

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K  
FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

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

For the fiscal year ended December 31, 1999

OR

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

For the transition period from ----- to -----

Commission file number 1-13395

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

<TABLE>

<S>	DELAWARE	<C>	56-2010790
	(State or Other Jurisdiction of Incorporation or Organization)		(I.R.S. Employer Identification No.)

5401 EAST INDEPENDENCE BOULEVARD	
P.O. BOX 18747	
CHARLOTTE, NORTH CAROLINA	28212
(Address of Principle Executive Offices)	(Zip Code)

</TABLE>

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Class A Common Stock, \$.01 Par Value	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item  
405 of Regulation S-K is not contained herein, and will not be contained, to  
the best of registrant's knowledge, in definitive proxy or information  
statements incorporated by reference in Part III of this Form 10-K or any  
amendment to this Form 10-K.

The aggregate market value of the voting common stock held by  
non-affiliates of the registrant was approximately \$252,545,000 based upon the  
closing sales price of the registrant's Class A common stock on March 14, 2000  
of \$8.625 per share. As of March 14, 2000, there were 31,244,512 shares of  
Class A common stock, par value \$.01 per share, and 12,250,000 shares of Class  
B common stock, par value \$.01 per share, outstanding. Unless otherwise  
indicated, all other share and share price information contained herein takes  
into account the effect of the two for one stock split effected as of January  
25, 1999 in the form of a 100% stock dividend payable to stockholders of record  
as of January 4, 1999 (the "Stock Split").

DOCUMENTS INCORPORATED BY REFERENCE. Portions of the registrant's Proxy  
Statement for the Annual Meeting of Stockholders to be held June 5, 2000, are  
incorporated by reference into Part III of this Form 10-K.

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The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements (including the Notes thereto) appearing elsewhere herein. This Annual Report on Form 10-K contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not historical facts but only predictions and generally can be identified by use of statements that include words such as "believe," "expect," "anticipate," "intend," "plan," "foresee" or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Litigation Securities Reform Act of 1995, and we are including this statement for purposes of complying with these safe harbor provisions. These statements appear in a number of places in this Annual Report on Form 10-K and include statements regarding our intent, belief or current expectations, or those of our directors or officers, with respect to, among other things:

- o our potential acquisitions;
- o trends in our industry;
- o our financing plans;
- o the effect of the Internet on our business and our ability to implement our Internet business strategy;
- o trends affecting our financial condition or results of operations; and
- o our business and growth strategies.

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You are cautioned that these 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 materially adversely affect actual results and performance include:

- o local and regional economic conditions in the areas we serve;
- o the level of consumer spending;
- o our relationships with manufacturers;
- o high competition;
- o site selection and related traffic and demographic patterns;
- o inventory management and turnover levels;
- o the effect of the Internet on our business;
- o realization of cost savings; and

o our success in integrating recent and potential future acquisitions.

PART I

ITEM 1. BUSINESS.

Sonic Automotive, Inc. was incorporated in the State of Delaware in February 1997. We are the second largest automotive retailer in the United States, as measured by total revenue, currently operating 172 dealership franchises and 30 collision repair centers in 13 states. We own and operate franchises for 31 different brands of cars and light trucks providing comprehensive services including sales of both new and used cars and light trucks, replacement parts and vehicle maintenance, warranty, paint and repair services. We also arrange extended warranty contracts and financing and insurance ("F&I") for our automotive customers. Our growth in operations has been strategically focused on high growth metropolitan markets, predominantly in the Southeast, Southwest and California, that on average are experiencing population growth that exceeds the national average.

EASTERN DIVISION

- o Atlanta
- o Baltimore
- o Birmingham
- o Charleston
- o Charlotte
- o Chattanooga
- o Columbia
- o Columbus
- o Daytona Beach
- o Fort Myers
- o Greenville/Spartanburg
- o Mobile/Pensacola
- o Montgomery
- o Nashville
- o Tampa/Clearwater
- o Washington D.C.

CENTRAL DIVISION

- o Dallas
- o Houston
- o Tulsa

WESTERN DIVISION

- o Las Vegas
- o Los Angeles
- o San Diego
- o San Francisco
- o San Jose/Silicon Valley

Our leading new vehicle brands accounted for our 1999 revenue as depicted in the following chart:

[Chart appears here with the following plot points:]

Percentage of New Vehicle Revenue  
for Year Ended December 31, 1999

Ford	23.2%
Chrysler (Chrysler, Plymouth, Jeep, Dodge)	14.0%
Honda	6.7%
General Motors (Buick, Cadillac, Chevrolet, Oldsmobile, Pontiac, GMC)	13.5%
BMW	9.5%
Toyota	7.9%
Nissan	3.1%
Lexus	3.8%
Other	14.1%
Volvo	4.2%

In addition to these brands we also own and operate dealerships representing the following other brands:

<TABLE>			
<S>	<C>	<C>	<C>
o Acura	o Isuzu	o Mercury	o Range Rover

o Audi	o KIA	o Mitsubishi	o Subaru
o Hyundai	o Lincoln	o Porsche	o Volkswagen
o Infiniti	o Mercedes		

</TABLE>

Each of our dealership locations throughout our metropolitan markets provides similar products and services, including (1) new car sales, (2) used car sales, (3) parts, service and repair, and (4) finance and insurance services. As compared to automotive manufacturers, we and other automotive retailers exhibit relatively low earnings volatility. This is primarily due to the differing expense structures between automotive manufacturers and retailers. Roughly 70% of manufacturers' expenses are fixed due to factory overhead and union contracts, whereas only approximately 32% of our expenses for the year ended December 31, 1999 were fixed (primarily rent and salaries). The majority of our variable expenses relates to sales commissions, advertising and floor plan interest expense, and therefore can be adjusted as demand patterns change. We believe the diversity of our revenue sources and profitability as a full service automotive dealership and our flexible expense structure should serve to mitigate the effects of economic cycles and seasonal influences. The following charts depict the diversity of our revenue and gross profit for the year ended December 31, 1999:

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[Charts appear here with the following plot points:]

	Revenue	Gross Profit
Parts, Service & Repair	11%	34%
New Cars	59%	36%
F&I	2%	15%
Used Cars	28%	15%

#### BUSINESS STRATEGY

o FURTHER DEVELOP STRATEGIC MARKETS. We intend to continue to capitalize on the ongoing consolidation of the highly fragmented automotive retailing industry. We generally seek to acquire larger, well managed multiple franchise dealerships or multiple dealership groups located in metropolitan or high growth suburban markets; and smaller, single franchise dealerships that will allow us to capitalize upon professional management practices and provide greater breadth of products and services in our markets. We believe that attractive acquisition opportunities continue to exist for dealership groups with significant capital and experience in identifying, acquiring and professionally managing dealerships. The automotive retailing industry is still highly fragmented, with the largest 100 dealer groups generating less than 10% of the industry's \$650 billion of total automobile sales in 1998 and controlling less than 5% of all new vehicle dealerships in the United States. We believe our "hub and spoke" acquisition strategy will allow us to capitalize on economies of scale, offer a greater breadth of products and services and increase brand diversity. We intend to acquire dealerships that have underperformed the industry average but carry attractive product lines or have attractive locations and would immediately benefit from our professional management.

o INCREASE SALES OF HIGHER MARGIN PRODUCTS AND SERVICES. We continue to pursue opportunities to increase our sales of higher-margin products and services by expanding the following:

RETAIL USED VEHICLES: Retail used vehicle sales typically generate higher gross margins than new vehicle sales due to limited comparability among used vehicles and the somewhat subjective nature of their valuation. Our experience indicates that there are opportunities at acquired dealerships to improve all aspects of used vehicle operations and used vehicle inventory control. Retail used vehicle unit sales as a percentage of our new and used vehicle unit sales increased to 37.4% for the year ended December 31, 1999, from 37.2% for the year ended December 31, 1998. On a same store basis, retail used vehicle unit sales increased 12.9% to 24,560 for the year ended December 31, 1999 as compared to the same period in 1998.

FINANCE AND INSURANCE: We currently offer a wide range of nonrecourse financing, leasing and insurance products to our customers as each sale of a new or used vehicle provides us the opportunity to earn financing fees and to sell extended warranty service contracts. We believe there are opportunities at acquired dealerships to increase earnings from the sale of financing and insurance as well as warranties. As a result of our size and scale, we have negotiated increased commissions on the origination of customer vehicle financing and insurance policies, which resulted in incremental F&I commissions of \$5.6 million for the year ended December 31, 1999. On a per vehicle basis, our F&I revenue has increased 27.2% to \$654. On a same store basis, F&I revenue has increased 41% to \$44.1 million for the year ended December 31, 1999 as compared to the same period in 1998.

SERVICE AND PARTS: Each of our dealerships offers a fully integrated service and parts department. We believe there are opportunities to increase the number of service customers we retain at our dealerships through continued emphasis on customer service. On a same store basis, service and parts revenue has increased 10.1% to \$150.7 million for the year ended December 31, 1999 as compared to the same period in 1998.

o UTILIZE THE INTERNET TO DRIVE SALES. We intend to continue to utilize technology and services available to customers over the Internet to drive sales. We intend to further distinguish our SonicAutomotive.com web site by expanding capabilities to provide effectively captive referral leads to our dealership network. To drive significant customer traffic to our site, we plan to incorporate our SonicAutomotive.com URL into our \$75 million annual print, radio and television advertising efforts for our dealerships.

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Our acquisition of FirstAmerica enhanced our Internet presence with the addition of AnyAuto.com. We intend to reposition the AnyAuto.com web site into our own on-line direct service to compete with on-line auto brokers such as CarsDirect.com. Our ability to source new vehicles from our extensive network of 172 dealership franchises provides a substantial competitive advantage over on-line auto brokers who must purchase new vehicles at a mark-up from a franchised dealership. We offer the additional advantage of providing service, warranty and extensive financing alternatives to our AnyAuto.com customers, further differentiating our capabilities from on-line auto brokers.

While we believe the established local "bricks and mortar" dealership will continue to serve as the primary point of purchase of automobiles for consumers for the foreseeable future, we believe the Internet can be a low-cost source of customer leads for our dealers and an effective means of providing marketing information and other services to existing and potential customers.

o EMPHASIZE EXPENSE CONTROL. We continually focus on controlling expenses and expanding margins at the dealerships we acquire and integrate into our organization. Approximately 68% of our operating costs for the year ended December 31, 1999 were variable. We are able to adjust these expenses as the operating or economic environment impacting our dealerships changes. We manage these variable costs, such as advertising (9% of operating costs) and compensation (46%) expenses, so that they are generally related to vehicle sales and can be adjusted in response to changes in vehicle sales volume. In addition, management compensation is tied to individual dealership profitability and stock price appreciation through stock options. Our selling, general and administrative expense as a percentage of revenue was 9.8% for the year ended December 31, 1999 compared to an average of 10.6% for the other four largest publicly-traded automobile retailers.

o TRAIN, DEVELOP AND MOTIVATE QUALIFIED MANAGEMENT. We believe that our well-trained dealership personnel are key to our long-term prospects. We require all of our employees, from service technicians to regional vice presidents, to participate in in-house training programs. We believe that our comprehensive training of all employees and professional, multi-tiered management structure provide us with a competitive advantage over other dealership groups. This training and organizational structure provides high-level supervision over the dealerships, accurate financial reporting and the ability to maintain effective controls as we expand. In order to motivate management, we employ an incentive compensation program for each officer, vice president and dealer operator, a portion of which is provided in the form of Sonic stock options with additional incentives based on the performance of individual profit centers. We believe that this organizational structure, together with the opportunity for promotion within our large organization and for equity participation, serve as a strong motivation for our employees.

o ACHIEVE HIGH LEVELS OF CUSTOMER SATISFACTION. We focus on maintaining high levels of customer satisfaction. Our personalized sales process is designed to satisfy customers by providing high-quality vehicles in a positive, "consumer friendly" buying environment. Some manufacturers offer specific performance incentives on a per vehicle basis if certain CSI levels (which vary by manufacturer) are achieved by a dealer. In addition, all manufacturers consider CSI scores in approving acquisitions. In order to keep management focused on customer satisfaction, we include CSI results as a component of our incentive compensation programs.

#### DEALERSHIP MANAGEMENT

Sonic manages its business based on individual dealership operations. Operations of the dealerships are overseen by Regional Vice Presidents, who report to the Division Vice President for a particular division. Our divisions consist of the Eastern Division, the Central Division and the Western Division, with each of the Division Vice Presidents reporting to the Executive Vice President of Retail Operations.

Each of our dealerships is managed by a dealer operator who is responsible for the operations of the dealership and the dealership's financial and customer satisfaction performance. The dealer operator is responsible for selecting, training and retaining dealership personnel. All dealer operators report to Sonic's Regional Vice Presidents.

Each dealer operator is complemented by a team which includes two senior managers who aid in the operation of the dealership. The general sales manager is primarily responsible for the operations, personnel, financial performance and customer satisfaction performance of the new vehicle sales, used vehicle sales, and finance and insurance departments. The parts and service director is primarily responsible for the operations, personnel, financial and customer satisfaction performance of the service, parts and collision repair departments (if applicable). Each of the departments of the dealership typically has a manager who reports to the general sales manager or parts and service director.

Sonic's dealer operators are also supported by National Directors of Fixed Operations, Field Operations, Sales and Finance & Insurance, respectively. Each of these National Directors review the operations and practices of our dealerships in these specialized areas and assist the dealer operators in implementing organizational best practices. The National Directors of Fixed Operations and of Finance & Insurance are each supported by Regional Directors specializing in these disciplines.

NEW VEHICLE SALES

As of December 31, 1999, Sonic sold 31 brands of cars and light trucks. The products have a broad range of prices from lower priced, or economy vehicles, to luxury vehicles. We believe that our brand, product and price diversity reduces the risk of changes in customer preferences, product supply shortages and aging products. Approximately 23.6% of new vehicle sales during the year ended December 31, 1999 were luxury brands (for example, Mercedes, Lexus, BMW, Cadillac, Infiniti and Volvo).

The following table presents information with respect to Sonic's new vehicle sales:

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
Unit sales .....	15,715	41,592	79,294
Sales revenue .....	\$ 343,941	\$ 962,939	\$ 1,968,514
Gross profit .....	\$ 26,427	\$ 75,494	\$ 161,205
Gross margin .....	7.7%	7.8%	8.2%

New vehicle sales include retail lease transactions and lease-type transactions, both of which are arranged by Sonic. New vehicle leases generally have short terms. Lease customers, therefore, return to the new vehicle market more frequently. Leases also provide a source of late-model, generally low mileage vehicles for our used vehicle inventory. Generally, leased vehicles are under warranty for the entire lease term, which allows us to provide repair service to the lessee throughout the term of the lease.

USED VEHICLE SALES

Sonic sells a broad variety of makes and models of used cars, vans, trucks and sport utility vehicles. Used vehicles are obtained by us through customer trade-ins, at "closed" auctions which may be attended only by new vehicle dealers and which offer off-lease, rental and fleet vehicles, and at "open" auctions which offer repossessed vehicles and vehicles sold by other dealers. We sell our used vehicles to retail customers and, in the case of vehicles in poor condition or vehicles which remain unsold for a specified period of time, to other dealers or wholesalers. Sales to other dealers or wholesalers are frequently close to or below cost and therefore negatively affect our gross margin on used vehicle sales.

The following table sets forth information on Sonic's used vehicle sales:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
Retail unit sales .....	6,712	24,591	47,345
Retail sales revenue .....	\$85,132	\$324,740	\$684,560
Retail gross profit .....	\$ 7,294	\$ 34,826	\$ 72,627
Retail gross margin .....	8.6%	10.7%	10.6%
Wholesale unit sales .....	7,287	21,886	39,834
Wholesale sales revenue .....	\$38,785	\$119,351	\$250,794
Wholesale gross profit .....	\$ (599)	\$ (1,166)	\$ (3,734)
Wholesale gross margin .....	(1.5)%	(1.0)%	(1.5)%
Total unit sales .....	13,999	46,477	87,179
Total revenue .....	\$123,917	\$444,091	\$935,354
Total gross profit .....	\$ 6,695	\$ 33,660	\$ 68,893
Total gross margin .....	5.5%	7.6%	7.4%

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#### SERVICE AND PARTS SALES

Sonic provides service and parts at each of our franchised dealerships. We also provide maintenance and repair services at each of our franchised dealerships, offering both warranty and non-warranty services. Service and parts sales provide higher gross margins than vehicle sales.

The following table sets forth information regarding Sonic's service and parts sales:

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
Sales revenue .....	\$ 51,033	\$ 146,456	\$ 333,161
Gross profit .....	\$ 18,118	\$ 62,152	\$ 139,738
Gross margin .....	35.5%	42.4%	41.9%

#### COLLISION REPAIR

As of December 31, 1999, Sonic operated collision repair centers, or body shops, at 29 locations. Our collision repair business provides favorable margins and, similar to service and parts, is not significantly affected by business cycles or consumer preferences. In addition, because of the higher cost of used vehicles, insurance adjusters are more hesitant to declare a vehicle a total loss, resulting in more significant, and higher cost, repair jobs.

The following table sets forth information regarding Sonic's collision repair operations:

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
Sales revenue .....	\$ 6,504	\$ 16,204	\$ 31,023
Gross profit .....	\$ 3,092	\$ 8,114	\$ 14,933
Gross margin .....	47.5%	50.0%	48.1%

#### FINANCE AND INSURANCE

Sonic offers its customers a wide range of financing and leasing alternatives for the purchase of vehicles. In addition, as part of each sale, we also offer customers credit life, accident and health and disability insurance to cover the financing cost of their vehicle, as well as warranty or extended service contracts.

We assign our vehicle financing contracts and leases to other parties, instead of directly financing sales, which reduces our exposure to loss from

financing activities. Sonic receives a commission from the lender for originating and assigning the loan or lease but is assessed a chargeback fee by the lender if a loan is canceled, in most cases, within 90 days of making the loan. Early cancellation can result from early repayment because of refinancing of the loan, the sale or trade-in of the vehicle, or default on the loan. We establish an allowance to absorb estimated chargebacks and refunds. Finance and insurance commission revenue is recorded net of such chargebacks. Commission expense related to finance and insurance commission revenue is charged to cost of sales upon recognition of such revenue.

The following table sets forth information regarding Sonic's finance and insurance operations:

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
Commission revenue .....	\$ 10,606	\$ 34,011	\$ 82,771
Gross profit .....	\$ 8,856	\$ 28,022	\$ 69,654
Gross margin .....	83.5%	82.4%	84.2%

</TABLE>

#### SALES AND MARKETING

Sonic's marketing and advertising activities vary among our dealerships and among our markets. We advertise primarily through television, newspapers, radio and direct mail and regularly conduct special promotions designed to focus vehicle buyers on our product offerings. We also utilize computer technology to aid sales people in prospecting for customers. Under arrangements with certain manufacturers, we receive a subsidy for a portion of our advertising expenses incurred in connection with a manufacturer's vehicles. We also utilize the SonicAutomotive.com internet web site to refer customers to our individual dealerships for sales of new and used vehicles, servicing of vehicles and financing

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alternatives. We plan to incorporate the SonicAutomotive.com URL into the print, radio and television advertising efforts for our dealerships in order to drive significant customer traffic to the SonicAutomotive.com web site. Sonic's internet sales efforts also involve utilizing our AnyAuto.com web site as our own on-line direct service to compete with other on-line auto brokers.

#### RELATIONSHIPS WITH MANUFACTURERS

Each of Sonic's dealerships operates under a separate franchise or dealer agreement which governs the relationship between the dealership and the manufacturer. In general, each dealer agreement specifies the location of the dealership for the sale of vehicles and for the performance of certain approved services in a specified market area. The designation of such areas generally does not guarantee exclusivity within a specified territory. In addition, most manufacturers allocate vehicles on a "turn and earn" basis which rewards high volume. A dealer agreement requires the dealer to meet specified standards regarding showrooms, the facilities and equipment for servicing vehicles, inventories, minimum net working capital, personnel training, and other aspects of the business. The dealer agreement with each dealership also gives the related manufacturer the right to approve the dealership's general manager and any material change in management or ownership of the dealership. Each manufacturer may terminate a dealer agreement under certain circumstances, such as a change in control of the dealership without manufacturer approval, the impairment of the reputation or financial condition of the dealership, the death, removal or withdrawal of the dealership's general manager, the conviction of the dealership or the dealership's owner or general manager of certain crimes, the failure to adequately operate the dealership or maintain wholesale financing arrangements, insolvency or bankruptcy of the dealership or a material breach of other provisions of the dealer agreement.

Many automobile manufacturers have developed policies regarding public ownership of dealerships. We believe that these policies will continue to change as more dealership groups sell their stock to the public, and as the established, publicly-owned dealership groups acquire more franchises. To the extent that new or amended manufacturer policies restrict the number of dealerships which may be owned by a dealership group, or the transferability of Sonic's common stock, such policies could have a material adverse effect on us. Sonic believes that it will be able to renew at expiration all of its existing franchise agreements.



In the course of acquiring Jaguar franchises in Chattanooga and Greenville, Jaguar declined to consent to our proposed acquisitions of these franchises. In settling legal actions brought against Jaguar by the seller of the Chattanooga Jaguar franchise, Sonic agreed with Jaguar not to acquire any Jaguar franchise until August 3, 2001.

o Under Sonic's agreement with Ford, Ford may cause Sonic to sell or resign from one or more of Sonic's Ford, Lincoln or Mercury franchises if any person or entity acquires securities having 50% or more of the voting power of Sonic's securities.

o Under Sonic's Dealer Agreements with Toyota and Infiniti, Toyota and Infiniti have the right to approve any ownership or voting rights of Sonic of 20% or greater by any individual or entity.

o Under Sonic's agreement with Honda, Honda may force the sale of one or more of Sonic's Honda or Acura franchises if (1) an automobile manufacturer or distributor acquires securities having 5% or more of the voting power of Sonic's securities, (2) an individual or entity that has either a felony criminal record or a criminal record based solely in connection with dealings with an automobile manufacturer, distributor or dealership acquires securities having 5% or more of the voting power of Sonic's securities or (3) any individual or entity acquires securities having 20% or more of the voting power of Sonic's securities and Honda reasonably deems such acquisition to be detrimental to Honda's interests in any material respect.

o Volkswagen has approved the sale of no more than 25% of the voting control of Sonic, and any future changes in ownership or transfers among Sonic's current stockholders that could effect the voting or managerial control of Sonic's Volkswagen franchisee subsidiaries requires the prior approval of Volkswagen.

o Similarly, Chrysler has approved of the public sale of only 50% of our common stock and requires prior approval of any future sales that would result in a change in voting or managerial control of Sonic.

o Mercedes requires 60 days advance notice to approve any acquisition of 20% or more of Sonic's voting securities.

o Other manufacturers may impose similar restrictions.

