacity.

2. **Consideration.** In consideration of Executive’s obligations entered into pursuant to this Agreement, Sonic hereby agrees to the following:

- (a) Executive shall continue his employment with Sonic as an employee at will in his capacity as Co-Founder of Sonic, subject to the terms and conditions of this Agreement;
- (b) All of the currently outstanding performance-based restricted stock units (“RSUs”) previously granted to Executive in 2016 and 2017 by Sonic shall vest in full, with no further restrictions, effective as of the date of this Agreement; with respect to the February 23, 2018 grant to Executive of 92,525 RSUs subject to a performance condition based on Sonic’s achievement of 2018 earnings per share objectives, subject to Executive’s continued employment with Sonic and continued adherence to the terms and conditions of this Agreement, such grant will remain outstanding until certification of the extent of achievement of such performance condition by Sonic’s Compensation Committee (to occur by no later than March 15,

2019) and any corresponding reduction in the amount of such RSUs by Sonic's Compensation Committee, and the RSUs remaining after such certification and reduction by Sonic's Compensation Committee (if any) shall then immediately vest in full with no further restrictions effective as of the date of certification by Sonic's Compensation Committee;

- (c) Executive's base salary currently in effect will continue in effect during his continued employment with Sonic;
- (d) Subject to his continued employment with Sonic and his continued adherence to the terms and conditions of this Agreement, Executive shall remain eligible for an annual performance-based cash bonus for his performance during the 2018 calendar year on the same terms and conditions as previously approved by the Compensation Committee of Sonic's Board of Directors on February 23, 2018;
- (e) Subject to his continued employment with Sonic and his continued adherence to the terms and conditions of this Agreement, Executive shall remain eligible for a grant of performance-based restricted stock units in February 2019 at the same time of grant as to Sonic's executive officers, in an amount equivalent to the dollar value at time of grant of Executive's performance-based restricted stock unit grant received on February 23, 2018, and otherwise on the same terms and conditions as will apply to the performance-based restricted stock units granted to Sonic's executive officers in February 2019;
- (f) Subject to his continued employment with Sonic and his continued adherence to the terms and conditions of this Agreement, Executive shall continue to receive all of the same benefits and perquisites currently in effect for Executive; and
- (g) Executive's rights to indemnification as an officer and director of Sonic and its subsidiaries, as contained in the bylaws of Sonic and, as applicable, the bylaws or operating agreements of Sonic's subsidiaries, shall continue in full force and effect notwithstanding Executive no longer serving as an officer, director, manager or governor.

3. **Mutual Non-Disparagement.**

(a) Executive agrees that he will not, directly or indirectly, disparage Sonic or any of its subsidiaries, or any of the officers or directors of Sonic, and Executive will further not initiate or participate in any contact or communications, written or oral, which have the effect of damaging their reputation, unless required by subpoena, court order or applicable law. This obligation of Executive shall apply for a period of ten (10) years following the date of this Agreement.

(b) Executive agrees that he will direct any communications or questions related to his resignations contemplated by this Agreement to Sonic's Corporate Director of Human Resources.

(c) Sonic agrees that it will not, directly or indirectly through any of its officers or directors, disparage Executive, and will not initiate or participate in any contact or communications, written or oral, which have the effect of damaging Executive's reputation, unless required by subpoena, court order or applicable law. This obligation of Sonic shall apply for a period of ten (10) years following the date of this Agreement.

4. **Mutual Confidentiality.** Sonic and Executive agree that they will not, at any time or in any manner, either directly or indirectly, disclose, divulge, communicate, or otherwise reveal or allow to be revealed information about the terms, substance or content of this Agreement, the terms, substance or content of any communications, written or oral, concerning the negotiation, execution or implementation of this Agreement, with the exception of public disclosure required of Sonic pursuant to applicable federal securities laws and the rules of the New York Stock Exchange. This confidentiality obligation shall extend to any communications by Executive with regard to his employment or the resignations contemplated by this Agreement, unless required by subpoena, court order or applicable law; provided, however, that Executive may disclose such information to his attorney, spouse, accountant, medical providers, or financial advisor so long as he obtains their prior commitment to follow the confidentiality provisions of this Paragraph 4, and that Company may disclose such information as required pursuant to applicable federal securities laws and the rules of the New York Stock Exchange.

5. **Non-Competition.** During Executive's employment with Sonic following the date of this Agreement, Executive shall not provide information to, solicit or sell for, organize or own any interest in (either directly or through any parent, affiliate or subsidiary corporation, partnership or other entity), or become employed or engaged by, or act as an agent or consultant for any individual or entity engaged in the marketing, selling and leasing of new and/or used automobiles and trucks, the servicing of automobiles and/or trucks, including collision repair, and the provision of financing and insurance to automobile and truck customers, and the development and implementation of new and highly proprietary business methods, technologies, and marketing strategies to expand such business (the "Business") located within a twenty-five (25) mile radius from any automobile dealership owned by Sonic or any subsidiary of Sonic as of the date of this Agreement (the "Restricted Territory"); provided, however, that nothing herein shall preclude the Executive from holding not more than three percent (3%) of the outstanding shares of any publicly held company which may be so engaged in a trade or business identical or similar to the Business of Sonic, so long as such ownership does not provide to the Executive the ability to influence the management of such company in any material respect.