Many states, including Alabama, California, Florida, Georgia, Maryland, Nevada, Ohio, Tennessee and Texas, have placed limitations upon manufacturers' and distributors' ability to sell new motor vehicles directly to customers in their respective states in an effort to protect dealers from unfair competition. In general, these statutes make it unlawful for a

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manufacturer or distributor to compete with a new motor vehicle dealer in the same line-make operating under an agreement or franchise from the manufacturer or distributor in the relevant market area. However, a manufacturer or distributor is not deemed to be competing when:

1. operating a dealership either temporarily or for a reasonable period;
2. in a bona fide retail operation which is for sale; or
3. in a bona fide relationship in which an independent person has made a significant investment subject to loss in the dealership and can reasonably expect to acquire full ownership of such dealership on reasonable terms and conditions.

Certain states, such as Florida, Georgia and North Carolina, limit the amount of time that a manufacturer may temporarily operate a dealership to one year. Further, certain states require a person who is attempting to acquire a dealership from a manufacturer or distributor to invest a specified amount of money in the dealership.

There are other exceptions to this prohibition on direct sales to customers that vary from state to state. For instance, certain states such as North Carolina allow manufacturers to own, operate or control dealerships if they have been engaged in the retail sale of motor vehicles through the dealership for a continuous period of time prior to a certain date and if no other independent dealer is available in the relevant market to own and operate the franchise. Further, other states such as Tennessee allow manufacturers to sell trucks of certain weights directly to customers if the manufacturer has been selling these trucks at retail for a continuous period of time prior to a grandfathering date.

In addition to these direct selling prohibitions, there are other state laws that offer dealers protection from manufacturers. In particular, all of the states in which Sonic dealerships currently do business require manufacturers to show "good cause" for terminating or failing to renew a

dealer's franchise agreement. Further, each of the states provides some method for dealers to challenge manufacturers' attempts to establish dealerships of the same line-make in their relevant market area. A summary of the relevant states' laws regarding manufacturer/dealer relations is set forth below:

ALABAMA. Alabama law prohibits manufacturers from terminating or refusing to continue or renew a franchise agreement except for "good cause." "Good cause" to discontinue a relationship may exist if, for example, a dealer violates a material term of, or fails to perform its duties under, a franchise agreement. In addition, a manufacturer is prohibited from interfering with the transfer of a dealership unless the transfer is to a person who would not qualify for a dealer's license under Alabama law. Finally, a manufacturer may not unreasonably establish a new dealership within the market area of an existing dealer. A manufacturer who violates Alabama law may be required to pay the dealer for the damages incurred, as well as the costs of suing the manufacturer for damages including attorneys fees.

CALIFORNIA. California law requires a manufacturer who wishes to terminate or refuse to continue any existing franchise to provide written notice to the franchisee and to California's New Motor Vehicle Board. If the dealer protests, the manufacturer will be required to show the board that there is good cause for termination. Possible reasons for termination include transfer of any ownership or interest in the franchise without the consent of the franchisor (which consent cannot be unreasonably withheld), misrepresentation by the franchisee in applying for the franchise, insolvency of the franchisee and failure of the dealer to conduct its customary sales and service operations during its customary hours of business for 7 consecutive business days. If a manufacturer wants to establish an additional motor vehicle dealership within a relevant market area where the same line-make is then represented or seeks to relocate an existing motor vehicle dealership, the manufacturer must notify the New Motor Vehicle Board and each franchisee in that line make in the relevant area. The franchisee may then file a protest to the establishing or relocating of the dealership. The franchisee has the burden of proof to show that there is good cause not to allow the establishment or relocation of the additional motor vehicle dealership.

FLORIDA. Under Florida law, notwithstanding any contrary terms in a dealer agreement, manufacturers may not unreasonably withhold approval for the sale of a dealership. Acceptable grounds for disapproval include material shortcomings in the character, financial condition or business experience of the proposed transferee. In addition, dealerships may challenge manufacturers' attempts to establish new dealerships in the dealer's markets, and state regulators may deny applications to establish new dealerships for a number of reasons, including a determination that the manufacturer is adequately represented in the area. Manufacturers must have "good cause" for any termination or failure to renew a dealer agreement, and an automaker's license to distribute vehicles in Florida may be revoked if, among other things, the automaker has forced or attempted to force an automobile dealer to accept delivery of motor vehicles not ordered by that dealer.

GEORGIA. Georgia law provides that no manufacturer may arbitrarily reject a proposed change of control or sale of an automobile dealership, and any manufacturer challenging such a transfer of a dealership must provide written reasons for

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its rejection to the dealer. Manufacturers bear the burden of proof to show that any disapproval of a proposed transfer of a dealership is not arbitrary. If a manufacturer terminates a franchise agreement due to a proposed transfer of the dealership or for any other reason not considered to constitute good cause under Georgia law, such termination will be ineffective. As an alternative to rejecting or accepting a proposed transfer of a dealership or terminating the franchise agreement, Georgia law provides that a manufacturer may offer to purchase the dealership on the same terms and conditions offered to the prospective transferee.

MARYLAND. Under Maryland law, it is unlawful for a manufacturer to terminate, cancel or fail to renew the franchise of a dealer unless the dealer has failed to comply substantially with the reasonable requirements of the franchise and the manufacturer has given the dealer notice. If a dealer receives written notice that his franchise is being terminated, canceled or not renewed, he may request a hearing to determine whether he had failed to comply substantially with the reasonable requirements of the franchise. A manufacturer in Maryland that terminates, cancels or fails to renew the franchise of a dealer in violation of the law must pay the dealer the fair value of his business as a going concern. On payment, the dealer is required to convey his business, free of liens and encumbrances, to the manufacturer.

NEVADA. Nevada law makes it unlawful for a manufacturer to terminate or refuse to continue any franchise unless it has received the written consent of the dealer or it gives written notice of its intention to the dealer and Nevada and either the dealer does not file a protest; or after the dealer has filed a protest and the state has conducted a hearing on the matter, the state issues

an order authorizing the manufacturer to terminate the franchise or permit it to lapse. Possible grounds for termination of a franchise include transfer of an ownership or interest in a dealership without the consent of the manufacturer unless the consent has been unreasonably withheld, material misrepresentation by the dealer in applying for franchise, insolvency of the dealer, revocation of a dealer's license, conviction of the dealer for a felony, any unfair business practice by the dealer after the manufacturer has issued a written warning to the dealer to desist from that practice, or closure by the dealer for a period of longer than 14 days unless the closure was beyond the dealer's control. In Nevada, a manufacturer may not enter into a franchise which would establish an additional dealership within the relevant market area of another dealer in the same line and make of vehicles unless the manufacturer has given written notice to each dealer in the same line in the relevant market area and either none of the dealers protest or after a protest is filed the state finds that there is not good cause for preventing the intended establishment or relocation of a dealership and issues an order authorizing the manufacturer or distributor to establish the additional dealership.

NORTH CAROLINA. Under North Carolina law, it is unlawful for a manufacturer to prevent or refuse to approve the sale or transfer of the ownership of a dealership or a change in the executive management of a dealership or the relocation of a dealership to another site within the dealership's relevant market area, if the Commissioner had determined, if requested in writing by the dealer within 30 days after receipt of an objection to the proposed transfer, sale, assignment, relocation or change, and after a hearing on the matter, that the failure to permit or honor the sale, transfer, assignment relocation or change is unreasonable under the circumstances.

OHIO. Under Ohio law, a dealer must obtain manufacturer approval before it can sell or transfer an interest in a dealership. The manufacturer may only prohibit the sale or transfer, however, for "good cause" after considering, among other things, the proposed new owner's business experience and financing. Similarly, a manufacturer may terminate or refuse to continue or renew a franchise agreement only for "good cause" considering, for example, the dealership's sales, the dealer's investment in the business, and the dealer's satisfaction of its warranty obligations. Finally, a manufacturer may not site a new dealership in a relevant market area without either the consent of the local dealers or by showing "good cause." Dealers may protest a manufacturer's actions to the Ohio Motor Vehicle Dealers Board, and eventually the courts, if there is no "good cause" for the transfer restriction or termination or siting of a new dealership. If the manufacturer violates Ohio's automobile franchise law, a dealer may be entitled to double its actual damages, as well as court costs and attorneys fees, from a manufacturer.

OKLAHOMA. Under Oklahoma law, it is unlawful for a manufacturer to terminate, cancel or fail to renew any franchise with a licensed new motor vehicle dealer unless the manufacturer has provided notice to the dealer and has good cause for cancellation, termination or nonrenewal. Furthermore, if a manufacturer seeks to enter into a franchise establishing a new motor vehicle dealership or relocating an existing new motor vehicle dealership within or into a relevant market area where the same line-make is then represented, the manufacturer must provide notice to the dealer and the dealer may file a protest. Finally, a dealer proposing a sale, transfer or assignment of a franchise agreement or the business and assets of a dealership or an interest in a dealership to another person must notify the manufacturer. The manufacturer may not unreasonably withhold approval.

SOUTH CAROLINA. South Carolina law forbids a manufacturer from imposing unreasonable restrictions on a dealer's rights to transfer, sell, or renew a franchise agreement unless the dealer is compensated. A manufacturer may not

terminate or refuse to renew a franchise agreement without due cause. Further, although a dealer must obtain the manufacturer's consent to transfer a dealership, the manufacturer may not unreasonably withhold its consent. Finally, manufacturers are generally prohibited from acting in bad faith or engaging in arbitrary or unconscionable conduct. Manufacturers who violate South Carolina's law may be liable for double the actual damages incurred by the dealer and/ or punitive damages in limited circumstances.

TENNESSEE. Under Tennessee law, a manufacturer may not modify, terminate or refuse to renew a franchise agreement with a dealer except for good cause, as defined in the governing Tennessee statutes. Further, a manufacturer may be denied a Tennessee license, or have an existing license revoked or suspended if the manufacturer modifies, terminates, or suspends a franchise agreement due to an event not constituting good cause. Good cause includes material shortcomings in the character, financial condition or business experience of the dealer. A manufacturer's Tennessee license may also be revoked if the manufacturer prevents or attempts to prevent the sale or transfer of the dealership by unreasonably withholding consent to the transfer.

TEXAS. Under Texas law, despite the terms of contracts between manufacturers and dealers, manufacturers may not unreasonably withhold approval

of a transfer of a dealership. It is unreasonable under Texas law for a manufacturer to reject a prospective transferee of a dealership who is of good moral character and who otherwise meets the manufacturer's written, reasonable and uniformly applied standards or qualifications relating to the prospective transferee's business experience and financial qualifications. In addition, under Texas law, franchised dealerships may challenge manufacturers' attempts to establish new franchises in the franchised dealers' markets, and state regulators may deny applications to establish new dealerships for a number of reasons, including a determination that the manufacturer is adequately represented in the region. Texas law limits the ability of manufacturers to terminate or fail to renew franchises. In addition, other laws in Texas limit the ability of manufacturers to withhold their approval for the relocation of a franchise or require that disputes be arbitrated. In addition, a manufacturer's license to distribute vehicles in Texas may be revoked if, among other things, the manufacturer has forced or attempted to force an automobile dealer to accept delivery of motor vehicles not ordered by that dealer.

VIRGINIA. Virginia law states that it is unlawful for a manufacturer to prevent or refuse to approve the sale or transfer of the ownership of a dealership unless the manufacturer provides written notice and the refusal is reasonable. It is unlawful for a manufacturer to grant an additional franchise for a particular line-make of motor vehicle in a relevant market area in which a dealer or dealers of that line-make are already located unless the manufacturer has first advised in writing all other dealers in the line-make in the area. A dealer may request a hearing where a determination will be made as to whether the market will support all of the dealers in that line-make in the area. It is unlawful for a manufacturer to terminate, cancel or refuse to renew the franchise of any dealer without good cause and unless the dealer has received written notice of the manufacturer's intentions and the state has determined, if requested in writing by the dealer, that there is good cause for the termination. In the event of a proposed sale or transfer of a dealership, the manufacturer has a right of first refusal to acquire the new vehicle dealer's assets or ownership, subject to certain exceptions.

#### COMPETITION

The retail automotive industry is a highly competitive business with over 22,400 franchised automobile dealerships in the United States at the beginning of 1999. Depending on the geographic market, Sonic competes both with dealers offering the same brands and product lines as Sonic and dealers offering other automakers' vehicles. We also compete for vehicle sales with auto brokers and leasing companies, and with internet companies who provide customer referrals to other dealerships or who broker vehicle sales between customers and other dealerships. We compete with small, local dealerships and with large multi-franchise auto dealerships. Some of our competitors are larger and have greater financial and marketing resources and are more widely known than us. Some of our competitors also may utilize marketing techniques, such as the Internet or "no negotiation" sales methods, not extensively used by us.

We believe that the principal competitive factors in vehicle sales are the marketing campaigns conducted by automakers, the ability of dealerships to offer a wide selection of the most popular vehicles, the location of dealerships and the quality of customer service. Other competitive factors include customer preference for makes of automobiles, pricing (including manufacturer rebates and other special offers) and warranties.

In addition to competition for vehicle sales, we also compete with other auto dealers, service stores, auto parts retailers and independent mechanics in providing parts and service. We believe that the principal competitive factors in parts and service sales are price, the use of factory-approved replacement parts, the familiarity with a dealer's makes and models and the quality of customer service. A number of regional and national chains offer selected parts and service at prices that may be lower than our prices.

In arranging or providing financing for our customers' vehicle purchases, we compete with a broad range of financial institutions. In addition, financial institutions are now offering F&I products through the Internet, which may reduce our profits on these items. We believe that the principal competitive factors in providing financing are convenience, interest rates and contract terms.

Our success depends, in part, on national and regional automobile-buying trends, local and regional economic factors and other regional competitive pressures. We sell our vehicles in the Atlanta, Baltimore, Birmingham, Charleston, Charlotte, Chattanooga, Columbia, Columbus, Dallas, Daytona Beach, Ft. Myers, Greenville/Spartanburg, Houston, Las Vegas, Los Angeles, Mobile/Pensacola, Montgomery, Nashville, San Diego, San Francisco, San Jose/Silicon Valley, Tampa/Clearwater, Tulsa and Washington, D.C. markets. Conditions and competitive pressures affecting these markets, such as price-cutting by dealers in these areas, or in any new markets we enter, could adversely affect us, although the retail automobile industry as a whole might

not be affected.

#### GOVERNMENTAL REGULATIONS AND ENVIRONMENTAL MATTERS

A number of regulations affect Sonic's business of marketing, selling, financing and servicing automobiles. Sonic also is subject to laws and regulations relating to business corporations generally.

Under Alabama, California, Florida, Georgia, Maryland, Nevada, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas and Virginia law as well as the laws of other states into which we may expand, we must obtain a license in order to establish, operate or relocate a dealership or operate an automotive repair service. These laws also regulate our conduct of business, including our advertising and sales practices. Other states may have similar requirements.

Our operations are also subject to certain consumer protection laws known as "Lemon Laws." These laws typically require a manufacturer or dealer to replace a new vehicle or accept it for a full refund within one year after initial purchase if the vehicle does not conform to the manufacturer's express warranties and the dealer or manufacturer, after a reasonable number of attempts, is unable to correct or repair the defect. Federal laws require certain written disclosures to be provided on new vehicles, including mileage and pricing information.

The imported automobiles purchased by us are subject to United States customs duties and, in the ordinary course of our business, we may, from time to time, be subject to claims for duties, penalties, liquidated damages, or other charges. Currently, United States customs duties are generally assessed at 2.5% of the customs value of the automobiles imported, as classified pursuant to the Harmonized Tariff Schedule of the United States.

Our financing activities with customers are subject to federal truth-in-lending, consumer leasing and equal credit opportunity regulations as well as state and local motor vehicle finance laws, installment finance laws, usury laws and other installment sales laws. Some states regulate finance fees that may be paid as a result of vehicle sales. Federal, state and local environmental regulations, including regulations governing air and water quality, the clean-up of contaminated property and the use, storage, handling, recycling and disposal of gasoline, oil and other materials, also apply to us and our dealership properties.

We believe that we comply in all material respects with the laws affecting our business. Possible penalties for violation of any of these laws include revocation of our licenses and fines. In addition, many laws may give customers a private cause of action.

As with automobile dealerships generally, and service parts and body shop operations in particular, our business involves the use, storage, handling and contracting for recycling or disposal of hazardous or toxic substances or wastes and other environmentally sensitive materials. Our business also involves the past and current operation and/or removal of aboveground and underground storage tanks containing such substances or wastes. Accordingly, we are subject to regulation by federal, state and local authorities which establish health and environmental quality standards, provide for liability related to those standards, and in certain circumstances provide penalties for violations of those standards. We are also subject to laws, ordinances and regulations governing remediation of contamination at facilities we own or operate or to which we send hazardous or toxic substances or wastes for treatment, recycling or disposal.

We believe that we do not have any material environmental liabilities and that compliance with environmental laws and regulations will not, individually or in the aggregate, have a material adverse effect on our results of operations or financial condition. However, soil and groundwater contamination is known to exist at certain properties used by us. Further, environmental laws and regulations are complex and subject to frequent change. In addition, in connection with our acquisitions, it is possible that we will assume or become subject to new or unforeseen environmental costs or liabilities, some of which may be material. We cannot assure you that compliance with current or amended, or new or

more stringent, laws or regulations, stricter interpretations of existing laws or the future discovery of environmental conditions will not require additional expenditures by Sonic, or that such expenditures will not be material.

#### EXECUTIVE OFFICERS AND DIRECTORS; KEY PERSONNEL OF THE REGISTRANT

Sonic's executive officers, directors and key personnel, and their ages as of the date of this Form 10-K, are as follows:

<TABLE>  
<CAPTION>

NAME	AGE	POSITION(S) WITH SONIC
O. Bruton Smith .....	73	Chairman, Chief Executive Officer and Director*
Thomas A. Price .....	56	Vice Chairman and Director*
B. Scott Smith .....	32	President, Chief Operating Officer and Director*
Theodore M. Wright ..	37	Chief Financial Officer, Vice President, Treasurer and Director*
Jeffrey C. Rachor ...	38	Executive Vice President of Retail Operations and Director*
Mark J. Iuppenlatz ..	40	Vice President of Corporate Development*
William R. Brooks ...	50	Director
William P. Benton ...	76	Director
William I. Belk .....	50	Director
H. Robert Heller ....	60	Director

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\* Executive Officer

O. Bruton Smith has been the Chairman, Chief Executive Officer and a director of Sonic since its organization in 1997, and he currently is a director and executive officer of each of Sonic's dealerships. Mr. Smith has worked in the retail automobile industry since 1966. Mr. Smith has agreed to stand for reelection as a Sonic director at the 2000 annual stockholders meeting. Mr. Smith is also the chairman and chief executive officer, a director and controlling shareholder of Speedway Motorsports, Inc. ("SMI"). SMI is a public company traded on the NYSE. Among other things, it owns and operates the following NASCAR racetracks: Atlanta Motor Speedway, Bristol Motor Speedway, Lowe's Motor Speedway at Charlotte, Las Vegas Motor Speedway, Sears Point Raceway and Texas Motor Speedway. He is also the executive officer and a director of each of SMI's operating subsidiaries. Under his employment agreement with Sonic, Mr. Smith is required to devote approximately 50% of his business time to Sonic's business.

Thomas A. Price was appointed Vice Chairman and a director of Sonic on January 1, 2000. Mr. Price's term as a director of Sonic will expire at the 2002 annual meeting of stockholders. Before joining Sonic, Mr. Price was chairman of the FirstAmerica Automotive board of directors since August 1999 and had been FirstAmerica's Chief Executive Officer, President and a director since September 1996. From March 1976 to June 1997, Mr. Price owned and operated nine vehicle dealerships. Mr. Price has worked in the automotive industry since 1963 in various capacities including marketing and field assignments at Ford Motor Company. Mr. Price is currently a member of the Lexus National Dealer Advisory Board and he is a charter member of the J.D. Power Superdealer Roundtable.

B. Scott Smith has been the President and Chief Operating Officer of Sonic since April 1997 and a Sonic director since its organization in 1997. Mr. Smith also serves as a director and executive officer of many of Sonic's subsidiaries. Mr. Smith, who is the son of Bruton Smith, has been an executive officer of Town and Country Ford since 1993, and was a minority owner of both Town and Country Ford and Fort Mill Ford before Sonic's acquisition of those dealerships in 1997. Mr. Smith became the General Manager of Town & Country Ford in November 1992 where he remained until his appointment to President and Chief Operating Officer of Sonic in April 1997. Mr. Smith's term as a director of Sonic will expire at the 2001 annual stockholders meeting.

Theodore M. Wright has been the Chief Financial Officer, Vice President and Treasurer of Sonic since April 1997, and a Sonic director since June 1997. Mr. Wright also serves as a director and executive officer of many of Sonic's subsidiaries. Before joining Sonic, Mr. Wright was a Senior Manager and in charge of the Columbia, South Carolina office of Deloitte & Touche LLP. Before joining the Columbia office, Mr. Wright was a Senior Manager in Deloitte & Touche LLP's National Office Accounting Research and SEC Services Departments from 1994 to 1995. From 1992 to 1994, Mr. Wright was an audit manager with Deloitte & Touche LLP. Mr. Wright's term as a director of Sonic will expire at the 2002 annual stockholders meeting.

Jeffrey C. Rachor is Sonic's Executive Vice President of Retail Operations. In May 1999, Mr. Rachor was appointed a director of Sonic and promoted to executive officer status. He originally joined Sonic as its Regional Vice President -- Mid-South region upon Sonic's 1997 acquisition of dealerships in Chattanooga, Tennessee and was subsequently promoted to Vice President of Retail Operations in September 1998. Mr. Rachor has agreed to stand for reelection as a

Sonic director at the 2000 annual meeting of stockholders. Mr. Rachor has over 14 years experience in automobile retailing and was the chief operating officer of the Chattanooga dealerships from 1989 until their acquisition by Sonic in 1997. During this period, Mr. Rachor has also served at various times as the general manager of Toyota, Saturn and Chrysler-Plymouth-Jeep-Eagle dealerships. Before then, Mr. Rachor was an assistant regional manager with American Suzuki Motor Corporation from 1987 to 1989 and a metro sales manager and a district sales manager with GM's Buick Motor Division from 1983 to 1987.

Mark J. Iuppenlatz has been Sonic's Vice President of Corporate Development since August 1999. Before joining Sonic, Mr. Iuppenlatz served as the Executive Vice President -- Acquisitions and Chief Operating Officer of Mar Mar Realty Trust, a real estate investment trust specializing in sale/leaseback financing of automotive-related real estate, from September 1998 to August 1999. From 1996 to September 1998, Mr. Iuppenlatz was employed by Brookdale Living Communities, Inc., a publicly-traded company, where he was responsible for conducting that company's development operations. From 1994 to 1996, he served as Vice President of Schlotzky's, Inc., a publicly-traded company, where his responsibilities included the development of over 30 new restaurant locations in more than 10 states. From 1991 to 1994, Mr. Iuppenlatz served in Spain as the director of marketing and the assistant director of development for Kepro S.A., an affiliate of The Prime Group. During his service with Kepro S.A., Mr. Iuppenlatz was responsible for the marketing and development of a mixed use planned development comprised of 22 office buildings, a 2.0 million square foot shopping mall, apartments, cultural facilities and a major urban park. From 1989 to 1991, Mr. Iuppenlatz served as the director of leasing for The Prime Group in Chicago, where his responsibilities included the marketing, negotiating and closing of lease agreements for commercial space in a 1.0 million square foot office tower.

William R. Brooks has been a director of Sonic since its formation. Mr. Brooks also served as Sonic's initial Treasurer, Vice President and Secretary from its organization in February 1997 to April 1997 when Mr. Wright was appointed to those positions. Since December 1994, Mr. Brooks has been the vice president, treasurer, chief financial officer and a director of SMI. Mr. Brooks also serves as an executive officer and a director for various operating subsidiaries of SMI. Before the formation of SMI in December 1994, Mr. Brooks was the vice president of the Charlotte Motor Speedway and a vice president and a director of Atlanta Motor Speedway. Mr. Brooks joined Sonic Financial Corporation, an entity controlled by Bruton Smith, from Price Waterhouse in 1983. At Sonic Financial Corporation, he was promoted from manager to controller in 1985 and again to chief financial officer in 1989. Mr. Brooks has agreed to stand for reelection as a Sonic director at the 2000 annual stockholders meeting.

William P. Benton became a director of Sonic in December 1997. Since January 1997, Mr. Benton has been the executive director of Ogilvy & Mather, a world-wide advertising agency. Mr. Benton has been a director of SMI since February 1995 and a director of Allied Holdings, Inc. since February 1998. He is also a consultant to the chairman and chief executive officer of TI Group. Before his appointment at Ogilvy & Mather, Mr. Benton served as vice chairman of Wells, Rich, Greene/BDDP, Inc., an advertising agency with offices in New York and Detroit. Mr. Benton retired from Ford Motor Company as its vice president of marketing worldwide in 1984 after a 37-year career with that company. Mr. Benton's term as a Sonic director will expire at the 2001 annual stockholders meeting.

William I. Belk became a director of Sonic in March 1998. Mr. Belk is currently the vice president and a director for Monroe Hardware Company, a director for Piedmont Ventures, Inc., and treasurer and a director for Old Well Water, Inc. For more than the previous five years, Mr. Belk previously held the position of chairman and director for certain Belk stores (a privately held retail department store chain). Mr. Belk's term as a Sonic director will expire at the 2001 annual stockholders meeting.

H. Robert Heller was appointed a director of Sonic on January 1, 2000. Mr. Heller's term as a director of Sonic will expire at the 2002 annual stockholders meeting. Mr. Heller served as a director of FirstAmerica from January 1999 until its acquisition by Sonic in December 1999. Mr. Heller has been a director and Executive Vice President of Fair, Isaac and Company since 1994. At Fair, Isaac and Company, he is responsible for the corporate services group, including marketing information services, human resources, corporate affairs and real estate. From 1991 to 1993, Mr. Heller was President and Chief Executive Officer of Visa U.S.A. Mr. Heller is a former Governor of the Federal Reserve System, and has had an extensive career in banking, international finance, government service and education.

Sonic's Board of Directors is divided into three classes, each of which serves for a three year term, with one class being elected at Sonic's annual stockholders meeting each year. Messrs. Bruton Smith, Rachor and Brooks belong to the class of directors whose term expires in 2000, Messrs. Scott Smith, Benton and Belk belong to the class whose term expires in 2001 and Messrs. Wright, Price and Heller belong to the class whose term expires in 2002. The executive officers are elected annually by, and serve at the discretion of, Sonic's Board of Directors.

#### EMPLOYEES

As of December 31, 1999, Sonic employed approximately 8,300 people, of whom approximately 995 were employed in managerial positions, 2,240 were employed in non-managerial sales positions, 3,985 were employed in non-managerial parts and service positions and 1,080 were employed in administrative support positions.

We believe that many dealerships in the retail automobile industry have difficulty in attracting and retaining qualified personnel for a number of

reasons, including the historical inability of dealerships to provide employees with an equity interest in the profitability of the dealerships. We provide certain executive officers, managers and other employees with stock options and all employees with a stock purchase plan and we believe this type of equity incentive is attractive to our existing and prospective employees.

We believe that our relationships with our employees are good. Approximately 230 of our employees, primarily service technicians formerly employed by FirstAmerica Automotive, are represented by a labor union. Because of our dependence on the manufacturers, however, we may be affected by labor strikes, work slowdowns and walkouts at the manufacturer's manufacturing facilities.

#### ITEM 2: PROPERTIES.

Sonic's principal executive offices are located at 5401 East Independence Boulevard, Charlotte, North Carolina 28212, and our telephone number is (704) 532-3320. These executive offices are located on the premises owned by affiliates of Capital Automotive REIT. The following table identifies each of the properties to be utilized by Sonic's operations and their respective locations, after giving effect to Sonic's pending acquisitions:

#### ATLANTA MARKET

- o Dyer & Dyer Oldsmobile, 5585 Peachtree Industrial Blvd., Chamblee, GA, (770) 220-2441
- o Dyer & Dyer Volvo, 5260 Peachtree Industrial Blvd., Chamblee, GA, (770) 452-0077
- o Dyer & Dyer Volvo of Gwinnett, 3373 Sattelite Blvd., Duluth, GA, (678) 475-9330
- o Dyer & Dyer Volvo of Southlake, 1345 Southlake Pwy., Morrow, GA, (770) 968-3610
- o Global Imports, 500 & 550 Interstate North Pwy., N.W., Atlanta, GA, (770) 951-2697

#### BALTIMORE MARKET

- o Village Volvo, 728 Bel Air Road, Bel Air, MD, (410) 879-3400

#### BIRMINGHAM MARKET

- o Tom Williams Cadillac, 325 S. 20th St., Birmingham, AL, (205) 322-6731
- o Tom Williams Imports, 2200 3rd Ave. South, Birmingham, AL, (205) 252-9512
- o Tom Williams Lexus, 300 S. 22nd St., Birmingham, AL, (205) 252-5000 or (800) 395-3987

#### CHARLESTON MARKET

- o Altman Dodge, 2049 Remount Rd., Charleston, SC, (843) 747-0461
- o Charleston Lincoln-Mercury, 8485 Rivers Ave., North Charleston, SC, (843) 797-2324
- o North Charleston Hyundai, 8475 Rivers Ave., North Charleston, SC, (843) 797-8808

#### CHARLOTTE MARKET

- o Freedom Chevrolet Oldsmobile Cadillac, 3112 Hwy. 74 West, Monroe, NC, (704) 289-8444
- o Fort Mill Chrysler-Plymouth-Dodge, 3310 Hwy. 51, Fort Mill, SC, (704) 375-4799
- o Fort Mill Ford, 788 Gold Hill Rd., Fort Mill, SC, (704) 377-8877
- o Infiniti of Charlotte, 9103 E. Independence Blvd., Charlotte, NC, (704) 845-1556
- o Lake Norman Chrysler-Plymouth-Jeep, 20435 Chartwell Center Dr., Cornelius, NC, (704) 896-3800
- o Lake Norman Dodge, 2070 Torrence Chapel Rd., Cornelius, NC, (704) 892-7800
- o Town & Country Chrysler-Plymouth-Jeep of Rock Hill, 803 North Anderson Rd., Rock Hill, SC, (803) 324-4042
- o Town & Country Ford, 5401 East Independence Blvd., Charlotte, NC, (704) 536-5600
- o Town & Country Toyota, 9101 South Blvd., Charlotte, NC, (704) 552-7600

#### CHATTANOOGA MARKET

- o BMW of Chattanooga, 5949 Brainerd Rd., Chattanooga, TN, (423) 894-5660
- o Cleveland Chrysler-Plymouth-Jeep, 717 South Lee Hwy., Cleveland, TN, (423) 339-8756 or (888) 269-2629
- o Cleveland Oldsmobile-Cadillac-GMC, 875 Keith St., Cleveland, TN, (423) 478-5201
- o Dodge of Chattanooga, 402 West Martin Luther King Blvd., Chattanooga, TN, (423) 265-0505
- o Economy Honda, 2135 Chapman Rd., Chattanooga, TN, (423) 899-1122
- o Infiniti of Chattanooga, 5915 Brainerd Rd., Chattanooga, TN, (423) 899-8934
- o Volkswagen/KIA of Chattanooga, 6015 International Dr., Chattanooga, TN, (423)



- o Town & Country Ford of Cleveland, 2496 South Lee Hwy., Cleveland, TN, (423) 472-5454
- o Volvo of Chattanooga, 5915 Brainerd Rd., Chattanooga, TN, (423) 899-8934

## COLUMBIA MARKET

- o Imports of Florence, 2199 David McLeod Blvd., Florence, SC, (843) 662-8711
- o Newsome Automotive, 2199 David McLeod Blvd., Florence, SC, (843) 662-8711
- o Newsome Chevrolet World, 4013 W. Beltline Blvd. & 6217 Monticello Rd., Columbia, SC, (803) 254-1431

## COLUMBUS MARKET

- o Hatfield Hyundai-Isuzu-Subaru, 1400 Automall Dr., Columbus, OH, (614) 870-9559
- o Hatfield Lincoln Mercury, 1495 Automall Dr., Columbus, OH, (614) 870-1495
- o Hatfield Volkswagen/KIA West, 1455 Automall Dr., Columbus, OH, (614) 870-5425
- o Toyota West, 1500 Automall Dr., Columbus, OH, (614) 870-8200
- o Trader Bud's Westside Chrysler Plymouth Jeep, 3700 W. Broad St., Columbus, OH, (614) 272-8100
- o Trader Bud's Westside Dodge, 4000 W. Broad St., Columbus, OH, (614) 272-0000

## DALLAS MARKET

- o Lute Riley Honda, 1331 North Central Expressway, Richardson, TX, (972) 238-1700

## DAYTONA BEACH MARKET

- o Bondesen Chevrolet Oldsmobile Cadillac, 2800 South Highway 17-92, DeLand, FL, (904) 734-2661
- o Halifax Ford-Mercury, 1307 N. Dixie Hwy., New Smyrna Beach, FL, (904) 428-9094
- o Higginbotham Automobiles, 1720 Mason Ave., Daytona Beach, FL, (904) 274-4775
- o Higginbotham Chevy-Olds, 1919 N. Dixie Hwy., New Smyrna Beach, FL, (904) 427-1313
- o HMC Finance, 3741 S. Nova Rd., Port Orange, FL, (904) 322-1020
- o Sunrise Auto World, 241 Ridgewood Ave., Holly Hill, FL, (904) 254-8441

## FORT MYERS MARKET

- o BMW of Fort Myers, 7070 Lakes Terrace, Ft. Myers, FL, (941) 433-8306
- o Honda of Fort Myers, 14020 S. Tamiami Tr., Ft. Myers, FL, (941) 433-8383
- o Mercedes-Benz of Fort Myers, 13880 S. Tamiami Tr., Ft. Myers, FL, (941) 433-8300
- o Nissan of Fort Myers, 13950 S. Tamiami Tr., Ft. Myers, FL, (941) 433-8378
- o Volkswagen of Fort Myers, 3405 Fowler St., Ft. Myers, FL, (941) 275-4800

## GREENVILLE/SPARTANBURG MARKET

- o Century BMW, 2752 Laurens Rd., Greenville, SC, (864) 234-6437
- o Heritage Lincoln Mercury, 2424 Laurens Rd., Greenville, SC, (864) 234-6400

## HOUSTON MARKET

- o Baytown Pontiac-GMC-Buick, 1701 I-10 East, Baytown, TX, (281) 843-2067
- o Casa Chrysler Plymouth Jeep, 5225 I-10 East, Baytown, TX, (281) 421-9041
- o Casa Ford, 4701 I-10 East, Baytown, TX, (281) 421-7111
- o LaPorte Ford, 621 New Highway 146 South, LaPorte, TX, (281) 471-1642
- o Lone Star Ford, 8477 North Fwy., Houston, TX, (281) 931-3300
- o Lone Star Nissan, 12230 Southwest Fwy., Stafford, TX, (281) 243-8600
- o Lone Star Oldsmobile, 12230 Southwest Fwy., Stafford, TX, (281) 243-8600
- o Ron Craft Chevy-Olds-Cadillac, 3401 N. Main St., Baytown, TX, (281) 427-9525
- o Toyota of Baytown, 1701 I-10 East, Baytown, TX, (281) 843-2067

## LAS VEGAS MARKET

- o Honda West, 4645 W. Tropicana Ave., Las Vegas, NV, (702) 367-1919
- o Nevada Dodge, 5750 Sky Pointe Dr., Las Vegas, NV, (702) 396-5886
- o Volvo of Las Vegas, 5750 E. Russell Rd., Las Vegas, NV, (702) 317-1000

## LOS ANGELES MARKET

- o Beverly Hills BMW, 8833 Wilshire Blvd., Beverly Hills, CA, (310) 358-7880
- o Honda of Santa Monica, 1726 Santa Monica Blvd., Santa Monica, CA, (310) 264-4900
- o South Bay Chrysler Plymouth Jeep, 20900 Hawthorne Blvd., Torrance, CA, (310) 542-0900
- o Volkswagen of Woodland Hills, 21141 Ventura Blvd., Woodland Hills, CA, (818) 884-4444
- o Volvo of Santa Monica, 1719 Santa Monica Blvd., Santa Monica, CA, (310)

## MOBILE/PENSACOLA MARKET

- o Classic Dodge, 3118 Government Blvd., Mobile, AL, (334) 478-5252
- o Lloyd Nissan, 120 E. 23rd St., Panama City, FL, (850) 785-9561

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- o Lloyd Pontiac-Cadillac-GMC, 100 E. 23rd St., Panama City, FL, (850) 763-6575
- o Pensacola Honda, 5600 Pensacola Blvd., Pensacola, FL, (850) 479-9091

## MONTGOMERY MARKET

- o Capitol Chevrolet, 711 Eastern Blvd., Montgomery, AL, (334) 272-8700 or (800) 225-2771
- o Capitol Hyundai & Capitol Mitsubishi, 190 Eastern Blvd., Montgomery, AL, (334) 279-6555
- o Capitol KIA, 845 Eastern Blvd., Montgomery, AL, (334) 260-8791
- o Classic Cadillac Pontiac, 2820 Eastern Blvd., Montgomery, AL, (334) 277-3480
- o City Chrysler Plymouth Jeep, 833 Eastern Bypass, Montgomery, AL, (334) 279-9300
- o Friendly Ford Lincoln Mercury, 4000 Eastern Blvd., Montgomery, AL, (334) 613-5000

## NASHVILLE MARKET

- o BMW of Nashville, 4040 Armory Oaks Dr., Nashville, TN, (615) 850-4040
- o Volkswagen/Mitsubishi of Nashville, 630 Murfreesboro Rd., Nashville, TN, (615) 254-5641

## SAN DIEGO MARKET

- o Poway Dodge, 13750 Poway Rd., Poway, CA 94064, (858) 486-2900
- o Poway Honda, 14110 Poway Rd., Poway, CA 94064, (858) 486-2900
- o Poway Toyota, 13760 Poway Rd., Poway, CA 94064, (858) 486-2900
- o Ritchey/Fipp Poway Chevrolet-Oldsmobile, 13742 Poway Rd., Poway, CA 92064, (858) 486-2900

## SAN FRANCISCO MARKET

- o Acura of Serramonte, 707 Serramonte Blvd., Colma, CA, (650) 985-2178
- o Concord Honda, 1300 Concord Ave., Concord, CA, (925) 825-8000
- o Concord Nissan, 1290 Concord Ave., Concord, CA, (925) 676-4400
- o Concord Toyota, 1090 Concord Ave., Concord, CA, (925) 682-7131
- o Dublin Nissan, 6015 Scarlett Ct., Dublin, CA, (925) 829-0800
- o Dublin Volkswagen/Dodge, 6015 Scarlett Ct., Dublin, CA, (925) 829-0800
- o First Dodge -- Marin, 513 Francisco Blvd. East, San Rafael, CA, (415) 258-4900
- o First Nissan -- Marin, 601 Francisco Blvd. East, San Rafael, CA, (415) 455-1900
- o Ford of San Rafael, 619 Francisco Blvd. East, San Rafael, CA, (415) 453-4220
- o Honda of Hayward, 24895 Mission Blvd., Hayward, CA, (510) 582-1300
- o Honda of Serramonte, 485 Serramonte Blvd., Colma, CA, (650) 758-4800
- o Land Rover of Marin, 647 Irwin Dr., San Rafael, CA, (415) 455-5500
- o Lexus of Marin, 620 DuBois St., San Rafael, CA, (415) 460-6000
- o Lexus of Serramonte, 700 Serramonte Blvd., Colma, CA, (650) 994-2255
- o Melody Toyota, 750 El Camino Real, San Bruno, CA, (650) 825-5200
- o Serramonte Dodge/Isuzu/Mitsubishi/Nissan, 1500 Collins Ave., Colma, CA, (650) 985-1151

## SAN JOSE/SILICON VALLEY MARKET

- o Autobahn Motors, 700 Island Pwy., Belmont, CA, (650) 637-2333
- o Capitol Nissan, 1120 W. Capitol Expressway, San Jose, CA, (408) 978-1234
- o Honda of Stevens Creek, 4590 Stevens Creek Blvd., San Jose, CA, (408) 247-2550
- o St. Claire Cadillac/Oldsmobile, 4343 Stevens Creek Blvd., Santa Clara, CA, (408) 244-1000
- o Stevens Creek BMW, 3737 Stevens Creek Blvd., Santa Clara, CA, (408) 249-9070
- o Stevens Creek Nissan, 4855 Stevens Creek Blvd., Santa Clara, CA, (408) 983-5947

## TAMPA/CLEARWATER MARKET

- o Clearwater Collision Center, 2300 Drew St., Clearwater, FL, (727) 797-6335
- o Clearwater Mitsubishi, 21699 US Hwy. 19N, Clearwater, FL, (727) 799-6400
- o Clearwater Toyota, 21799 US Hwy. 19N, Clearwater, FL, (727) 799-1234
- o Freedom Ford, 24825 US Hwy. 19 North, Clearwater & 3925 Tampa Rd., Oldsmar, FL, (727) 797-2277
- o Volvo of Tampa, 6008 N. Dale Mabry Ave., Tampa, FL, (813) 885-2717

## TULSA MARKET

- o Jim Glover Dodge, 2920 N. Aspen Ave., Broken Arrow, OK, (918) 335-5000
- o Larry Miller Chevrolet, 2301 N. Aspen Ave., Broken Arrow, OK, (918) 258-8000(1)
- o Riverside Chevrolet, 707 W. 51st St., Tulsa, OK, (918) 446-2200
- o Riverside Nissan, 8190 E. Skelly Dr., Tulsa, OK, (918) 628-0280

## WASHINGTON, D.C. MARKET

- o BMW of Fairfax, 8427 Lee Hwy., Fairfax, VA, (703) 560-2300
  - o Lexus of Rockville, 15501 Frederick Rd., Rockville, MD, (301) 762-9009
  - o Nissan Jeep of Waldorf, 2950 Crain Hwy., Waldorf, MD, (301) 645-0800
  - o Rockville Porsche Audi, 15515 Frederick Rd., Rockville, MD, (301) 881-0900
- -----

(1) Pending acquisition.

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Our dealerships are generally located along major U.S. or interstate highways. One of the principal factors considered by Sonic in evaluating an acquisition candidate is its location. We prefer to acquire dealerships located along major thoroughfares, primarily interstate highways with ease of access, which can be easily visited by prospective customers.

We lease all of the properties utilized by our dealership operations, except for the Classic Dodge dealership premises and surplus land adjacent to Lone Star Nissan, which we currently own. Our leased properties are leased from affiliates of Capital Automotive REIT and other individuals and entities. We believe that our facilities are adequate for our current needs.

Under the terms of our franchise agreements, Sonic must maintain an appropriate appearance and design of its facilities and is restricted in its ability to relocate its dealerships. See "Business -- Relationships with Manufacturers."

#### ITEM 3: LEGAL PROCEEDINGS.

From time to time, Sonic is named in claims involving the manufacture of automobiles, contractual disputes and other matters arising in the ordinary course of our business. Currently, no legal proceedings are pending against or involve the Company that, in the opinion of management, could reasonably be expected to have a material adverse effect on our business, financial condition or results of operations.

Because of their vehicle inventory and nature of business, automobile retail dealerships generally require significant levels of insurance covering a broad variety of risks. Sonic's insurance includes an umbrella policy as well as insurance on our real property, comprehensive coverage for our vehicle inventory, general liability insurance, employee dishonesty coverage and errors and omissions insurance in connection with our vehicle sales and financing activities.

#### ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not Applicable.

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### PART II

#### ITEM 5: MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Sonic's Class A common stock is currently traded on the New York Stock Exchange ("NYSE") under the symbol "SAH."

As of December 31, 1999, 28,351,837 shares of Class A common stock and 12,250,000 shares of Sonic's Class B common stock were outstanding. As of March 14, 2000, there were 97 record holders of the Class A common stock and 4 record holders of the Class B common stock. As of March 14, 2000, the closing stock price for the Class A common stock was \$8.63.

Sonic intends to retain future earnings to provide funds for operations and future acquisitions. As a holding company, Sonic will depend on dividends and other payments from its subsidiary dealership operations to pay cash dividends to stockholders, as well as to meet debt service and operating expense requirements.

We do not anticipate paying any dividends in the foreseeable future. Under an Indenture dated as of July 1, 1998 (the "Indenture") among Sonic and U.S. Bank Trust National Association, as trustee, and under the credit agreement between Sonic and Ford Motor Credit Company ("Ford Motor Credit"), no dividends may be paid by Sonic. Any decision concerning the payment of dividends on the common stock will depend upon the results of operations, financial condition and capital expenditure plans of Sonic, as well as other factors as the Board of Directors, in its sole discretion, may consider relevant.

The following table sets forth the high and low closing sales prices for Sonic's Class A common stock for each calendar quarter during the periods indicated as reported by the NYSE Composite Tape.

<TABLE> <CAPTION> 1999		
	HIGH	LOW
<S>	<C>	<C>
First Quarter .....	18 7/16	13 15/16
Second Quarter .....	16 3/8	12
Third Quarter .....	14 15/16	10 5/8
Fourth Quarter .....	12 1/4	7 7/8

<TABLE> <CAPTION> 1998		
	HIGH	LOW
<S>	<C>	<C>
First Quarter .....	8 5/8	4 7/8
Second Quarter .....	9 3/8	7 11/16
Third Quarter .....	11 15/16	8 1/4
Fourth Quarter .....	17 9/16	6 11/32

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

On December 10, 1999, Sonic privately issued 5,209,415 shares of its Class A common stock with a value of approximately \$53.4 million to acquire approximately 92% of the outstanding stock and approximately 94% of the outstanding warrants to purchase shares of stock of FirstAmerica Automotive, Inc. from certain stock and warrant holders of FirstAmerica.