6. **Non-Solicitation.** During his employment and for a period of two (2) years following Executive's resignation from employment from Sonic or termination of Executive's employment with Sonic for any reason, Executive shall not directly or indirectly, on his own behalf or on behalf of any other individual or entity: (a) employ or solicit the employment of, or hire or retain as an agent, consultant or any other capacity, or engage in a business enterprise with, any person who at any time during the twelve (12) calendar months immediately preceding the termination or expiration of his employment, was employed by Sonic or any of Sonic's

subsidiaries, or (b) interfere or attempt to interfere with the terms or any aspects of the relationship between Sonic or any of Sonic's subsidiaries and any person or entity with whom Sonic or any subsidiary of Sonic has purchased automobiles, trucks, parts, supplies, inventory or services, including but not limited to any automobile manufacturer or its U.S. sales affiliate, at any time during the twelve (12) calendar months immediately preceding the termination or expiration of his employment with Sonic.

7. **Clawback.** In the event that Sonic determines that Executive has violated the terms of Paragraphs 3 ("MutualNon-Disparagement"), 4 ("Mutual Confidentiality"), 5 ("Non-Competition") or 6 ("Non-Solicitation") (even if such paragraphs are held invalid or unenforceable), then the Executive agrees to immediately pay Sonic an amount equal to the fair market value of all compensation paid by Sonic to the Executive following the date of this Agreement, with the sole exception of any base salary paid to Executive following the date of this Agreement.

8. **Governing Law; Venue.** This Agreement and any dispute or controversy arising out of or relating to this Agreement shall, in all respects, be governed by and construed according to the substantive laws of the State of North Carolina and without application of its choice of law principles.

9. **Arbitration.** Any dispute or controversy arising out of or relating to this Agreement shall be settled exclusively by arbitration in Charlotte, North Carolina, in accordance with the terms of Sonic's standard arbitration agreement for employment-related disputes.

10. **Required Approval by Sonic's Compensation Committee; Binding Effect.** This Agreement is subject to the formal approval of the Compensation Committee of Sonic's Board of Directors. This Agreement will be binding upon, inure to the benefit of and be enforceable by any and all successors and assigns of the parties.

11. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of the parties reflected hereon as the signatories.

12. **Voluntary Execution.** The parties, intending to be legally bound, apply their signatures voluntarily and with full understanding of the contents of this Agreement and after having had ample time to review and study this Agreement.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first written above.

EXECUTIVE

/s/ B. SCOTT SMITH

B. Scott Smith

SONIC AUTOMOTIVE, INC.

By: /s/ HEATH BYRD

Name: Heath Byrd

Title: EVP/CFO

Sonic Automotive, Inc. Announces Executive Leadership Transition

CHARLOTTE, N.C. – September 26, 2018 – Sonic Automotive, Inc. (NYSE: SAH), one of the nation’s largest automotive retailers, today announced that its board of directors has elected David Bruton Smith as Chief Executive Officer of the Company and Jeff Dyke as President of the Company, both effective September 25, 2018.

Mr. B. Scott Smith, the Company’s Co-Founder, resigned as Chief Executive Officer and President of the Company and as a member of its board of directors, effective September 24, 2018, to take on a new role with the Company and to spend more time with his family after having served for over 21 years as a director and an executive officer of the Company. Mr. Smith will remain an employee in his capacity as Co-Founder of the Company to ensure a smooth leadership transition and to provide strategic advice to the Company’s leadership team.

“Sonic Automotive is a fantastic company run by thousands of fantastic employees to whom I am deeply grateful for their hard work and dedication,” said B. Scott Smith. “It has been a pleasure and great privilege to lead the Company. I am excited to move into a different role that will allow me to spend more time with my family, and I am also committed to help David, Jeff and our other teammates with a smooth transition.”

David Bruton Smith has a more than 20-year tenure with the Company, most recently serving as Executive Vice Chairman and Chief Strategic Officer of the Company since March 2018. Prior to that appointment, David served as Vice Chairman from March 2013 to March 2018, Executive Vice President from October 2008 to March 2013, Senior Vice President of Corporate Development from March 2007 to October 2008, Vice President of Corporate Strategy from October 2005 to March 2007, and as Dealer Operator and General Manager of several of the Company’s dealerships prior to October 2005. David has also served as a member of the Company’s board of directors since October 2008.

Jeff Dyke has served as Sonic’s Executive Vice President of Operations since October 2008, where he has been responsible for direct oversight for all of Sonic’s automotive operations. Mr. Dyke joined the Company in October 2005.

“I am grateful to Scott for his many years of outstanding service and leadership. He has been instrumental in charting our course and helping to build one of the nation’s largest automotive retailers,” said the Company’s Founder and Executive Chairman, O. Bruton Smith. “At the same time, we have a very talented executive leadership team, and we are confident that David’s and Jeff’s deep knowledge of our businesses, commitment to our culture, and focus on value creation for stockholders have prepared them well.”

William I. Belk, the Company’s Lead Independent Director, stated, “This announcement is the result of our planned succession process being implemented. The Company’s independent directors have strong confidence in David and Jeff. We also are appreciative of Scott’s great work over the past two decades and know his continued role as an advisor to David, Jeff and the rest of the leadership team will be invaluable.”

About Sonic Automotive

Sonic Automotive, Inc., a Fortune 500 company based in Charlotte, N.C., is one of the nation's largest automotive retailers. Sonic can be reached on the web at www.sonicautomotive.com. More information about EchoPark Automotive can be found at www.echopark.com.

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Contact: Heath Byrd, Chief Financial Officer (704) 566-2400