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ITEM 6: SELECTED FINANCIAL DATA.

The selected consolidated statement of operations data for the years ended December 31, 1995, 1996, 1997, 1998 and 1999 and the selected consolidated balance sheet data as of December 31, 1995, 1996, 1997, 1998 and 1999 are derived from Sonic's audited financial statements. This selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related notes included elsewhere herein.

<TABLE> <CAPTION>				
	YEAR ENDED DECEMBER 31,			
	1995	1996(1)	1997(1)	1998(1)
1999(1)				
(DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE)				
AMOUNTS)	<C>	<C>	<C>	<C>
<S>				
Consolidated Statement of Operations Data:				
Revenues:				
New vehicles .....	\$186,859	\$233,979	\$ 343,941	\$ 962,939
1,968,514				
Used vehicles .....	60,766	68,054	85,132	324,740
684,560				
Wholesale vehicles .....	20,025	25,641	38,785	119,351
250,794				
Total vehicles .....	267,650	327,674	467,858	1,407,030
2,903,868				

Parts, service, and collision repair .....	35,860	42,075	57,537	162,660	
364,184					
Finance and insurance .....	7,813	7,118	10,606	34,011	
82,771					
-----	-----	-----	-----	-----	-----
Total revenues .....	311,323	376,867	536,001	1,603,701	
3,350,823					
Cost of sales .....	272,130	332,122	473,003	1,396,259	
2,896,400					
-----	-----	-----	-----	-----	-----
Gross profit .....	39,193	44,745	62,998	207,442	
454,423					
Selling, general and administrative expenses .....	28,091	32,602	46,770	150,130	
326,914					
Depreciation .....	832	978	776	1,384	
3,138					
Goodwill Amortization .....	--	--	546	3,223	
8,561					
-----	-----	-----	-----	-----	-----
Operating income .....	10,270	11,067	14,906	52,705	
115,810					
Other Income and Expense:					
Interest expense, floor plan .....	4,504	5,968	8,007	14,096	
22,536					
Interest expense, other .....	436	433	1,199	9,395	
21,586					
Other income .....	106	355	298	426	
1,286					
-----	-----	-----	-----	-----	-----
Total other expense .....	4,834	6,046	8,908	23,065	
42,836					
-----	-----	-----	-----	-----	-----
Income before income taxes and minority interest .....	5,436	5,021	5,998	29,640	
72,974					
Provision for income taxes .....	2,176	1,924	2,249	11,083	
28,325					
-----	-----	-----	-----	-----	-----
Income before minority interest .....	3,260	3,097	3,749	18,557	
44,649					
Minority interest in earnings of subsidiary .....	22	114	47	--	
--					
-----	-----	-----	-----	-----	-----
Net income .....	\$ 3,238	\$ 2,983	\$ 3,702	\$ 18,557	\$
44,649					
=====	=====	=====	=====	=====	=====
Diluted net income per share .....	--	--	\$ 0.27	\$ 0.74	\$
1.27					
=====	=====	=====	=====	=====	=====
Weighted average number of shares outstanding .....	--	--	13,898	24,970	
35,248					
=====	=====	=====	=====	=====	=====
Consolidated Balance Sheet Data:					
Working capital .....	\$ 18,140	\$ 19,780	\$ 44,098	\$ 79,155	\$
177,657					
Total assets .....	79,462	110,976	291,450	576,103	
1,501,102					
Long-term debt (2) .....	6,950	6,719	49,653	145,790	
425,894					
Total liabilities .....	62,956	84,367	207,085	433,674	
1,098,529					
Minority interest .....	200	314	--	--	
--					
Stockholders' equity .....	16,306	26,295	84,365	142,429	
402,573					

</TABLE>

(1) Selected Financial Data for the years ended December 31, 1996, 1997, 1998 and 1999 include the results of operations of certain dealerships acquired during those periods. All such acquisitions were accounted for using the purchase method of accounting and, as a result, the results of operations prior to the date of acquisition have been excluded. Accordingly, the actual financial data for periods after the acquisitions may not be comparable to data presented for periods prior to the acquisitions.

(2) Long-term debt includes current maturities of long-term debt, the payable to Sonic's Chairman and the payable to affiliates of Sonic. See Sonic's Consolidated Financial Statements and related notes included elsewhere in this Form 10-K.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of the results of operations and financial condition as of December 31, 1998 and 1999 should be read in conjunction with the Sonic Automotive, Inc. and Subsidiaries Consolidated Financial Statements and the related notes thereto included elsewhere herein.

OVERVIEW

Sonic is the second largest automotive retailer in the United States, as measured by total revenue, operating 172 dealership franchises and 30 collision repair centers in the southeastern, southwestern, mid-western, mid-Atlantic and western United States. We sell new and used cars and light trucks, sell replacement parts, provide vehicle maintenance, warranty, paint and repair services and arrange related F&I for its automotive customers.

New vehicle revenues include both the sale and lease of new vehicles. Used vehicle revenues include amounts received for used vehicles sold to retail customers, other dealers and wholesalers. Other operating revenues include parts and services revenues, fees and commissions for arranging F&I and sales of third party extended warranties for vehicles. In connection with vehicle financing contracts, Sonic receives a finance fee from the lender for originating the loan. If, within 90 days of origination, the customer pays off the loans through refinancing or selling/trading in the vehicle or defaults on the loan, the finance company will assess a charge (a "chargeback") for a portion of the original commission. The amount of the chargeback depends on how long the related loan was outstanding. As a result, Sonic has established reserves based on its historical chargeback experience. Sonic also sells warranties provided by third-party vendors, and recognizes a commission at the time of sale.

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 available credit.

While the automotive retailing business is cyclical, we sell several products and services that are not closely tied to the sale of new and used vehicles. Such products and services include our parts and service and collision repair businesses, both of which are not dependent upon near-term new vehicle sales volume.

Our cost of sales and profitability are also affected by the allocations of new vehicles which our dealerships receive from manufacturers. When we do not receive allocations of new vehicle models adequate to meet customer demand, we may purchase additional vehicles from other dealers at a premium to the manufacturer's invoice, reducing the gross margin realized on the sales of such vehicles. In addition, we follow a disciplined approach in selling vehicles to other dealers and wholesalers when the vehicles have been in our inventory longer than the guidelines set by us. Such sales are frequently at or below cost and, therefore, reduce our overall gross margin on vehicle sales. Sonic's salary expense, employee benefits costs and advertising expenses comprise the majority of our selling, general and administrative expenses. Approximately 68% of our operating costs for the year ended December 31, 1999 were variable. We are able to adjust these expenses as the operating or economic environment impacting our dealerships changes. We manage these variable costs, such as advertising (9% of operating costs) and sales compensation (46%) expenses, so that they are generally related to vehicle sales and can be adjusted in response to changes in vehicle sales volume. In addition, management compensation is tied to individual dealership profitability and stock price appreciation through stock options. Sonic's interest expense fluctuates based primarily on the level of the inventory of new vehicles held at our dealerships, substantially all of which is financed through floor plan financing, as well as the amount of indebtedness incurred for acquisitions. Our floor plan expenses are offset by amounts received from manufacturers, in the form of floor plan inventory incentives. These payments are credited against our cost of sales. In 1999, the amounts we received in manufacturer inventory incentives exceeded our floor plan expenses by approximately \$0.8 million. This results in the effective borrowing rate under our floor plan facilities being reduced to 0% after the incentives are taken into account.

Sonic's business is fundamentally managed based on individual dealership operating performance. Each of Sonic's dealerships have similar economic and operating characteristics. Each dealership sells similar products and services

(new and used vehicles, parts, service and collision repair services), uses similar processes in selling its products and services, and sells its products and services to similar classes of customers. As a result, Sonic's dealerships are aggregated into a single operating segment for purposes of reporting financial condition and results of operations.

We have accounted for all of our dealership acquisitions using the purchase method of accounting and, as a result, we do not include in our financial statements the results of operations of these dealerships prior to the date they were acquired by us. The Consolidated Financial Statements of Sonic discussed below reflect the results of operations, financial

position and cash flows of each of our dealerships acquired prior to December 31, 1999. As a result of the effects of our acquisitions, the historical consolidated financial information described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" is not necessarily indicative of the results of operations, financial position and cash flows of Sonic in the future or the results of operations, financial position and cash flows which would have resulted had such acquisitions occurred at the beginning of the periods presented in the Consolidated Financial Statements.

RESULTS OF OPERATIONS

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

<TABLE>  
<CAPTION>

	PERCENTAGE OF TOTAL REVENUES FOR YEAR ENDED DECEMBER 31,		
	1997	1998	1999
REVENUES:			
<S>	<C>	<C>	<C>
New vehicle sales .....	64.2%	60.0%	58.7%
Used vehicle sales .....	23.1%	27.8%	27.9%
Parts, service, and collision repair	10.7%	10.1%	10.9%
Finance and insurance .....	2.0%	2.1%	2.5%
Total revenues .....	100.0%	100.0%	100.0%
Cost of sales .....	88.2%	87.1%	86.4%
Gross profit .....	11.8%	12.9%	13.6%
Selling, general, and administrative	9.0%	9.6%	10.1%
Operating income .....	2.8%	3.3%	3.5%
Interest expense .....	1.7%	1.5%	1.3%
Income before income taxes .....	1.5%	1.8%	2.2%

</TABLE>

TWELVE MONTHS ENDED DECEMBER 31, 1999 COMPARED TO TWELVE MONTHS ENDED DECEMBER 31, 1998

REVENUES. Revenues grew in each of our primary revenue areas for 1999 as compared with 1998, causing total revenues to increase 109% to \$3.4 billion. New vehicle sales revenue increased 104% to \$2.0 billion in 1999, compared with \$962.9 million in 1998. The increase was due primarily to a 90.6% increase in new vehicle unit sales to 79,294 in 1999 from 41,592 in 1998. Of this increase, approximately 89.6%, or 33,792 units, resulted from acquisitions and 10.4% resulted from stores owned longer than one year. The remainder of the increase in new vehicle revenues was due to a 7.2% increase in the average selling price of new vehicles, resulting primarily from an increase in revenues of higher priced luxury brands contributed by acquisitions. The percentage of new vehicle revenues comprised of luxury brands increased to 23.6% in 1999 from 12.3% in 1998.

Used vehicle revenues from retail sales increased 111% to \$684.6 million in 1999 from \$324.7 million in 1998. The increase was primarily due to a 92.5% increase in used vehicle unit sales to 47,345 in 1999 from 24,591 in 1998. Of this increase, approximately 87.7%, or 19,952 units, resulted from acquisitions and 12.3% resulted from stores owned longer than one year. The remainder of the increase was due to a 9.5% increase in the average selling price of used vehicles, including a 4.3% increase in the average selling price of used vehicles from stores owned for longer than one year.

Parts, service and collision repair revenue increased 124% to \$364.2 million in 1999 compared to \$162.7 million in 1998, of which approximately 92.8% resulted from our acquisitions. Finance and insurance revenue increased \$48.8 million, or 143%, principally due to vehicle sales and related financing contributed by our acquisitions, as well as a 27.2% improvement in finance and

insurance revenues per vehicle resulting from newly implemented programs designed to improve training and development of finance and insurance sales people.

GROSS PROFIT. Gross profit increased 119% to \$454.4 million in 1999 from \$207.4 million in 1998. Approximately 88.3%, or \$218.1 million, of the increase resulted from acquisitions. Gross profit as a percentage of sales increased to 13.6% from 12.9% due primarily to an increase in revenues contributed by retail used vehicles, parts, service and collision repair services, and finance and insurance products, which earn higher margins than new vehicles. Used vehicle revenues as a percentage of total revenues increased to 27.9% in 1999 from 27.8% in 1998. Parts, service and collision repair revenues as a percentage of total revenues increased to 10.9% in 1999 from 10.1% in 1998. Finance and insurance revenues as a percentage of total revenues increased to 2.5% in 1999 from 2.1% in 1998.

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses, excluding depreciation and amortization, increased 118% to \$326.9 million in 1999 from \$150.1 million in 1998, resulting principally from acquisitions. Such expenses as a percentage of revenues increased to 9.8% in 1999 from 9.4% in 1998. Compensation programs, which represent over 50% of a dealership's selling, general and administrative expenses, are primarily based on gross profits. As a result, the improvement in gross profit margins resulted in an increase in compensation expense as a percentage of total revenues to 6.0% in 1999 from 5.7% in 1998. In addition, rent expense increased as a percentage of total revenues to 0.8% in 1999 from 0.7% in 1998 primarily due to acquisitions of dealerships located in higher rent markets. As a percentage of gross profits, selling, general and administrative expenses decreased to 71.9% in 1999 from 72.4%, resulting primarily from benefits of scale which has allowed us to recognize cost savings, especially in the areas of advertising costs and insurance premiums.

DEPRECIATION AND AMORTIZATION EXPENSE. Depreciation expense, excluding goodwill amortization, increased 127% to \$3.1 million in 1999 from \$1.4 million in 1998, resulting primarily from acquisitions. As a percentage of total revenues, depreciation expense was at 0.1% in both 1999 and 1998. Goodwill amortization expense increased 166% to \$8.6 million in 1999 from \$3.2 million in 1998, resulting principally from additional acquisitions.

INTEREST EXPENSE, FLOOR PLAN. Interest expense, floor plan increased 59.9% to \$22.5 million in 1999 from \$14.1 million in 1998, due primarily to floor plan interest expense incurred by dealerships acquired. As a percentage of total revenues, floor plan interest decreased to 0.7% in 1999 from 0.9% in 1998 resulting from a decrease in the average interest rate under our floor plan financing arrangements as well as improvement in inventory turnover rates.

INTEREST EXPENSE, OTHER. Interest expense, other increased to \$21.6 million in 1999 from \$9.4 million in 1998 due primarily to interest incurred on our senior subordinated notes issued on July 31, 1998 and on additional borrowings under our Revolving Facility.

PROVISION FOR INCOME TAXES. The effective tax rate for 1999 was 38.82%, compared to an effective rate of 37.39% in 1998. The increase was primarily attributable to acquisitions we made during the year which were either (1) companies operating in states with higher income tax rates, or (2) stock purchases in which the goodwill amortization is not deductible for income tax purposes. We expect our effective tax rate to increase in 2000 as the 1999 acquisitions will be part of our results for the full period.

NET INCOME. As a result of the factors noted above, our net income increased by \$26.1 million in 1999 compared to 1998.

TWELVE MONTHS ENDED DECEMBER 31, 1998 COMPARED TO TWELVE MONTHS ENDED DECEMBER 31, 1997

REVENUES. Revenues grew in each of Sonic's primary revenue areas for 1998 as compared with 1997, causing total revenues to increase 199% to \$1.6 billion. This increase was due primarily to revenues contributed by our acquisitions completed in 1997 and 1998 of approximately \$994.4 million. New vehicle sales revenue increased 180% to \$962.9 million in 1998, compared with \$343.9 million in 1997. The increase was due primarily to an increase in new vehicle unit sales of 165% to 41,592, as compared with 15,715 in 1997 resulting principally from 24,922 units contributed by the acquisitions completed during 1997 and 1998. The remainder of the increase was due to a 6% increase in the average selling price of new vehicles resulting principally from sales of higher priced import vehicles contributed by Sonic's acquisitions.

Used vehicle revenues from retail sales increased 281% to \$324.7 million in 1998 from \$85.1 million in 1997. The increase was due primarily to an increase in used vehicle unit sales of 266% to 24,591, as compared with 6,712 in 1997, resulting from additional unit sales contributed by acquisitions



completed in 1997 and 1998. The remainder of the increase was due to a 4% increase in the average selling price of used vehicles, resulting principally from sales of higher priced luxury and import vehicles contributed by our acquisitions, along with an increase in used vehicle revenues from stores owned for longer than one year of 23% in 1998 over 1997.

Sonic's parts, service and collision repair revenue increased 183% to \$162.7 million in 1998 compared to \$57.5 million in 1997, due principally to our acquisitions. Finance and insurance revenue increased \$23.4 million, or 221%, due principally to increased new vehicle sales and related financing contributed by the acquisitions completed in 1997 and 1998.

GROSS PROFIT. Gross profit increased 229% to \$207.4 million in 1998 from \$63.0 million in 1997 due principally to increases in revenues contributed by our acquisitions. Gross profit as a percentage of sales increased to 12.9% from 11.8% due to increases in new vehicle gross margins from 7.7% to 7.8% resulting from sales of higher margin import

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vehicles contributed by our acquisitions, as well as improved gross margins of used vehicles from 8.6% to 10.7% resulting from efforts made to improve management of used vehicle inventories. In addition, because gross margins from used vehicle revenues are higher than gross margins from new vehicle revenues, an increase in used vehicle revenues as a percentage of total revenues from 23.1% in 1997 to 27.8% in 1998, and a decrease in new vehicle revenues as a percentage of total revenues from 64.2% in 1997 to 60.0% in 1998, also contributed to the overall increase in gross profits as a percentage of total revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses, including depreciation and amortization, increased 222% to \$154.7 million in 1998 from \$48.1 million in 1997. Such expenses as a percentage of revenues increased to 9.6% from 9.0% due principally to expenses inherent with the initial growth and formation of Sonic. In addition, because sales compensation, which comprises over 50% of total selling, general and administrative expenses, is based on gross profits as opposed to revenues, the increase in gross profit margins resulted in an increase in total selling, general, and administrative expenses as a percent of total revenues.

DEPRECIATION AND AMORTIZATION EXPENSE. Depreciation expense, excluding goodwill amortization, increased 78.4% to \$1.4 million in 1998 from \$0.8 million in 1997, resulting primarily from acquisitions. As a percentage of total revenues, depreciation expense was at 0.1% in both 1998 and 1997. Goodwill amortization expense increased 490% to \$3.2 million in 1998 from \$0.5 million in 1997, resulting principally from additional acquisitions.

INTEREST EXPENSE, FLOOR PLAN. Interest expense, floor plan increased 76% to \$14.1 million from \$8.0 million, due primarily to floor plan interest incurred by our acquisitions. As a percentage of total revenues, floor plan interest decreased from 1.5% to 0.9% due to decreased interest rates under Sonic's floor plan financing arrangements, as well as improvement in turnover rates.

INTEREST EXPENSE, OTHER. Interest expense, other increased to \$9.4 million from \$1.2 million, due primarily to interest incurred on Sonic's senior subordinated notes and on acquisition-related indebtedness.

NET INCOME. As a result of the factors noted above, Sonic's net income increased by \$14.9 million in 1998 compared to 1997.

#### LIQUIDITY AND CAPITAL RESOURCES

Our principal needs for capital resources are to finance acquisitions and fund debt service and working capital requirements. Historically, we have relied on internally generated cash flows from operations, borrowings under our various credit facilities, and borrowings and capital contributions from our stockholders to finance our operations and expansion. On May 5, 1999, we completed a public offering of Class A common stock which provided approximately \$86.1 million of additional capital resources for the consummation of acquisitions and repayment of borrowings under our \$350 million acquisition line of credit with Ford Motor Credit Company (the "Revolving Facility").

During 1999, net cash provided by operating activities was approximately \$46.1 million. During 1998, net cash provided by operating activities was approximately \$13.0 million. The increase was attributable principally to increases in net income offset by increases in accounts receivable.

Cash used for investing activities in 1999 was approximately \$368.6 million, including \$360.7 million paid for acquisitions, net of cash received, and \$21.5 million in capital expenditures. Cash used for investing activities in 1999 was offset by proceeds received from the sale of real estate at Town

and Country Toyota and Fort Mill Ford of approximately \$10.6 million. Cash used for investing activities in 1998 was approximately \$74.9 million, including \$72.2 million paid for acquisitions, net of cash received, and \$4.3 million in capital expenditures. Our principal capital expenditures typically include building improvements and equipment for use in our dealerships. Of the capital expenditures in 1999, approximately \$9.0 million related to the construction of new dealerships and collision repair centers. Of this amount, approximately \$3.0 million was subsequently sold to MMR Holdings, LLC, a limited liability company owned by Bruton Smith and Sonic Financial Corporation ("SFC") and leased back. There was no gain or loss on the sale. As noted below, MMR Holdings was subsequently acquired by CAR MMR L.L.C., an affiliate of Capital Automotive REIT which is not affiliated with Sonic. Other dealerships and collision repair centers still under construction as of December 31, 1999 are expected to be either financed separately by Sonic or sold to third parties in sale-leaseback transactions upon completion.

On August 13, 1999, CAR MMR L.L.C. acquired all of the ownership interests of MMR Holdings, L.L.C., and two of its affiliates, MMR Viking Investment Associates, L.P. and MMR Tennessee, L.L.C (collectively, the "MMR Group"). As of that date, Sonic leased 48 properties for 38 of its dealerships from the MMR Group under "triple net leases" which

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required Sonic to pay all costs of operating the properties, as well as all taxes, utilities, insurance, repairs, maintenance and other property related expenses. Sonic has entered into new leases with CAR MMR L.L.C. with terms similar to those under Sonic's former leases with the MMR Group. These leases generally provide Sonic with options to renew the lease for two additional five year terms after the expiration of the initial lease term. Sonic has agreed to renew approximately 75% of its lease rental stream for an additional five year period after the expiration of the initial lease terms. In connection with the acquisition, Sonic, MMR Holdings and Mar Mar Realty Trust, an affiliate of the MMR Group, terminated the strategic alliance agreement whereby Mar Mar Realty Trust had provided Sonic with real estate sale-leaseback financing, acquisition referral and related services.

As a part of the August 13, 1999 sale of the MMR Group to CAR MMR, Bruton Smith and SFC signed agreements with Sonic to induce Sonic to enter into a real estate financing arrangement with CAR MMR and, among other things, amend its leases with the MMR Group to standardize their terms. Under these agreements, Mr. Smith and SFC agreed to pay approximately \$2.5 million to Sonic, which amount represented Mr. Smith's and SFC's profits on the sale of the MMR Group less their selling expenses and a 14% annual return on their initial investment in the MMR Group, net of any advances made by Sonic to the MMR Group.

During 1999, we acquired 73 dealerships for approximately \$420.4 million in cash, 6,282 shares of Sonic's Class A convertible preferred stock, Series II, recorded at an estimated value of approximately \$6.3 million, 45,783 shares of Sonic's Class A convertible preferred stock, Series III, recorded at an estimated value of approximately \$45.8 million, and 6,784,347 shares of Sonic's Class A common stock having an estimated fair value at the time of issuance of approximately \$75.8 million. The cash portion of the purchase price was financed with a combination of a portion of the proceeds from our public offering of Class A common stock in May 1999, cash borrowed under our Revolving Facility and cash generated from our existing operations. The acquisitions were accounted for using the purchase method of accounting, and the results of operations of such acquisitions have been included in our consolidated financial statements from their respective acquisition dates.

Subsequent to December 31, 1999, we acquired 6 dealerships for approximately \$44.8 million in cash and 11,589 shares of Sonic's Class A convertible preferred stock, Series II, having a liquidation value of \$1,000 per share. The cash portion of the purchase price was financed with a combination of cash borrowed under the Revolving Facility and cash generated from Sonic's existing operations. The acquisitions were accounted for using the purchase method of accounting.

Cash provided by financing activities of approximately \$353.8 million in 1999 primarily reflects additional borrowings under the Revolving Facility used for acquisitions, as well as net proceeds received from our public offering of common stock completed on May 5, 1999.

On November 1, 1999, the total borrowing limit under the Revolving Facility was increased from \$150 million to \$350 million. Prior to that date, amounts outstanding under the Revolving Facility bore interest at a fluctuating per annum rate equal to 2.75% above the 1 month commercial finance paper rate as reported by the Federal Reserve Board (the 1 month commercial finance paper rate was 5.77% at October 31, 1999). Subsequent to November 1, 1999, amounts outstanding under the Revolving Facility bear interest at 2.50% above LIBOR (LIBOR was 5.82% at December 31, 1999). The Revolving Facility will mature in October 2002, but may be extended for a number of additional one year terms to be negotiated by us and Ford Motor Credit Company ("Ford Motor Credit"). On May 5, 1999, in connection with the public offering by Sonic of 6,067,230 shares of

Class A common stock, all amounts outstanding under the Revolving Facility were repaid. Amounts outstanding under the Revolving Facility as of December 31, 1999 total approximately \$289.0 million and were used to finance acquisitions completed in the third and fourth quarters of 1999. Future amounts to be drawn under the Revolving Facility are to be used for the acquisition of additional dealerships and to provide general working capital needs not to exceed \$35 million.

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

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

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In addition, the loss of voting control over Sonic by Bruton Smith, Scott Smith and their spouses or immediate family members or the failure by Sonic, with certain exceptions, to own all the outstanding equity, membership or partnership interests in its dealership subsidiaries will constitute an event of default under the Revolving Facility. Sonic is in compliance with all restrictive covenants as of December 31, 1999.

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

The indenture governing the senior subordinated notes contains certain specified restrictive and required financial covenants. We have agreed not to pledge our assets to any third party except under certain limited circumstances (for example, floor plan indebtedness). We have also agreed to certain other limitations or prohibitions concerning the incurrence of other indebtedness, capital stock, guaranties, asset sales, investments, cash dividends to shareholders, distributions and redemptions. Sonic is in compliance with all restrictive covenants as of December 31, 1999.

We currently have standardized floor plan credit facilities with Chrysler Financial Corporation ("Chrysler Financial") and Ford Motor Credit. The floor plan credit facility with Chrysler Financial, which was obtained on November 1, 1999, provides up to \$750 million for the purchase of vehicles at our Chrysler dealerships. The floor plan facility with Ford Motor Credit provides up to \$550 million for the purchase of vehicles at all of our other dealerships. As of December 31, 1999, there was an aggregate of approximately \$102.7 million outstanding under the Chrysler Financial floorplan facility and \$400.8 million outstanding under the Ford Motor Credit floor plan facility.

Amounts outstanding under the Chrysler Financial floor plan facility bear interest at 1.25% above LIBOR (LIBOR was 5.82% at December 31, 1999). Amounts outstanding under the Ford Motor Credit floor plan facility bear interest at an effective interest rate of prime less 1.3% (prime was 8.5% at December 31, 1999), subject to certain incentives and other adjustments. Typically new vehicle floor plan indebtedness exceeds the related inventory balances. The inventory balances are generally reduced by the manufacturer's purchase discounts, which are not reflected in the related floor plan liability. These manufacturer purchase discounts are standard in the industry, typically occur on all new vehicle purchases, and are not used to offset the related floor plan liability. These discounts are aggregated and generally paid to us by the manufacturers on a quarterly basis.

We make monthly interest payments on the amount financed under the floor plan facilities but are not required to make loan principal repayments prior to the sale of the vehicles. The underlying notes are due when the related vehicles are sold and are collateralized by vehicle inventories and other assets of the relevant dealership subsidiary. The Floor Plan Facility contains a number of covenants, including among others, covenants restricting us with respect to the creation of liens and changes in ownership, officers and key management personnel. Sonic is in compliance with all restrictive covenants as of December 31, 1999.

During 1999, Sonic's Board of Directors authorized Sonic to expend up to \$50 million to repurchase shares of its Class A common stock or redeem securities convertible into Class A common stock. As of December 31, 1999, Sonic has repurchased 723,600 shares of Class A common stock for approximately \$6.4 million. Through March 17, 2000, Sonic has repurchased 165,757 additional shares of Class A common stock for approximately \$1.5 million and has redeemed 3,500 shares of Class A convertible preferred stock for approximately \$3.5 million. Sonic will continue to repurchase shares in the open market from time to time subject to market conditions.

Subsequent to December 31, 1999, Sonic has sold, signed definitive agreements to sell, or signed letters of intent to sell three dealerships for approximately \$5.1 million in proceeds. No material gains or losses are expected from these sales.

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

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#### SEASONALITY

Our operations are subject to seasonal variations. The first quarter generally contributes less revenue and operating profits than the second, third and fourth quarters. Seasonality is principally caused by weather conditions and the timing of manufacturer incentive programs and model changeovers.

#### YEAR 2000 ISSUES

We have not experienced any significant disruptions in operations as a result of Year 2000 related problems, nor have we received indication from our primary banks, lenders or suppliers that they have experienced any significant disruptions as a result of Year 2000 related problems. Although we do not anticipate any significant disruptions as a result of Year 2000 problems, because of the uncertainties inherent with the Year 2000 computer issue, we cannot make assurances that Year 2000 problems will not have a material adverse affect on our results of operations or financial condition.

The costs associated with converting our internal systems to Year 2000 compliant systems have not been material to our financial position or results of operations. Costs associated with upgrading and converting Dealer Management Systems and Dealer Communication Systems were covered by monthly maintenance contracts with the respective suppliers. Costs associated with upgrading or replacing personal computers and embedded systems were expensed or capitalized in accordance with our capitalization policy. Any additional costs which may be necessary for Year 2000 conversions are not expected to be material.

#### SIGNIFICANT MATERIALITY OF GOODWILL

Goodwill represents the excess purchase price over the estimated fair value of the tangible and separately measurable intangible net assets acquired. The cumulative gross goodwill balance at December 31, 1998 was \$182.5 million and at December 31, 1999 was \$605.1 million. As a percentage of total assets and stockholders' equity, goodwill, net of accumulated amortization, represented 31.3% and 126.4%, respectively, at December 31, 1998, and 39.5% and 147.2%, respectively, at December 31, 1999. Generally accepted accounting principles require that goodwill and all other intangible assets be amortized over the period benefited. We have determined that the period benefited by the goodwill will be no less than 40 years. Accordingly, we are amortizing goodwill over a 40 year period. Earnings reported in periods immediately following an acquisition would be overstated if we attributed a 40 year benefit to an intangible asset that should have had a shorter benefit period. In later years, we would be burdened by a continuing charge against earnings without the associated benefit to income valued by management in arriving at the consideration paid for the businesses acquired. Earnings in later years also could be significantly affected if management then determined that the remaining balance of goodwill was impaired. We periodically compare the carrying value of goodwill with the anticipated undiscounted future cash flows from operations of the business we have acquired in order to evaluate the recoverability of goodwill. We have concluded that the anticipated future cash flows associated with intangible assets recognized in our acquisitions will continue indefinitely, and there is no pervasive evidence that any material portion will dissipate over a period shorter than 40 years. We will incur additional goodwill in future acquisitions.

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

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK. Sonic's only financial instruments with market risk exposure are variable rate floor plan notes payable, Revolving Facility borrowings and other variable rate notes. The total outstanding balance of such instruments was approximately \$243.5 million at December 31, 1998 and \$822.0 million at December 31, 1999. A change of one percent in the interest rate would have caused a change in interest expense of approximately \$2.1 million for the year ended December 31, 1998 and approximately \$4.2 million for the year ended December 31, 1999. Of the total change in interest expense, approximately \$1.7 million for the year ended December 31, 1998 and approximately \$3.3 million for the year ended December 31, 1999 would have resulted from floor plan notes payable.

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Sonic's exposure with respect to floor plan notes payable is mitigated by floor plan incentives received from manufacturers which are generally based on rates similar to those incurred under Sonic's floor plan financing arrangements. In 1999, the amounts we received from these manufacturer floor plan incentives exceeded our floor plan interest expense by approximately \$0.8 million. As a result, the effective rate incurred under our floor plan financing arrangements was reduced to 0% after considering these incentives.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See "Index to Financial Statements" that appears on page F-1 herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information required by this item with respect to compliance by Sonic's directors, executive officers and certain beneficial owners of Sonic's Common Stock with Section 16(a) of the Securities Exchange Act of 1934 is furnished by incorporation by reference to all information under the captions entitled "Election of Directors" and "Ownership of Capital Securities" in the Proxy Statement (to be filed hereafter) for Sonic's Annual Meeting of the Shareholders to be held on June 5, 2000 (the "Proxy Statement"). The information required by this item with respect to Sonic's executive officers, directors and key employees appears in Item I of Part I of this Annual Report on Form 10-K under the caption "Executive Officers and Directors; Key Personnel of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is furnished by incorporation by reference to all information under the captions entitled "Executive Compensation" and "Election of Directors" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is furnished by incorporation by reference to all information under the caption "General -- Ownership of Capital Securities" in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is furnished by incorporation by reference to all information under the caption "Certain Transactions" in the Proxy Statement.

## PART IV

## ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

The exhibits and other documents filed as a part of this Annual Report on Form 10-K, including those exhibits which are incorporated by reference herein, are:

## (a) (1) Financial Statements:

See the "Index to Financial Statements" that appears on page F-1 hereof.

## (2) Financial Statement Schedules: No financial statement schedules are required to be filed as part of this Annual Report on Form 10-K.

## (3) Exhibits:

Exhibits required in connection with this Annual Report on Form 10-K are listed below. Certain of such exhibits, indicated by an asterisk, are hereby incorporated by reference to other documents on file with the Securities and Exchange Commission with which they are physically filed, to be a part hereof as of their respective dates.

<TABLE> <CAPTION> EXHIBIT NO.	DESCRIPTION
<S>	<C>
3.1*	Amended and Restated Certificate of Incorporation of Sonic (incorporated by reference to Exhibit 3.1 to Sonic's Registration Statement on Form S-1 (Reg. No. 333-33295) (the "Form S-1")).
3.2	Certificate of Amendment to Sonic's Amended and Restated Certificate of Incorporation effective June 18, 1999.
3.3*	Certificate of Designation, Preferences and Rights of Class A Convertible Preferred Stock (incorporated by reference to Exhibit 4.1 to Sonic's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (the "March 31, 1998 Form 10-Q")).
3.4*	Bylaws of Sonic (incorporated by reference to Exhibit 3.2 to the Form S-1).
4.1*	Form of 11% Senior Subordinated Note due 2008, Series B (incorporated by reference to Exhibit 4.3 to Sonic's Registration Statement on Form S-4 (Reg. Nos. 333-64397 and 333-64397-001 through 333-64397-044) (the "Form S-4")).
4.2*	Indenture dated as of July 1, 1998 among Sonic, as issuer, the subsidiaries of Sonic named therein, as guarantors, and U.S. Bank Trust National Association, as trustee (the "Trustee"), relating to the 11% Senior Subordinated Notes due 2008 (incorporated by reference to Exhibit 4.2 to the Form S-4).
4.2a	First Supplemental Indenture dated as of December 31, 1999 among Sonic, as issuer, the subsidiaries of Sonic named therein, as guarantors and additional guarantors, and the Trustee, relating to the 11% Senior Subordinated Notes due 2008.
4.3*	Registration Rights Agreement dated as of June 30, 1997 among Sonic, O. Bruton Smith, Bryan Scott Smith, William S. Egan and Sonic Financial Corporation (incorporated by reference to Exhibit 4.2 to the Form S-1).
4.4*	Letter Agreement dated as of February 25, 2000 by and among Sonic, Joseph Herson, Mollye Mills, Richard Mills and John Jaffe (incorporated by reference to Exhibit 4.3 to Sonic's Registration Statement on Form S-3 (Reg. No. 333-96023)).
10.1*	Employment Agreement between Sonic and O. Bruton Smith (incorporated by reference to Exhibit 10.29 to the Form S-1).
10.2	Employment Agreement between Sonic and Thomas A. Price.
10.3*	Employment Agreement between Sonic and B. Scott Smith (incorporated by reference to Exhibit 10.30 to the Form S-1).
10.4*	Employment Agreement between Sonic and Theodore M. Wright (incorporated by reference to Exhibit 10.31 to the Form S-1).
10.4 a*	Employment Agreement between Sonic and Dennis D. Higginbotham (incorporated by reference to Exhibit 10.90 to the Form S-4)
10.5*	Tax Allocation Agreement dated as of June 30, 1997 between Sonic and Sonic Financial Corporation (incorporated by reference to Exhibit 10.33 to the Form S-1).
10.6*	Sonic Automotive, Inc. 1997 Stock Option Plan, Amended and Restated as of June 8, 1999 (incorporated by reference to Exhibit 4.1 to Sonic's Registration Statement on Form S-8 (Reg. No. 333-81053)).
10.7*	Sonic Automotive, Inc. Employee Stock Purchase Plan, Amended and Restated as of June 8, 1999 (incorporated by reference to Exhibit 4.1 to Sonic's Registration Statement on Form S-8 (Reg. No. 333-81059)).
10.8*	Sonic Automotive, Inc. Nonqualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to Sonic's Registration Statement on Form S-8 (Reg. No. 333-69899)).

&lt;/TABLE&gt;

<TABLE> <CAPTION> EXHIBIT NO.	DESCRIPTION
<S> 10.9*	<C> Sonic Automotive, Inc. Formula Stock Option Plan for Independent Directors (incorporated by reference to
	Exhibit 10.69 to Sonic's Amended Annual Report on Form 10-K/A for the year ended December 31, 1997 (the "1997 Form 10-K/ A").
10.10*	FirstAmerica Automotive, Inc. 1997 Stock Option Plan, Amended and Restated as of December 10, 1999 (incorporated by reference to Exhibit 4.1 to Sonic's Registration Statement on Form S-8 (Reg. No. 333-95791)).
10.11*	Subscription Agreement dated as of June 30, 1997 between O. Bruton Smith and Sonic (incorporated by reference to Exhibit 10.36 to the Form S-1).
10.12*	Subscription Agreement dated as of June 30, 1997 between Sonic Financial Corporation and Sonic (incorporated by reference to Exhibit 10.37 to the Form S-1).
10.13*	Subscription Agreement dated as of June 30, 1997 between B. Scott Smith and Sonic (incorporated by reference to Exhibit 10.38 to the Form S-1).
10.14*	Subscription Agreement dated as of June 30, 1997 between William S. Egan and Sonic (incorporated by reference to Exhibit 10.39 to the Form S-1).
10.15*	Second Amended and Restated Credit Agreement dated as of July 28, 1999 (the "Credit Agreement") between Sonic, as borrower, and Ford Motor Credit Company, as lender (incorporated by reference to Exhibit 10.3 to Sonic's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 (the "September 30, 1999 Form 10- Q").
10.15a	First Amendment to the Credit Agreement dated December 6, 1999.
10.16	Fourth Amended and Restated Promissory Note dated December 6, 1999 in the amount of \$350 million by Sonic, as borrower, in favor of Ford Motor Credit Company, as lender under the Credit Agreement.
10.17*	Subordinated Promissory Note dated December 1, 1997 (the "Smith Subordinated Note") in the amount of \$5.5 million by Sonic, as borrower, in favor of O. Bruton Smith, as lender (incorporated by reference to Exhibit 10.72 to the 1997 Form 10-K/A).
10.18*	Subordination Agreement dated as of December 15, 1997 between O. Bruton Smith and Ford Motor Credit Company, and acknowledged by Sonic, re: the Smith Subordinated Note (incorporated by reference to Exhibit 10.73 to the 1997 Form 10-K/A).
10.19*	Subordination Agreement dated as of July 31, 1998 between O. Bruton Smith and the Trustee, acting for the benefit of the holders of the Senior Subordinated Notes, and acknowledged by Sonic, re: the Smith Subordinated Note (incorporated by reference to Exhibit 10.89 to the Form S-4).
10.20*	Asset Purchase Agreement dated as of February 4, 1998 among Sonic, as buyer, Hatfield Jeep Eagle, Inc., Hatfield Lincoln Mercury, Inc., Trader Bud's Westside Dodge, Inc., Toyota West, Inc. and Hatfield Hyundai, Inc., as sellers, and Bud C. Hatfield, Dan E. Hatfield and Dan E. Hatfield, as Trustee of The Bud C. Hatfield, Sr. Special Irrevocable Trust, as shareholders of the sellers (the "Hatfield Purchase Agreement") (incorporated by reference to Exhibit 10.3 to the March 31, 1998 Form 10-Q).
10.20a*	Amendment No. 1 and Supplement to the Hatfield Purchase Agreement dated as of May 28, 1998 (incorporated by reference to Exhibit 99.6 to Sonic's Current Report on Form 8-K filed July 9, 1998 (the "July 9, 1998 Form 8- K").
10.20b*	Amendment No. 2 and Supplement to the Hatfield Purchase Agreement dated as of July 8, 1998 (incorporated by reference to Exhibit 99.3 to Sonic's Current Report on Form 8-K filed July 24, 1998).
10.21*	Asset Purchase Agreement dated as of July 7, 1998 among Sonic, 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).
10.21a*	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 Form S-4).
10.22*	Amended and Restated Asset Purchase Agreement dated as of March 16, 1999 among Sonic, Tom Williams Buick, Inc., Williams Cadillac, Inc., Tom Williams Motors, Inc., Tom Williams Auto, Inc., Thomas P. Williams, Sr., Charles Clark Williams and Thomas P. Williams, Jr. (incorporated by reference to Exhibit 10.35 to Sonic's Annual Report on Form 10-K for the year ended December 31, 1998 (the "1998 Form 10- K").

<TABLE> <CAPTION> EXHIBIT NO.	DESCRIPTION
<S>	<C>
10.22a*	Agreement and Plan of Merger dated as of March 16, 1999 among Sonic, Williams Cadillac Company, Inc., Thomas P. Williams, Sr., Charles Clark Williams, Thomas P. Williams, Jr. and Catherine D. Ward (incorporated by reference to Exhibit 10.35a to the 1998 Form 10-K).
10.23*	Asset Purchase Agreement dated as of November 25, 1998 among Sonic, Global Imports, Inc. and William Morris Whitmire (the "Global Purchase Agreement") (incorporated by reference to Exhibit 10.36 to the

	Form 10-K).
10.23a*	Amendment No. 1 and Supplement to the Global Purchase Agreement dated as of February 18, 1999 (incorporated by reference to Exhibit 10.36a to the 1998 Form 10-K).
10.24*	Asset Purchase Agreement dated February 26, 1999 by and among Sonic, Lute Riley Motors, Inc. and L.S. Riley (incorporated by reference to Exhibit 10.37 to the 1998 Form 10-K).
10.25*	Agreement and Plan of Merger dated as of April 6, 1999 by and among Sonic, Manhattan Auto, Inc., Joseph Herson, Mollye Mills, John Jaffe and Richard Mills (the "Manhattan Merger Agreement") (incorporated by reference to Exhibit 4.10 to Sonic's Registration Statement on Form S-3 (Reg. No. 333-82615) (the "August 1999 Form S-3"))).
"August 10.25a*	Letter Agreement dated as of August 3, 1999 regarding amendment to the Manhattan Merger Agreement (incorporated by reference to Exhibit 4.11 to the August 1999 Form S-3).
10.26*	Asset Purchase Agreement dated April 6, 1999 by and among Sonic, L.O.R., Inc., Waldorf Automotive, Inc., Manhattan Imported Cars, Inc. and the stockholders of L.O.R., Waldorf Automotive and Manhattan Imported Cars (incorporated by reference to Exhibit 10.3 to Sonic's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 (the "June 30, 1999 Form 10-Q")).
10.27*	Sonic Agreement dated as of June 30, 1999 by and among Sonic, the subsidiaries of Sonic listed on Schedule A thereto and CAR MMR, L.L.C. (the "Sonic Agreement") (confidential portions omitted and filed separately with the SEC) (incorporated by reference to Exhibit 10.4 to the June 30, 1999 Form 10-Q).
10.28*	Agreement dated as of August 5, 1999 by and among Sonic, O. Bruton Smith and Sonic Financial Corporation relating to the transactions contemplated by the Sonic Agreement (incorporated by reference to Exhibit 10.5 to the June 30, 1999 Form 10-Q).
10.29*	Asset Purchase Agreement dated September 30, 1999 by and among Sonic, Riverside Chevrolet, Inc. and the stockholders of Riverside Chevrolet, Inc. listed on the signature page thereto (incorporated by reference to Exhibit 10.5 to the September 30, 1999 Form 10-Q).
10.30*	Asset Purchase Agreement dated September 30, 1999 by and among Sonic, Jim Glover Dodge, Inc. and the stockholders of Jim Glover Dodge, Inc. listed on the signature page thereto (incorporated by reference to Exhibit 10.6 to the September 30, 1999 Form 10-Q).
10.31*	Stock Purchase Agreement dated September 30, 1999 by and among Sonic, Riverside Nissan, Inc. and the stockholders of Riverside Nissan, Inc. listed on the signature page thereto (incorporated by reference to Exhibit 10.7 to the September 30, 1999 Form 10-Q).
10.32*	Amended and Restated Asset Purchase Agreement dated as of October 28, 1999 by and among Sonic, Freeland & Schuh, Inc., South Gate Motors, Inc., Freeland Holdings, Inc., George T. Freeland, Bernard G. Freeland and Christopher G. Freeland (incorporated by reference to Exhibit 99.1 to Sonic's Current Report on Form 8-K filed November 19, 1999).
10.33*	Agreement and Plan of Merger and Reorganization dated as of October 31, 1999 by and among Sonic, FAA Acquisition Corp., FirstAmerica Automotive, Inc. and certain stockholders of FirstAmerica Automotive, Inc. listed on the signature page therein (incorporated by reference to Exhibit 10.8 to the September 30, 1999 Form 10-Q).
21.1	Subsidiaries of the Company.
23.1	Consent of Deloitte & Touche LLP.
27	Financial Data Schedule.

</TABLE>

- -----  
\* Filed previously

(b) Reports on Form 8-K

Sonic filed a report on form 8-K on November 19, 1999, reporting under Item 5 of such report, that on November 4, 1999, Sonic completed its acquisition of the assets of Freeland Holdings, Inc., which operates five automobile dealerships in Fort Myers, Florida, pursuant to an Amended and Restated Asset Purchase Agreement dated as of October 28, 1999. Sonic also reported the completed acquisition of Manhattan Automotive Group, which operated four automobile dealerships in the Washington D.C. metropolitan area, pursuant to an Agreement and Plan of Merger dated April 6, 1999, and an Asset Purchase Agreement dated April 6, 1999. The material terms of both acquisitions are described in the Form 8-K. Financial statements were filed as an amendment to this Form 8-K filed with the SEC on January 18, 2000.

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Sonic filed a report on Form 8-K on November 19, 1999, reporting, under Item 5 of such report, that on November 4, 1999, Sonic had announced in a press release that its Board of Directors had authorized a stock repurchase of up to \$25 million. The press release is attached as an exhibit to the Form 8-K. No financial statements were included in the filing.

Sonic filed a report on Form 8-K on December 22, 1999, reporting under Item 2 of such report, that on December 10, 1999, Sonic has acquired (i) approximately 96% of the outstanding shares of Class A Common Stock of



FirstAmerica Automotive, Inc. ("FirstAmerica"), (ii) all of the outstanding shares of Class B Common Stock of FirstAmerica, (iii) all of the outstanding shares of Preferred Stock of FirstAmerica, and (iv) approximately 94% of the outstanding warrants to purchase shares of Common Stock of FirstAmerica. The material terms of the FirstAmerica acquisition are described in the Form 8-K. Financial statements were filed in an amendment to this Form 8-K filed with the SEC on January 27, 2000.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SONIC AUTOMOTIVE, INC.

BY /S/ THEODORE M. WRIGHT  
-----

THEODORE M. WRIGHT  
CHIEF FINANCIAL OFFICER,  
VICE PRESIDENT AND TREASURER

Date: March 30, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
<S> /S/ O. BRUTON SMITH ----- O. BRUTON SMITH	<C> Chief Executive Officer (principal executive officer) and Chairman	<C> March 30, 2000
/S/ THOMAS A. PRICE ----- THOMAS A. PRICE	Vice Chairman and Director	March 30, 2000
/S/ B. SCOTT SMITH ----- B. SCOTT SMITH	President, Chief Operating Officer and Director	March 30, 2000
/S/ THEODORE M. WRIGHT ----- THEODORE M. WRIGHT	Chief Financial Officer, Vice President and Treasurer (Principal Financial and Accounting Officer) and Director	March 30, 2000
/S/ JEFFREY C. RACHOR ----- JEFFREY C. RACHOR	Executive Vice President of Retail Operations and Director	March 30, 2000
/S/ WILLIAM R. BROOKS ----- WILLIAM R. BROOKS	Director	March 30, 2000
/S/ WILLIAM P. BENTON ----- WILLIAM P. BENTON	Director	March 30, 2000
/S/ WILLIAM I. BELK ----- WILLIAM I. BELK	Director	March 30, 2000
/S/ H. ROBERT HELLER ----- H. ROBERT HELLER	Director	March 30, 2000

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INDEX TO FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF  
SONIC AUTOMOTIVE, INC.  
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Sonic Automotive, Inc. and Subsidiaries (the "Company") as of December 31, 1998 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1998 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP  
Charlotte, North Carolina

March 17, 2000

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1998 AND 1999  
(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	DECEMBER 31,	
-	-----	-----
	1998	1999
	-----	-----
<S>	<C>	<C>
ASSETS (Note 5)		
CURRENT ASSETS:		
Cash and cash equivalents (Note 1) .....	\$ 51,834	\$ 83,111
Receivables (net of allowance for doubtful accounts of \$700 and \$1,506 at December 31, 1998 and December 31, 1999, respectively) .....	39,902	99,987
Inventories (Note 3) .....	264,971	630,857
Due from affiliates (Note 7) .....	1,471	4,188
Other current assets (Note 6) .....	6,663	17,424
	-----	-----
Total current assets .....	364,841	835,567
PROPERTY AND EQUIPMENT, NET (Notes 4 and 5) .....	26,250	63,681
GOODWILL, NET (Note 1) .....	180,081	592,670
OTHER ASSETS .....	4,931	9,184
	-----	-----
TOTAL ASSETS .....	\$576,103	\$1,501,102

LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable -- floor plan (Note 3)	\$228,158	\$ 517,575
Trade accounts payable	14,994	48,405
Accrued interest	7,058	11,605
Other accrued liabilities (Note 6)	27,763	72,012
Payable to affiliates	628	--
Payable for acquisitions (Note 2)	2,385	5,925
Current maturities of long-term debt (Note 5)	4,700	2,388
Total current liabilities	285,686	657,910
LONG-TERM DEBT (Note 5)	131,337	417,283
OTHER LONG-TERM LIABILITIES (Note 7)	--	3,923
PAYABLE FOR ACQUISITIONS	275	--
PAYABLE TO THE COMPANY'S CHAIRMAN (Note 7)	5,500	5,500
PAYABLE TO AFFILIATES (Note 7)	3,625	723
DEFERRED INCOME TAXES	4,066	8,476
INCOME TAX PAYABLE	3,185	4,714
COMMITMENTS AND CONTINGENCIES (Notes 7 and 10)		
STOCKHOLDERS' EQUITY (Notes 1 and 8):		
Preferred Stock, \$.10 par, 3.0 million shares authorized; 300,000 shares designated as Class A Convertible Preferred Stock, liquidation preference \$1,000 per share, of which 22,179 shares are issued and outstanding at December 31, 1998 and 28,159 shares are issued and outstanding at December 31, 1999	20,431	27,191
Class A Common Stock, \$.01 par, 100.0 million shares authorized; 11,959,274 shares issued at December 31, 1998 and 29,075,437 shares issued at December 31, 1999	120	291
Class B Common Stock, \$.01 par (convertible into Class A Common Stock), 30.0 million shares authorized; 12,400,000 shares issued and outstanding at December 31, 1998 and 12,250,000 shares issued and outstanding at December 31, 1999	124	123
Paid-in capital	87,011	301,934
Retained earnings	34,743	79,392
Class A Treasury Stock, at cost (723,600 shares at December 31, 1999)	--	(6,358)
Total stockholders' equity	142,429	402,573
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$576,103	\$1,501,102

</TABLE>

See notes to consolidated financial statements.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999  
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>

<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1997	1998	1999
<S>	<C>	<C>	<C>
REVENUES:			
New vehicles	\$ 343,941	\$ 962,939	\$ 1,968,514
Used vehicles	85,132	324,740	684,560
Wholesale vehicles	38,785	119,351	250,794
Total vehicles	467,858	1,407,030	2,903,868
Parts, service and collision repair	57,537	162,660	364,184
Finance and insurance (Note 1)	10,606	34,011	82,771
Total revenues	536,001	1,603,701	3,350,823
COST OF SALES (Note 1)	473,003	1,396,259	2,896,400
GROSS PROFIT	62,998	207,442	454,423
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
DEPRECIATION	776	1,384	3,138
GOODWILL AMORTIZATION	546	3,223	8,561
OPERATING INCOME	14,906	52,705	115,810
OTHER INCOME AND EXPENSE:			
Interest expense, floor plan	8,007	14,096	22,536
Interest expense, other	1,199	9,395	21,586
Other income	298	426	1,286
Total other expense	8,908	23,065	42,836

INCOME BEFORE INCOME TAXES AND MINORITY INTEREST .....	5,998	29,640	72,974
PROVISION FOR INCOME TAXES .....	2,249	11,083	28,325
INCOME BEFORE MINORITY INTEREST .....	3,749	18,557	44,649
MINORITY INTEREST IN EARNINGS OF SUBSIDIARY .....	47	--	--
NET INCOME .....	\$ 3,702	\$ 18,557	\$ 44,649
BASIC NET INCOME PER SHARE (Note 8) .....	\$ 0.27	\$ 0.81	\$ 1.41
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING .....	13,898	22,852	31,744
DILUTED NET INCOME PER SHARE (Note 8) .....	\$ 0.27	\$ 0.74	\$ 1.27
WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING .....	13,898	24,970	35,248

</TABLE>

See notes to consolidated financial statements.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999  
(DOLLARS AND SHARES IN THOUSANDS)

<TABLE>  
<CAPTION>

	PREFERRED STOCK		CLASS A COMMON STOCK		CLASS B COMMON STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT						
DECEMBER 31, 1996 .....	--	\$ --	--	\$ --	12,500	\$125
Capital contribution .....	--	--	--	--	--	--
Public offering of common stock .....	--	--	10,000	100	--	--
Stock redemption .....	--	--	--	--	--	--
Dividend .....	--	--	--	--	--	--
Comprehensive income:						
Net income .....	--	--	--	--	--	--
Net unrealized gain on marketable equity securities net of tax of \$73,864.....	--	--	--	--	--	--
Total comprehensive income .....	--	--	--	--	--	--
BALANCE AT						
DECEMBER 31, 1997 .....	--	--	10,000	100	12,500	125
Issuance of Preferred Stock (Note 2) .....	31	29,342	--	--	--	--
Issuance of Class A Common Stock (Note 2) .....	--	--	975	10	--	--
Shares awarded under stock compensation plans .....	--	--	252	3	--	--
Issuance of warrants (Note 8) .....	--	--	--	--	--	--
Conversion of Preferred Stock .....	(9)	(8,911)	632	6	--	--
Conversion of Class B Common Stock .....	--	--	100	1	(100)	(1)
Comprehensive income:						
Net income .....	--	--	--	--	--	--
Net unrealized loss .....	--	--	--	--	--	--
Total comprehensive income .....	--	--	--	--	--	--
BALANCE AT						
DECEMBER 31, 1998 .....	22	20,431	11,959	120	12,400	124
Issuance of Preferred Stock (Note 2) .....	59	59,045	--	--	--	--

Issuance of Class A Common Stock (Notes 2 and 8) .....	--	--	12,852	129	--	--
Shares awarded under stock compensation plans .....	--	--	281	3	--	--
Conversion of Preferred Stock (Note 8) .....	(53)	(52,285)	3,833	38	--	--
Conversion of Class B Common Stock .....	--	--	150	1	(150)	(1)
Purchase of Class A Treasury Stock (Note 8) .....	--	--	--	--	--	--
Net income .....	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1999 .....	28	\$ 27,191	29,075	\$291	12,250	\$123
	=====	=====	=====	=====	=====	=====

<CAPTION>

	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1996 .....	\$ 13,271	\$12,993	\$ --	\$ (94)	\$ 26,295
Capital contribution .....	3,208	--	--	--	3,208
Public offering of common stock .....	53,577	--	--	--	53,677
Stock redemption .....	(2,123)	--	--	--	(2,123)
Dividend .....	--	(509)	--	--	(509)
Comprehensive income:					
Net income .....	--	3,702	--	--	3,702
Net unrealized gain on marketable equity securities net of tax of \$73,864.....	--	--	--	115	115
	-----	-----	-----	-----	-----
Total comprehensive income .....	--	--	--	--	3,817
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1997 .....	67,933	16,186	--	21	84,365
Issuance of Preferred Stock (Note 2) .....	--	--	--	--	29,342
Issuance of Class A Common Stock (Note 2) .....	8,283	--	--	--	8,293
Shares awarded under stock compensation plans .....	1,162	--	--	--	1,165
Issuance of warrants (Note 8) .....	728	--	--	--	728
Conversion of Preferred Stock .....	8,905	--	--	--	--
Conversion of Class B Common Stock .....	--	--	--	--	--
Comprehensive income:					
Net income .....	--	18,557	--	--	18,557
Net unrealized loss .....	--	--	--	(21)	(21)
	-----	-----	-----	-----	-----
Total comprehensive income .....	--	--	--	--	18,536
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1998 .....	87,011	34,743	--	--	142,429
Issuance of Preferred Stock (Note 2) .....	--	--	--	--	59,045
Issuance of Class A Common Stock (Notes 2 and 8) .....	160,665	--	--	--	160,794
Shares awarded under stock compensation plans .....	2,011	--	--	--	2,014
Conversion of Preferred Stock (Note 8) .....	52,247	--	--	--	--
Conversion of Class B Common Stock .....	--	--	--	--	--
Purchase of Class A Treasury Stock (Note 8) .....	--	--	(6,358)	--	(6,358)

Net income .....	--	44,649	--	--	44,649
	-----	-----	-----	-----	-----
BALANCE AT					
DECEMBER 31, 1999 .....	\$301,934	\$79,392	\$ (6,358)	\$ --	\$402,573
	=====	=====	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999  
(DOLLARS IN THOUSANDS)

	YEARS ENDED DECEMBER		
31,	-----		
-----	1997	1998	-----
1999	-----	-----	-----
-----			
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income .....	\$ 3,702	\$ 18,557	\$
44,649			
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	1,322	4,607	
11,699			
Loss on disposal of property and equipment .....	110	278	
249			
Deferred income taxes .....	(27)	2,164	
2,075			
Changes in assets and liabilities that relate to operations:			
Receivables .....	(594)	(11,018)	
(27,860)			
Inventories .....	1,430	12,030	
(45,665)			
Other assets .....	(1,039)	(4,169)	
7,332			
Notes payable -- floor plan .....	1,632	(16,806)	
50,707			
Trade accounts payable and other liabilities .....	1,190	7,344	
2,886			
-----	-----	-----	-----
Total adjustments .....	4,024	(5,570)	
1,423			
-----	-----	-----	-----
Net cash provided by operating activities .....	7,726	12,987	
46,072			
-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of businesses, net of cash acquired .....	(85,650)	(72,205)	
(360,683)			
Purchases of property and equipment .....	(2,007)	(4,335)	
(21,548)			
Proceeds from sales of property and equipment .....	43	1,655	
13,600			
Proceeds from sales of marketable equity securities .....	784	--	
--			
-----	-----	-----	-----
Net cash used in investing activities .....	(86,830)	(74,885)	
(368,631)			
-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt .....	45,892	179,851	
387,532			
Payments on long-term debt .....	(13,353)	(84,594)	
(114,073)			
Public offering of Class A common stock .....	53,677	--	
84,990			
Purchases of Class A common stock .....	--	--	
(6,358)			
Issuance of shares under stock compensation plans .....	--	1,165	

2,014			
Advances to affiliated companies .....	(987)	(994)	
(269)			
Advances from the Company's Chairman .....	5,500	--	
--			
-----			
Net cash provided by financing activities .....	90,729	95,428	
353,836			
-----			
NET INCREASE IN CASH AND CASH EQUIVALENTS .....	11,625	33,530	
31,277			
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....	6,679	18,304	
51,834			
-----			
CASH AND CASH EQUIVALENTS, END OF YEAR .....	\$ 18,304	\$ 51,834	\$
83,111			
	=====	=====	
=====			
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
-- Cash paid during the year for:			
Interest .....	\$ 8,761	\$ 17,504	\$
39,575			
Income taxes .....	\$ 1,392	\$ 10,919	\$
20,681			
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:			
Preferred Stock issued for acquisitions and contingent consideration (Note 2) .....	--	\$ 29,342	\$
59,045			
Conversion of Preferred Stock .....	--	\$ 8,911	\$
52,285			
Class A common stock issued for acquisitions (Note 2) .....	--	\$ 8,250	\$
75,802			
</TABLE>			

See notes to consolidated financial statements.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ALL TABLES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

#### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS -- Sonic Automotive, Inc ("Sonic") is the second largest automotive retailer in the United States (as measured by total revenue), operating 162 dealership franchises and 29 collision repair centers in southeastern, southwestern, mid-western, mid-Atlantic and western United States as of December 31, 1999. Sonic sells new and used cars and light trucks, sells replacement parts, provides vehicle maintenance, warranty, paint and repair services, and arranges related financing and insurance for its automotive customers. As of December 31, 1999, Sonic sold a total of 31 foreign and domestic brands of new vehicles.

Sonic was incorporated in the State of Delaware in February 1997. Pursuant to a reorganization on June 30, 1997 (the "Reorganization"), five dealerships which were affiliated through the common ownership and control of Mr. O. Bruton Smith, Sonic's Chairman and Chief Executive Officer, became the first wholly-owned subsidiaries of Sonic through the exchange of their common stock or membership interests for 12.5 million shares of Sonic's Class B common stock, par value \$.01 per share. The Reorganization was accounted for at historical cost in a manner similar to a pooling-of-interests as the entities were under common management and control. The financial statements for the periods through the effective date of the Reorganization represent the combined data for these five dealerships.

During 1999, Sonic completed the acquisitions of 73 dealerships (see Note 2). Each of these acquisitions has been accounted for using the purchase method of accounting, and the accompanying consolidated financial statements include the results of operations of the dealerships acquired from their respective dates of acquisition.

PRINCIPLES OF CONSOLIDATION -- All material intercompany transactions have been eliminated in the consolidated financial statements.

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

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

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

Commissions expense related to finance and insurance commission revenue is charged to cost of sales upon recognition of such revenue, net of estimated chargebacks. Commission expense charged to cost of sales was approximately \$1.8 million, \$6.0 million and \$13.1 million for the years ended December 31, 1997, 1998, and 1999, respectively.

DEALER AGREEMENTS -- Sonic purchases substantially all of its new vehicles from manufacturers at the prevailing prices charged by the manufacturer to its franchised dealers. Sonic's sales could be unfavorably impacted by the manufacturer's unwillingness or inability to supply the dealership with an adequate supply of new vehicle inventory.

Each dealership operates under a dealer agreement with the manufacturer which generally restricts the location, management and ownership of the respective dealership. The ability of Sonic to acquire additional franchises from a particular manufacturer may be limited due to certain restrictions imposed by manufacturers. Additionally, Sonic's ability to enter into other significant acquisitions may be restricted and the acquisition of Sonic's stock by third parties may be limited by the terms of the franchise agreements.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

CASH AND CASH EQUIVALENTS -- Sonic considers contracts in transit and all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. Contracts in transit represent cash in transit to Sonic from finance companies related to vehicle purchases, and was \$36.6 million and \$83.1 million at December 31, 1998 and 1999, respectively.

INVENTORIES -- Inventories of new and used vehicles, including demonstrators, are stated at the lower of specific cost or market. Inventories of parts and accessories are accounted for using the "first-in, first-out" method of inventory accounting ("FIFO") and are stated at the lower of FIFO cost or market. Other inventories, which primarily include rental and service vehicles, are stated at the lower of specific cost or market.

PROPERTY AND EQUIPMENT -- Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The range of estimated useful lives is as follows:

<TABLE>  
 <CAPTION>

	USEFUL LIVES
	-----
<S>	<C>
Building and improvements .....	5-40
Office equipment and fixtures .....	5-15
Parts and service equipment .....	15
Company vehicles .....	5

</TABLE>

GOODWILL -- Goodwill represents the excess purchase price over the estimated fair value of the tangible and separately measurable intangible net assets acquired. The cumulative gross amount of goodwill at December 31, 1998 was \$182.5 million and at December 31, 1999 was \$605.1 million. As a percentage of total assets and stockholders' equity, goodwill, net of accumulated amortization, represented 31.3% and 126.4%, respectively, at December 31, 1998, and 39.5% and 147.2%, respectively, at December 31, 1999. Generally accepted accounting principles require that goodwill and all other intangible assets be



amortized over the period benefited. Sonic has determined that the period benefited by the goodwill will be no less than 40 years. Accordingly Sonic is amortizing goodwill over a 40 year period. Earnings reported in periods immediately following an acquisition would be overstated if Sonic attributed a 40 year benefit to an intangible asset that should have had a shorter benefit period. In later years, Sonic would be burdened by a continuing charge against earnings without the associated benefit to income valued by management in arriving at the price paid for the businesses acquired. Earnings in later years also could be significantly affected if management then determined that the remaining balance of goodwill was impaired. Sonic periodically compares the carrying value of goodwill with the anticipated undiscounted future cash flows from operations of the businesses acquired in order to evaluate the recoverability of goodwill. Sonic has concluded that the anticipated future cash flows associated with intangible assets recognized in its acquisitions will continue indefinitely, and there is no pervasive evidence that any material portion will dissipate over a period shorter than 40 years. Sonic will incur additional goodwill in future acquisitions.

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

INCOME TAXES -- Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to the capitalization of additional inventory costs for income tax purposes, the recording of chargebacks and repossession losses on the direct write-off method for income tax purposes, the direct write-off of uncollectible accounts for income tax purposes, the accelerated amortization period for goodwill of 15 years for income tax purposes, and the accelerated depreciation method used for income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. In addition, deferred tax assets are recognized for state operating losses that are available to offset future taxable income.

STOCK-BASED COMPENSATION -- Sonic measures the compensation cost of its stock-based compensation plans under the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," as

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES -- (Continued)

permitted under Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." Under the provisions of APB No. 25, compensation cost is measured based on the intrinsic value of the equity instrument awarded.

CONCENTRATIONS OF CREDIT RISK -- Financial instruments which potentially subject Sonic to concentrations of credit risk consist principally of cash on deposit with financial institutions. At times, amounts invested with financial institutions may exceed FDIC insurance limits. Concentrations of credit risk with respect to receivables are limited primarily to automobile manufacturers and financial institutions. Credit risk arising from trade receivables from commercial customers is reduced by the large number of customers comprising the trade receivables balances.

FAIR VALUE OF FINANCIAL INSTRUMENTS -- As of December 31, 1998 and 1999 the fair values of Sonic's financial instruments including receivables, due from affiliates, notes payable-floor plan, trade accounts payable, payables to affiliated companies and Sonic's Chairman, payables for acquisitions and long-term debt, excluding Sonic's senior subordinated notes, approximate their carrying values due either to length of maturity or existence of variable interest rates that approximate prevailing market rates. The fair value of Sonic's senior subordinated notes based on the quoted bid price as of December 31, 1998 and 1999 was approximately \$120.7 million and \$121.9 million, respectively. The carrying value of Sonic's senior subordinated notes as of December 31, 1998 and 1999 was approximately \$120.7 million and \$121.0 million, respectively.

USE OF ESTIMATES -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses

during the reporting period. Actual results could differ from those estimates.

ADVERTISING -- Sonic expenses advertising costs in the period incurred. Advertising expense amounted to \$7.0 million, \$17.4 million and \$33.1 million for the years ended December 31, 1997, 1998 and 1999, respectively.

SEGMENT INFORMATION -- Sonic's business is fundamentally managed based on individual dealership operating performance. Each of Sonic's dealerships have similar economic and operating characteristics. Each dealership sells similar products and services (new and used vehicles, parts, service and collision repair services), uses similar processes in selling its products and services, and sells its products and services to similar classes of customers. As a result, Sonic's dealerships are aggregated into a single operating segment for purposes of reporting financial condition and results of operations.

2. BUSINESS ACQUISITIONS

ACQUISITIONS COMPLETED SUBSEQUENT TO DECEMBER 31, 1999

Subsequent to December 31, 1999, Sonic acquired 6 dealerships for approximately \$44.8 million in cash and 11,589 shares of Sonic's Class A convertible preferred stock, Series II, having a liquidation value of \$1,000 per share. The cash portion of the purchase price was financed with a combination of cash borrowed under Sonic's \$350 million acquisition line of credit (the "Revolving Facility") with Ford Motor Credit Company ("Ford Motor Credit") and cash generated from Sonic's existing operations. The acquisitions were accounted for using the purchase method of accounting.

ACQUISITIONS COMPLETED DURING THE YEAR ENDED DECEMBER 31, 1999

During 1999, Sonic acquired 73 dealerships for approximately \$420.4 million in cash, 6,282 shares of Sonic's Class A convertible preferred stock, Series II, recorded at an estimated value of approximately \$6.3 million, 45,783 shares of Sonic's Class A convertible preferred stock, Series III, recorded at an estimated value of approximately \$45.8 million, and 6,784,347 shares of Sonic's Class A common stock having an estimated fair value at the time of issuance of approximately \$75.8 million. The cash portion of the purchase price was financed with a combination of a portion of the net proceeds from Sonic's public offering of Class A common stock in May 1999, cash borrowed under the Revolving Facility and cash generated from Sonic's existing operations. Payable for acquisitions on the accompanying consolidated

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2. BUSINESS ACQUISITIONS -- (Continued)

balance sheet as of December 31, 1999 includes approximately \$3.7 million of the cash portion of the aggregate purchase price which was paid subsequent to December 31, 1999.

The acquisitions were accounted for using the purchase method of accounting, and the results of operations of such acquisitions have been included in the accompanying consolidated financial statements from their respective acquisition dates. The aggregate purchase price of these acquisitions has been allocated to the assets and liabilities acquired based on their estimated fair market value at the acquisition date as shown in the table below. Because many of our acquisitions were consummated within the last two months of the fiscal year, we are still in the process of obtaining data necessary to complete the allocation of the purchase price of these acquisitions. As a result, the values of assets and liabilities included in the table below reflect preliminary estimates where values have not yet been determined, and may ultimately be different than amounts recorded once actual values are determined. Any adjustment to the value of assets and liabilities will be recorded against goodwill.

<TABLE>	
<S>	
Working capital .....	\$ 103,569
Property and equipment .....	38,497
Goodwill .....	417,251
Non-current liabilities assumed ..	(11,033)
	-----
Total purchase price .....	\$ 548,284
	=====

</TABLE>

ACQUISITIONS COMPLETED DURING THE YEAR ENDED DECEMBER 31, 1998

During 1998, Sonic acquired 19 dealerships for an aggregate purchase price of approximately \$134.0 million. The aggregate purchase price was paid with approximately \$96.2 million in cash, with 970,588 shares of Class A common stock, with 14,406.3 shares of Class A convertible preferred stock, Series I, 10,054.5 shares of Class A convertible preferred stock, Series II, and 6,273 shares of Class A convertible preferred stock, Series III and with warrants to purchase an aggregate of 154,000 shares of Class A common stock. The cash portion of the aggregate purchase price was financed with a combination of cash obtained from the net proceeds of Sonic's private offering on July 31, 1998 of \$125 million in aggregate principal amount of its 11% senior subordinated notes, cash obtained from the Revolving Facility, and cash generated from Sonic's existing operations. Payables for acquisitions as of December 31, 1998 on the accompanying consolidated balance sheet includes \$1.7 million of the cash portion of the aggregate purchase price which was paid subsequent to December 31, 1998.

In accordance with terms of certain of the purchase agreements, Sonic may be required to pay additional consideration contingent upon future earnings of certain of the dealerships acquired. As of December 31, 1999, Sonic had paid approximately \$5.0 million in cash and issued 6,717 shares of Class A convertible preferred stock, Series II, and 263.2 shares of Class A convertible preferred stock, Series III relating to such consideration, which has been accounted for as goodwill. Any additional amounts which may be payable in the future will also be accounted for as goodwill.

All of the acquisitions completed in 1998 have been accounted for using the purchase method of accounting, and the results of operations of such acquisitions have been included in the accompanying consolidated financial statements from their respective acquisition dates. The purchase price of these acquisitions has been allocated to the assets and liabilities acquired based on their estimated fair market value at acquisition date as shown in the table below.

<TABLE>		<C>
<S>		
Working capital .....		\$ 30,341
Property and equipment .....		5,690
Goodwill .....		101,323
Non-current liabilities assumed .....		(3,365)
		-----
Total purchase price .....		\$133,989
		=====

</TABLE>

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2. BUSINESS ACQUISITIONS -- (Continued)

ACQUISITIONS COMPLETED DURING YEAR ENDED DECEMBER 31, 1997

During 1997, Sonic acquired 13 dealerships for an aggregate purchase price of approximately \$98.8 million. The aggregate purchase price was paid with approximately \$94.8 million in cash and with a \$4.0 million promissory note bearing interest at prime less 0.5% and payable in 28 equal quarterly installments to a former owner of certain of the acquired dealerships. The cash portion of the aggregate purchase price was financed with a combination of cash obtained from the net proceeds of Sonic's initial public offering, cash obtained from the Revolving Facility, and cash generated from Sonic's existing operations. In addition, Sonic issued to the seller of one of the acquired dealerships warrants to purchase an aggregate of 88,782 shares of Class A common stock having an approximate fair value of \$0.3 million.

All of the acquisitions completed in 1997 have been accounted for using the purchase method of accounting, and the results of operations of such acquisitions have been included in the accompanying consolidated financial statements from their respective dates of acquisition. The purchase price of these acquisitions has been allocated to the assets and liabilities acquired based on their estimated fair market value at acquisition date as follows:

<TABLE>		(IN THOUSANDS)
<CAPTION>		-----
<S>		<C>
Working capital .....		\$ 28,247
Property and equipment .....		3,969
Goodwill .....		69,528
Non-current liabilities assumed .....		(2,940)

Total purchase price ..... \$ 98,804  
=====

</TABLE>

PRO FORMA RESULTS OF OPERATIONS

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

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1998	1999
-----		
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)		
<S>	<C>	<C>
Total revenues .....	\$ 4,837,913	\$ 5,399,981
Gross profit .....	\$ 649,810	\$ 744,717
Net income .....	\$ 24,368	\$ 51,553
Diluted income per share .....	\$ 0.56	\$ 1.14

</TABLE>

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. INVENTORIES AND RELATED NOTES PAYABLE -- FLOOR PLAN

Inventories consist of the following:

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1998	1999
-----		
(IN THOUSANDS)		
<S>	<C>	<C>
New vehicles .....	\$190,139	\$459,382
Used vehicles .....	47,033	109,130
Parts and accessories .....	16,012	44,821
Other .....	11,787	17,524
	-----	-----
Total .....	\$264,971	\$630,857
	=====	=====

</TABLE>

All new and certain used vehicles are financed with borrowings under floor plan credit facilities, and are pledged to collateralize amounts borrowed under those facilities. We currently have standardized floor plan credit facilities with Chrysler Financial Corporation ("Chrysler Financial") and Ford Motor Credit. The floor plan credit facility with Chrysler Financial, which was obtained on November 1, 1999, provides up to \$750 million for the purchase of vehicles at our Chrysler dealerships. The floor plan facility with Ford Motor Credit provides up to \$550 million for the purchase of vehicles at all of our other dealerships. As of December 31, 1998 there was an aggregate of approximately \$228.2 million outstanding under the Ford Motor Credit floor plan facility. No amounts were outstanding under the Chrysler Financial floor plan facility. As of December 31, 1999, there was an aggregate of approximately \$102.7 million outstanding under the Chrysler Financial floor plan facility and \$400.8 million outstanding under the Ford Motor Credit floor plan facility.

Amounts outstanding under the Chrysler Financial floor plan facility bear interest at 1.25% above LIBOR (LIBOR was 5.82% at December 31, 1999). Amounts outstanding under the Ford Motor Credit floor plan facility bear interest at an effective interest rate of prime less 1.3% (prime was 8.5% at December 31,

1999), subject to certain incentives and other adjustments. Typically new vehicle floor plan indebtedness exceeds the related inventory balances. The inventory balances are generally reduced by the manufacturer's purchase discounts, which are not reflected in the related floor plan liability. These manufacturer purchase discounts are standard in the industry, typically occur on all new vehicle purchases, and are not used to offset the related floor plan liability. These discounts are aggregated and generally paid to us by the manufacturers on a quarterly basis.

We make monthly interest payments on the amount financed under the floor plan facilities but are not required to make loan principal repayments prior to the sale of the vehicles. The underlying notes are due when the related vehicles are sold and are collateralized by vehicle inventories and other assets of the relevant dealership subsidiary. As such, these floor plan notes payable are shown as a current liability in the accompanying consolidated balance sheets. The floor plan facilities contain a number of covenants, including among others, covenants restricting us with respect to the creation of liens and changes in ownership, officers and key management personnel. Sonic is in compliance with all restrictive covenants as of December 31, 1999.

Other inventories include rental and service vehicles in the amount of \$11.1 million and \$16.7 million at December 31, 1998 and 1999, respectively. Notes payable, floor plan on the accompanying consolidated balance sheets includes \$12.1 million and \$14.1 million related to these vehicles at December 31, 1998 and 1999, respectively.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1998	1999
	(IN THOUSANDS)	
<S>	<C>	<C>
Land .....	\$ 4,330	\$ 953
Building and improvements .....	14,085	23,120
Office equipment and fixtures .....	6,739	22,616
Parts and service equipment .....	6,495	16,008
Company vehicles .....	1,300	4,664
Construction in progress .....	645	5,785
	-----	-----
Total, at cost .....	33,594	73,146
Less accumulated depreciation .....	(7,344)	(9,465)
	-----	-----
Property and equipment, net .....	\$ 26,250	\$ 63,681
	=====	=====

</TABLE>

5. LONG-TERM DEBT

Long-term debt consists of the following:

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1998	1999
	(IN THOUSANDS)	
<S>	<C>	<C>
\$125.0 million Senior Subordinated Notes bearing interest at 11%, maturing August 1, 2008, net of unamortized discount of \$4.3 million and \$4.0 million at December 31, 1998 and 1999, respectively .....	\$120,726	\$120,988
\$350 million revolving credit facility with Ford Motor Credit bearing interest at 2.50% above LIBOR (LIBOR was 5.82% at December 31, 1999) and maturing in October 2002, collateralized by all assets of the Company .....	8,887	289,003
Mortgage notes payable .....	4,091	--
Other notes payable (primarily equipment notes) .....	2,333	9,680
	-----	-----
	136,037	419,671
Less current maturities .....	(4,700)	(2,388)
	-----	-----

Long-term debt .....	\$131,337	\$417,283
	=====	=====

</TABLE>

Future maturities of debt at December 31, 1999 are as follows:

<S>	<C>
Year ending December 31,	(IN THOUSANDS)
	-----
2000 .....	\$ 2,388
2001 .....	1,886
2002 .....	290,690
2003 .....	1,050
2004 .....	410
Thereafter .....	123,247
	-----
Total .....	\$419,671
	=====

</TABLE>

In January 1999, in connection with the sale of real estate at Town and Country Toyota and Fort Mill Ford, Sonic repaid all amounts outstanding under mortgages encumbering such property.

#### SENIOR SUBORDINATED NOTES

On July 31, 1998, Sonic completed its private placement of its 11% senior subordinated notes in the aggregate principal amount of \$125,000,000. The senior subordinated notes are unsecured, mature on August 1, 2008, and are redeemable at Sonic's option after August 1, 2003. Interest payments are due semi-annually on February 1 and August 1,

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#### SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### 5. LONG-TERM DEBT -- (Continued)

commencing February 1, 1999. The senior subordinated notes are subordinated to all present and future senior indebtedness of Sonic, including the Revolving Facility. Redemption prices during 12 month periods beginning August 1 are 105.500% in 2003, 103.667% in 2004, 101.833% in 2005 and 100% thereafter. Net proceeds after commissions and discounts, including issuance discount of \$937,500, amounted to \$120,625,000 and were used to finance certain of Sonic's acquisitions and to repay amounts outstanding under the Revolving Facility. The discount on the senior subordinated notes is being amortized over the term of the notes using the effective interest method. On December 7, 1998, Sonic completed an exchange offer to exchange the senior subordinated notes for identical senior subordinated notes registered under the Securities Act of 1933.

The indenture governing the senior subordinated notes contains certain specified restrictive and required financial covenants. Sonic has agreed not to pledge its assets to any third party except under certain limited circumstances. Sonic also has agreed to certain other limitations or prohibitions concerning the incurrence of other indebtedness, capital stock, guaranties, asset sales, investments, cash dividends to shareholders, distributions and redemptions. Sonic is in compliance with all restrictive covenants as of December 31, 1999.

#### THE REVOLVING FACILITY

Effective November 1, 1999, the aggregate amount available for borrowing under the Revolving Facility was increased from \$100.0 million to \$350.0 million. Prior to November 1, 1999, amounts outstanding under the Revolving Facility bore interest at a fluctuating per annum rate equal to 2.75% above the 1 month commercial finance paper rate as reported by the Federal Reserve Board (the 1 month commercial finance paper rate was 5.77% at October 31, 1999). Subsequent to November, amounts outstanding under the Revolving Facility bear interest at a fluctuating per annum rate equal to 2.50% above LIBOR (LIBOR was 5.82% at December 31, 1999).

The Revolving Facility will mature in October 2002, but may be extended for a number of additional one year terms to be negotiated by us and Ford Motor Credit. No assurance can be given that such extensions will be granted. On May 5, 1999, in connection with the public offering by Sonic of 6,067,230 shares of Class A common stock, all amounts previously outstanding under the Revolving Facility were repaid. The outstanding balance of \$289.0 million at December 31, 1999 represents amounts borrowed to finance certain of Sonic's acquisitions

completed in 1999. Additional amounts to be drawn under the Revolving Facility are to be used for the acquisition of additional dealerships and to provide general working capital needs of Sonic not to exceed \$35 million.

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

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

In addition, the loss of voting control over Sonic by Bruton Smith, Scott Smith, President and Chief Operating Officer, and their spouses or immediate family members or the failure by Sonic, with certain exceptions, to own all the outstanding equity, membership or partnership interests in its dealership subsidiaries will constitute an event of default under the Revolving Facility. Sonic was in compliance with all restrictive covenants as of December 31, 1999.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. INCOME TAXES

The provision for income taxes consists of the following components:

<TABLE>  
<CAPTION>

	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Current:			
Federal .....	\$1,890	\$ 8,145	\$24,198
State .....	391	756	2,052
	-----	-----	-----
Deferred .....	2,281	8,901	26,250
Change in valuation allowance .....	(27)	2,252	2,075
	(5)	(70)	--
	-----	-----	-----
Total .....	\$2,249	\$11,083	\$28,325
	=====	=====	=====

</TABLE>

The reconciliation of the statutory federal income tax rate with Sonic's federal and state overall effective income tax rate is as follows:

<TABLE>  
<CAPTION>

	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Statutory federal rate .....	34.00%	35.00%	35.00%
Effective state income tax rates .....	3.70	1.46	2.26
Non-deductible goodwill amortization .....	1.39	1.13	1.20
Other .....	(1.60)	(0.20)	0.36
	-----	-----	-----
Effective tax rates .....	37.49%	37.39%	38.82%
	=====	=====	=====

</TABLE>

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Significant components of Sonic's deferred tax assets and liabilities as of December 31 are as follows:

<TABLE>

<CAPTION>

	1998	1999
<S>	<C>	<C>
Deferred tax assets:		
Allowance for bad debts .....	\$ 69	\$ 824
Inventory .....	631	1,515
Warranty reserves .....	--	577
Accrued compensation .....	--	777
Accrued severance .....	--	595
Net operating loss carryforwards .....	517	124
Other .....	746	2,198
	-----	-----
Total deferred tax assets .....	1,963	6,610
Deferred tax liabilities:		
Basis difference in property and equipment	(1,276)	(637)
Basis difference in goodwill .....	(2,757)	(6,726)
Other .....	(294)	(1,113)
	-----	-----
Total deferred tax liability .....	(4,327)	(8,476)
	-----	-----
Net deferred tax liability .....	\$ (2,364)	\$ (1,866)
	=====	=====

</TABLE>

Deferred tax assets are included in other current assets on the accompanying consolidated balance sheets. The net changes in the valuation allowance against deferred tax assets were a decrease of \$5,000 for the year ended December 31, 1997 and a decrease of \$70,000 for the year ended December 31, 1998. The decrease in 1997 was related primarily to the expiration of state net operating loss carryforwards. The decrease in 1998 was primarily related to the implementation of tax strategies which will allow utilization of the state net operating loss carryforwards prior to expiration. At December 31, 1999, Sonic had state net operating loss carryforwards of \$2.0 million which will expire primarily between 2000 and 2004.

Certain of Sonic's dealerships changed their method of accounting for inventories of new vehicles for income tax purposes from the "last-in, first-out" method of inventory accounting to the "first-in, first-out" method of inventory accounting which resulted in an additional income tax liability. At December 31, 1998 and 1999, this liability was \$5.6

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. INCOME TAXES -- (Continued)

million and \$7.3 million, respectively, and is generally payable from 2000 to 2002. The current portion of the liability as of December 31, 1999 was \$2.6 million and is included in other accrued liabilities.

Certain subsidiaries of Sonic (such subsidiaries together with Sonic and Sonic Financial Corporation ("SFC") being hereinafter referred to as the "Sonic Group") have joined with SFC in filing consolidated federal income tax returns for several years. Under applicable federal tax law, each corporation included in SFC's consolidated return is jointly and severally liable for any resultant tax. Under a tax allocation agreement dated as of June 30, 1997, however, Sonic agreed to pay to SFC, in the event that additional federal income tax is determined to be due, an amount equal to Sonic's separate federal income tax liability computed for all periods in which any member of the Sonic Group has been a member of SFC's consolidated group, less amounts previously recorded by Sonic. Also pursuant to such agreement, SFC agreed to indemnify Sonic for any additional amount determined to be due from SFC's consolidated group in excess of the federal income tax liability of the Sonic Group for such periods. The tax allocation agreement establishes procedures with respect to tax adjustments, tax claims, tax refunds, tax credits and other tax attributes relating to periods ending prior to the time that the Sonic Group shall leave SFC's consolidated group.

7. RELATED PARTIES

REGISTRATION RIGHTS AGREEMENT

When Sonic acquired Town & Country Ford, Lone Star Ford, Fort Mill Ford, Town & Country Toyota and Frontier Oldsmobile-Cadillac in 1997, Sonic signed a Registration Rights Agreement dated as of June 30, 1997 with SFC, Bruton Smith, Scott Smith and William S. Egan (collectively, the "Class B Registration Rights Holders"). SFC currently owns 8,881,250 shares of Class B common stock; Bruton Smith, 2,071,250 shares; Scott Smith, 956,250 shares; and Egan Group, LLC, an assignee of Mr. Egan (the "Egan Group"), 341,250 shares, all of which are



covered by the Registration Rights Agreement. The Egan Group also owns 32,000 shares of Class A common stock to which the Registration Rights Agreement applies. If, among other things provided in Sonic's charter, offers and sales of shares Class B common stock are registered with the Securities and Exchange Commission, then such shares will automatically convert into a like number of shares of Class A common stock.

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

#### PAYABLE TO COMPANY'S CHAIRMAN

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

#### DEALERSHIP LEASES:

In January 1999, Sonic sold to MMR Holdings, L.L.C., a limited liability company then owned by Bruton Smith and SFC, the real estate at two of its dealership subsidiaries for an aggregate purchase price of approximately \$10.6 million and entered into an agreement with MMR Holdings, L.L.C. to lease back the real estate over a term of ten years. Sonic realized a gain on the sale of approximately \$2.1 million which was deferred and is currently being amortized against the rent expense over the term of the lease. The unamortized balance of the deferred gain at December 31, 1999 was

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#### SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### 7. RELATED PARTIES -- (Continued)

approximately \$1.9 million, of which approximately \$1.7 million is included in other long-term liabilities on the accompanying consolidated balance sheet.

On August 13, 1999, CAR MMR L.L.C., an affiliate of Capital Automotive REIT, which is not affiliated with Sonic, acquired all of the ownership interests of MMR Holdings, L.L.C., and two of its affiliates, MMR Viking Investment Associates, L.P. and MMR Tennessee, L.L.C. (collectively, the "MMR Group"). As of that date, Sonic leased 48 properties for 38 of its dealerships from the MMR Group under "triple net leases" which required Sonic to pay all costs of operating the properties, as well as all taxes, utilities, insurance, repairs, maintenance and other property related expenses. Sonic has entered into new leases with CAR MMR L.L.C. with terms similar to those under Sonic's former leases with the MMR Group. These leases generally provide Sonic with options to renew the lease for two additional five year terms after the expiration of the initial lease term. Sonic has agreed to renew approximately 75% of its lease rental stream for an additional five year period after the expiration of the initial lease terms. In connection with the acquisition, Sonic, MMR Holdings and Mar Mar Realty Trust, an affiliate of the MMR Group, terminated the strategic alliance agreement whereby Mar Mar Realty Trust had provided Sonic with real estate financing, acquisition referral and related services.

As a part of the August 13, 1999 sale of the MMR Group to CAR MMR, Bruton Smith and SFC signed agreements with Sonic to induce Sonic to enter into a real estate financing arrangement with CAR MMR and, among other things, amend its leases with the MMR Group to standardize their terms. Under these agreements, Mr. Smith and SFC agreed to pay approximately \$2.5 million to Sonic, which amount represented Mr. Smith's and SFC's profits on the sale of the MMR Group less their selling expenses and a 14% annual return on their initial investment in the MMR Group, net of any advances made by Sonic to the MMR Group.

#### OTHER RELATED PARTY TRANSACTIONS

o Sonic had amounts receivable from affiliates of \$1.5 million and \$4.2

million at December 31, 1998 and 1999, respectively. Of the \$4.2 million balance at December 31, 1999, approximately \$2.5 million represents amounts owed by SFC. The remaining balances at December 31, 1998 and 1999 primarily represent advances made by Sonic to SFC and Mar Mar Realty Trust. The amounts receivable from affiliates are non-interest bearing and are classified as current based on the expected repayment dates.

- o Town and Country Toyota has an amount payable to SFC and Bruton Smith, which payable totals approximately \$0.8 million and \$0.7 million as of December 31, 1998 and 1999, respectively. This loan bears interest at 8.75% per annum and is classified as non-current based on the expected repayment dates.

#### 8. CAPITAL STRUCTURE, PUBLIC OFFERING OF COMMON STOCK, AND PER SHARE DATA

PREFERRED STOCK -- In 1997, Sonic authorized 3 million shares of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by the Board of Directors. In March 1998, the Board of Directors designated 300,000 shares of preferred stock as Class A convertible preferred stock, par value \$0.10 per share, the "Preferred Stock", which was divided into 100,000 shares of Series I Preferred Stock, 100,000 shares of Series II Preferred Stock, and 100,000 shares of Series III Preferred Stock.

The Preferred Stock has a liquidation preference of \$1,000 per share. Each share of Preferred Stock is convertible, at the option of the holder, into that number of shares of Class A common stock as is determined by dividing \$1,000 by the average closing price for the Class A common stock on the NYSE for the 20 days preceding the date of determination of the shares of Preferred Stock (the "Market Price"). Conversion of Series II Preferred Stock is subject to certain adjustments which have the effect of limiting increases and decreases in the value of the Class A common stock receivable upon conversion by 10% of the original value of the shares of Series II Preferred Stock. Conversion of Series III Preferred Stock is subject to certain adjustments which have the effect of limiting increases in the value of Class A common stock receivable upon conversion by 10% of the original value of the shares of Series III Preferred Stock.

The Preferred Stock is redeemable at Sonic's option at any time after the date of issuance. The redemption price of the Series I Preferred Stock is \$1,000 per share. The redemption price for the Series II Preferred Stock and Series III

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#### SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### 8. CAPITAL STRUCTURE, PUBLIC OFFERING OF COMMON STOCK, AND PER SHARE DATA -- (Continued)

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.

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. Holders of preferred stock are entitled to participate in dividends payable on the Class A common stock on an "as-if-converted" basis. The Preferred Stock has no preferential dividends.

During 1998, Sonic issued 14,406.3 shares of Series I Preferred Stock, 10,545.5 shares of Series II Preferred Stock and 6,273 shares of Series III Preferred Stock. In December 1998, 6,241.5 shares of Series II Preferred Stock and 2,313 shares of Series III Preferred Stock having an estimated value of approximately \$8.9 million were converted into 632,244 shares of Class A common stock. As of December 31, 1998 there were 14,406.3 shares of Series I Preferred Stock, 3,813 shares of Series II Preferred Stock and 3,960 shares of Series III Preferred Stock issued and outstanding.

During 1999, Sonic issued 12,999 shares of Series II preferred stock and 46,046.2 shares of Series III preferred stock. These shares were recorded at their estimated value. During the year, 5,605.3 shares of Series I preferred stock, 9,137 shares of Series II preferred stock, and 38,323.2 shares of Series III preferred stock having an aggregate estimated value of approximately \$52.3 million were converted into 3,833,217 shares of Class A common stock. As of December 31, 1999 there were 8,801 shares of Series I preferred stock, 7,675 shares of Series II preferred stock, and 11,683 shares of Series III preferred stock issued and outstanding.

COMMON STOCK -- Sonic has two classes of common stock. Class A common stock entitles its holder to one vote per share. Class B common stock entitles its holder to ten votes per share, except in certain circumstances. Each share of Class B common stock is convertible into one share of Class A common stock either upon voluntary conversion at the option of the holder, or automatically upon the occurrence of certain events, as provided in Sonic's charter.

Sonic completed a public offering of 8,500,000 shares of its Class A common stock on May 5, 1999 at a price of \$14.9375 per share. Of the 8,500,000 shares sold in the offering, 6,067,230 shares were sold by Sonic and 2,432,770 shares were sold by certain stockholders of Sonic. Of the \$86.1 million in net proceeds to Sonic from the public offering, approximately \$75.5 million was used to repay the outstanding balance under the Revolving Facility. The remaining net proceeds were used to finance acquisitions.

At the annual meeting of stockholders held on June 8, 1999, Sonic's stockholders approved an amendment to Sonic's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of Class A common stock from 50 million to 100 million, and to increase the number of authorized shares of Class B common stock from 15 million to 30 million.

TREASURY STOCK/SHARE REPURCHASE PROGRAM -- During 1999, Sonic's Board of Directors authorized Sonic to expend up to \$50 million to repurchase shares of its Class A common stock or redeem securities convertible into Class A common stock. As of December 31, 1999 Sonic has repurchased 723,600 shares of Class A common stock at an average price per share of approximately \$8.7860. Sonic will continue to repurchase shares in the open market from time to time subject to market conditions.

STOCK SPLIT -- All share and per share amounts included in the accompanying consolidated financial statements for all periods presented have been adjusted to reflect a 2 for 1 stock split of the Class A common stock and Class B common stock effective January 25, 1999.

WARRANTS -- In connection with Sonic's prior year acquisitions, Sonic has issued warrants to purchase 242,782 shares of Class A common stock at exercise prices ranging from \$6.00 per share to \$11.27 per share. The warrants expire on various dates from January 15, 2003 to November 30, 2003. Sonic has recorded the issuance of such warrants at their estimated fair value on the date of issuance.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

8. CAPITAL STRUCTURE, PUBLIC OFFERING OF COMMON STOCK, AND PER SHARE DATA -- (Continued)

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

<TABLE>  
<CAPTION>

ENDED	FOR THE TWELVE MONTHS ENDED			FOR THE TWELVE MONTHS ENDED			FOR THE TWELVE MONTHS		
	DECEMBER 31, 1997			DECEMBER 31, 1998			DECEMBER 31, 1999		
PER-SHARE	PER-SHARE			PER-SHARE					
AMOUNT	INCOME	SHARES	AMOUNT	INCOME	SHARES	AMOUNT	INCOME	SHARES	
			(DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BASIC NET INCOME PER SHARE .....	\$3,702	13,898	\$ 0.27	\$18,557	22,852	\$ 0.81	\$44,649	31,744	\$
1.41			=====			=====			
=====									
EFFECT OF DILUTIVE SECURITIES									
Stock compensation plans ....	--	--		--	630		--	949	
Warrants .....	--	--		--	32		--	78	
Convertible Preferred Stock	--	--		--	1,456		--	2,477	
	-----	-----		-----	-----		-----	-----	

DILUTED NET INCOME PER										
SHARE .....	\$3,702	13,898	\$ 0.27	\$18,557	24,970	\$ 0.74	\$44,649	35,248	\$	
1.27	=====	=====	=====	=====	=====	=====	=====	=====	=====	

=====  
</TABLE>

In addition to the stock options included in the table above, options to purchase 2,252,269 shares of Class A common stock were outstanding during 1999 but were not included in the computation of diluted EPS because the options were anti-dilutive.

#### 9. EMPLOYEE BENEFIT PLANS

Substantially all of the employees of Sonic are eligible to participate in a 401(k) plan. Contributions by Sonic to the plan were not significant in any period presented.

#### STOCK OPTION PLANS

Sonic currently has three option plans, the Sonic Automotive, Inc. 1997 Stock Option Plan (the "Stock Option Plan"), the Sonic Automotive, Inc. Formula Stock Option Plan (the "Directors' Plan"), and the FirstAmerica Employee Stock Option Plan.

The Stock Option Plan was adopted by the Board of Directors in order to attract and retain key personnel. At the 1999 Annual Meeting, the Company's shareholders approved the increase in the number of shares issuable under the Stock Option Plan from 2.25 million to 4.5 million. Under the Stock Option Plan, options to purchase shares of Class A common stock may be granted to key employees of Sonic and its subsidiaries and to officers, directors, consultants and other individuals providing services to Sonic. The options generally are granted at the fair market value of Sonic's Class A common stock at the date of grant, vest over a three year period, are exercisable upon vesting and expire ten years from the date of grant.

The Directors' Plan, approved by the shareholders at Sonic's annual meeting on December 3, 1998, authorizes options to purchase up to an aggregate of 600,000 shares of Class A common stock. Under the plan, each outside director shall be awarded on or before March 31st of each year an option to purchase 10,000 shares at an exercise price equal to the fair market value of the Class A common stock at the date of the award. Options granted under the Directors' Plan become exercisable six months, and expire ten years, after their date of grant.

#### FIRSTAMERICA STOCK OPTION PLAN

In connection with its acquisition of FirstAmerica Automotive, Inc., Sonic agreed to assume FirstAmerica's Employee Stock Option Plan ("FirstAmerica Plan"). The FirstAmerica Automotive, Inc. 1997 Stock Option Plan has been amended and restated as of December 10, 1999 to provide that each unexpired option to purchase FAA's Class A common stock that was outstanding under the FirstAmerica Plan to be converted into an option to purchase shares of Sonic's Class

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### SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### 9. EMPLOYEE BENEFIT PLANS -- (Continued)

A Common Stock. A conversion factor of .32232 shares of Sonic's Class A common stock for each share covered by options to purchase FAA Class A common stock was utilized to retain the aggregate intrinsic value of the options immediately before the change and, accordingly, a new measurement date did not result from the conversion. Other than the conversion to options for Sonic's stock, there were no significant changes to the FirstAmerica Plan. Options continue to vest according to the terms of the original option agreements, generally over a five year period, and expire if unexercised ten years from the date of grant.

A summary of the status of Sonic's stock option plans as of December 31, 1997, 1998 and 1999 and changes during the years ended on those dates is presented below.

<TABLE>  
<CAPTION>

WEIGHTED  
AVERAGE

	NUMBER OF OPTIONS	EXERCISE PRICE PER SHARE	EXERCISE PRICE
(SHARES IN THOUSANDS)			
<S>	<C>	<C>	<C>
Outstanding at December 31, 1996 .....	--		
Granted .....	1,176	\$ 6.00	\$ 6.00
Outstanding at December 31, 1997 .....	1,176	6.00	6.00
Granted .....	1,433	7.25-9.19	8.61
Exercised .....	(72)	6.00	6.00
Outstanding at December 31, 1998 .....	2,537	6.00-9.19	7.48
Granted .....	1,643	10.06-18.32	14.27
Options assumed from acquired company .....	467	2.85-13.12	9.73
Exercised .....	(212)	6.00-7.25	6.18
Forfeited .....	(248)	6.00-15.44	9.29
	-----		
Outstanding at December 31, 1999 .....	4,187	2.85-18.32	10.35
	=====		

</TABLE>

The following table summarizes information about stock options outstanding at December 31, 1999:

<TABLE> <CAPTION>					
RANGE OF EXERCISE PRICES	SHARES OUTSTANDING AT 12/31/99	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	SHARES EXERCISABLE AT 12/31/99	WEIGHTED AVERAGE EXERCISE PRICE
(SHARES IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>
\$ 2.85	127	7.53 years	\$ 2.85	61	\$ 2.85
\$ 6.00-7.25	1,268	8.00	6.32	739	6.22
\$ 9.19-13.12	1,478	9.14	10.14	778	9.64
\$ 13.63-18.32	1,314	9.35	15.20	256	15.32
	-----	----	-----	---	-----
Totals	4,187	8.81 years	\$ 10.35	1,834	\$ 8.83
	=====	=====	=====	=====	=====

</TABLE>

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

9. EMPLOYEE BENEFIT PLANS -- (Continued)

The weighted average fair value of options granted or assumed was \$2.89, \$4.63 and \$6.76 per share in 1997, 1998 and 1999, respectively. The fair value of each option granted during 1997, 1998 and 1999 was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions.

<TABLE> <CAPTION>			
	1997	1998	1999
<S>	<C>	<C>	<C>
EMPLOYEE STOCK PURCHASE PLAN			
Dividend yield .....	n/a	n/a	n/a
Risk free interest rates .....	n/a	5.51%	4.49%-6.15%
Expected lives .....	n/a	1.0 year	0.25-1.0 year
Volatility .....	n/a	61.31%	53.15%
STOCK OPTION PLANS			
Dividend yield .....	n/a	n/a	n/a
Risk free interest rates .....	5.60%	4.24%-5.57%	4.53%-6.15%
Expected lives .....	5 years	5 years	3-5 years
Volatility .....	49.55%	61.31%	53.15%

</TABLE>

EMPLOYEE STOCK PURCHASE PLAN

In October 1997, the Board of Directors and stockholders of Sonic adopted the Sonic Automotive, Inc. Employee Stock Purchase Plan (the "ESPP"). Under the terms of the ESPP, on January 1 of each year all eligible employees electing to participate will be granted an option to purchase shares of Class A common stock. Sonic's Compensation Committee will annually determine the number of

shares of Class A common stock available for purchase under each option. The purchase price at which Class A common stock will be purchased through the ESPP will be 85% of the lesser of (i) the fair market value of the Class A common stock on the applicable grant date and (ii) the fair market value of the Class A common stock on the applicable exercise date. The grant dates are January 1 of each year plus any other interim dates designated by the Compensation Committee. The exercise dates are the last trading days on the New York Stock Exchange for March, June, September and December, plus any other interim dates designated by the Compensation Committee. Options will expire on the last exercise date of the calendar year in which granted.

On May 5, 1999, the Board of Directors, pursuant to Sonic's ESPP, increased the authorized shares from 600,000 to 1.2 million and issued options exercisable for approximately 420,000 shares of Class A common stock, granting 355 shares to each participant in the ESPP. This increase in the number of options issuable under the ESPP was approved by the stockholders of Sonic at its annual meeting of stockholders on June 8, 1999.

#### NONQUALIFIED EMPLOYEE STOCK PURCHASE PLAN

In December 1998, the Board of Directors of Sonic adopted the Sonic Automotive, Inc. Nonqualified Employee Stock Purchase Plan (the "Nonqualified ESPP"). The purpose of the Nonqualified ESPP is to provide options to purchase Class A common stock to employees of Sonic's subsidiaries that are not eligible to participate in the ESPP; employees of Sonic who are eligible to participate in the ESPP are not eligible to participate in the Nonqualified ESPP. Under the terms of the Nonqualified ESPP, on January 1 of each year all employees eligible to participate in the Nonqualified ESPP and who elect to participate in the Nonqualified ESPP will be granted an option to purchase shares of Class A common stock. Sonic's Compensation Committee will annually determine the number of shares of Class A common stock available for purchase under each option.

The purchase price at which Class A common stock will be purchased through the Nonqualified ESPP will be 85% of the lesser of (i) the fair market value of the Class A common stock on the applicable grant date and (ii) the fair market value of the Class A common stock on the applicable exercise date. The grant dates are January 1 of each year plus any other interim dates designated by the Compensation Committee. The exercise dates are the last trading days on the New York Stock Exchange for March, June, September and December, plus any other interim dates designated by the

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#### SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

##### 9. EMPLOYEE BENEFIT PLANS -- (Continued)

Compensation Committee. Options will expire on the last exercise date of the calendar year in which granted. In adopting the Nonqualified ESPP in December 1998, the Board of Directors authorized options to be granted under the Nonqualified ESPP for 300,000 shares of Class A common stock.

Under both the ESPP and the Nonqualified ESPP, Sonic issued approximately 93,600 and 180,730 shares to employees in 1998 and 1999 at a weighted average purchase price of \$4.10 and \$10.70 per share, respectively. The weighted average fair value of shares granted under both plans was \$1.58 and \$2.91 per share in 1998 and 1999, respectively.

Sonic has adopted the disclosure-only provisions of SFAS No. 123. No compensation cost has been recognized for Sonic's stock-based compensation plans in the accompanying consolidated financial statements. Had compensation cost for the stock-based compensation plans been determined based on their fair value as prescribed by SFAS No. 123, Sonic's pro forma net income and diluted net income per share would have been \$3.6 million and \$0.26, respectively for 1997, \$16.8 million and \$0.67, respectively for 1998, and \$39.9 million and \$1.13, respectively for 1999.

##### 10. COMMITMENTS AND CONTINGENCIES

###### FACILITY LEASES

Certain properties leased by Sonic's dealerships are, or since the beginning of the last fiscal year were, owned by Sonic's officers or directors or their affiliates. These leases contain terms comparable to, or more favorable to Sonic than, terms that would be obtained from unaffiliated third parties. Minimum future rental payments required under noncancelable operating leases are as follows:

<TABLE>

<CAPTION>

RELATED PARTIES	THIRD PARTIES	TOTAL
-----------------	---------------	-------

Year Ending December 31,	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
2000 .....	\$ 3,092	\$ 44,505	\$ 47,597
2001 .....	3,097	43,389	46,486
2002 .....	3,046	41,651	44,697
2003 .....	2,970	41,151	44,121
2004 .....	2,970	43,464	46,434
Thereafter .....	23,553	180,941	204,494
Total .....	\$38,728	\$395,101	\$433,829
	=====	=====	=====

</TABLE>

Total rent expense for the years ended December 31, 1997, 1998, and 1999 was approximately \$2.4 million, \$10.5 million and \$26.4 million, respectively. Of these amounts, \$1.3 million, \$7.5 million and \$7.7 million, respectively, were paid to related parties. As discussed above in Note 7, RELATED PARTIES, MMR Holdings was acquired by CAR MMR L.L.C. August 13, 1999. Consequently, rent expense paid to related parties for 1999 includes amounts paid to MMR Holdings prior to that time.

#### OTHER CONTINGENCIES

Sonic is involved in various legal proceedings. Management believes based on advice of counsel that the outcome of such proceedings will not have a materially adverse effect on Sonic's financial position or future results of operations and cash flows.

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#### SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### 11. SUMMARY OF QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes the Company's results of operations as presented in the Consolidated Statements of Income by quarter for 1998 and 1999.

<TABLE>

<CAPTION>

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
<S>	<C>	<C>	<C>	<C>
Year Ended December 31, 1998:				
Total revenues .....	\$ 263,979	\$ 386,132	\$ 504,110	\$ 449,480
Gross profit .....	\$ 34,158	\$ 48,264	\$ 63,974	\$ 61,046
Operating income .....	\$ 7,426	\$ 12,779	\$ 15,646	\$ 16,854
Income before taxes .....	\$ 3,474	\$ 7,430	\$ 8,876	\$ 9,860
Net income .....	\$ 2,136	\$ 4,668	\$ 5,426	\$ 6,327
Diluted net income per share .....	\$ 0.09	\$ 0.20	\$ 0.21	\$ 0.24
Year Ended December 31, 1999:				
Total revenues .....	\$ 593,452	\$ 723,530	\$ 869,964	\$1,163,877
Gross profit .....	\$ 78,075	\$ 94,261	\$ 116,654	\$ 165,433
Operating income .....	\$ 18,954	\$ 24,588	\$ 31,012	\$ 41,256
Income before taxes .....	\$ 10,848	\$ 16,230	\$ 20,543	\$ 25,353
Net income .....	\$ 6,687	\$ 10,101	\$ 12,583	\$ 15,278
Diluted net income per share .....	\$ 0.24	\$ 0.30	\$ 0.33	\$ 0.38

</TABLE>

#### 12. SUBSEQUENT EVENTS

SHARE REPURCHASE PROGRAM -- Through March 17, 2000, Sonic has repurchased 165,757 additional shares of Class A common stock for approximately \$ 1.5 million and has redeemed 3,500 shares of Class A convertible preferred stock for approximately \$3.5 million.

SALE OF DEALERSHIP SUBSIDIARIES -- Subsequent to December 31, 1999, Sonic's Board of Directors approved the sale of certain dealerships. Through March 17, 1999, Sonic has sold, signed definitive agreements to sell, or signed letters of intent to sell three dealerships for an aggregate of approximately \$5.1 million in proceeds. No material gains or losses are expected from these sales.

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CERTIFICATE OF AMENDMENT  
TO  
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
SONIC AUTOMOTIVE, INC.

\* \* \* \* \*

Adopted in accordance with the  
provisions of Section 242 of the General  
Corporation Law of the State of Delaware

\* \* \* \* \*

SONIC AUTOMOTIVE, INC., a corporation organized and existing under the  
General Corporation Law of the State of Delaware (the "Corporation"), DOES  
HEREBY CERTIFY as follows:

FIRST: The Board of Directors of the Corporation adopted the resolution  
set forth below proposing the amendment to the Amended and Restated Certificate  
of Incorporation (the "Amendment") and directed that the Amendment be submitted  
to the holders of the issued and outstanding shares of capital stock of the  
Corporation entitled to vote thereon for their consideration and approval:

RESOLVED, that the Board of Directors hereby deems that Section 4.01 of  
the Corporation's Charter is proposed to be amended by deleting Section  
4.01 in its entirety and inserting the following in lieu thereof:

SECTION 4.01. AUTHORIZED CAPITAL STOCK. The aggregate number of  
shares of capital stock which the Corporation shall have authority to  
issue is one hundred thirty-three million (133,000,000) shares divided  
into the following classes:

- (a) One hundred million (100,000,000) shares of Class A Common Stock  
with a par value of one cent (\$.01) per share (the "Class A Common  
Stock");
- (b) Thirty million (30,000,000) shares of Class B Common Stock with  
a par value of one cent (\$.01) per share (the "Class B Common Stock");  
and
- (c) Three million (3,000,000) shares of Preferred Stock with a par  
value of ten cents (\$.10) per share (the "Preferred Stock").

Each share of Class A Common Stock and each share of Class B Common  
Stock (collectively, the "Common Stock") shall be identical in all  
respects and shall have equal voting powers, preferences and relative  
rights, except as otherwise provided in this Article IV.

SECOND: The Amendment was duly adopted in accordance with Section 242 of  
the General Corporation Law of the State of Delaware at the annual meeting of  
the stockholders of the Corporation held June 8, 1999, by the holders of a  
majority of the issued and outstanding shares of the Class A Common Stock, by  
the holders of a majority of the issued and outstanding shares of the Class B  
Common Stock, and by the holders of a majority of the votes entitled to be voted  
with respect to the Amendment.

\* \* \* \* \*

IN WITNESS WHEREOF, the Corporation has caused this Certificate of  
Amendment to be signed by one of its duly authorized officers this 16 day of  
June, 1999.

SONIC AUTOMOTIVE, INC.

By: /s/ Theodore M. Wright  
-----  
Theodore M. Wright  
Vice President - Finance and Chief  
Financial Officer



FIRST SUPPLEMENTAL INDENTURE

This FIRST SUPPLEMENTAL INDENTURE dated as of December 31, 1999 (this "SUPPLEMENTAL INDENTURE") is by and among:

SONIC AUTOMOTIVE-BONDESEN, INC., a Florida corporation,  
SONIC AUTOMOTIVE OF TEXAS, L.P., a Texas limited partnership,  
SONIC AUTOMOTIVE-1720 MASON AVE., DB, LLC, a Florida limited liability company,  
SONIC AUTOMOTIVE-3401 N. MAIN, TX, L.P., a Texas limited partnership,  
SONIC AUTOMOTIVE-4701 I-10 EAST, TX, L.P., a Texas limited partnership,  
SONIC AUTOMOTIVE-5221 I-10 EAST, TX, L.P., a Texas limited partnership,  
SONIC AUTOMOTIVE-6008 N. DALE MABRY, FL, INC., a Florida corporation,  
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC, a North Carolina limited liability company,  
SONIC-2185 CHAPMAN RD., CHATTANOOGA, LLC, a Tennessee limited liability company,  
SONIC-CAMP FORD, L.P., a Texas limited partnership,  
SONIC-CLASSIC DODGE, INC., an Alabama corporation,  
SONIC-FM AUTOMOTIVE, LLC, a Florida limited liability company,  
SONIC-FM, INC., a Florida corporation,  
SONIC-FM NISSAN, INC., a Florida corporation,  
SONIC-FM VW, INC., a Florida corporation,  
SONIC-FREELAND, INC., a Florida corporation,  
SONIC-GLOBAL IMPORTS, L.P., a Georgia limited partnership,  
SONIC-INTEGRITY DODGE LV, LLC, a Nevada limited liability company,  
SONIC-LLOYD NISSAN, INC., a Florida corporation,  
SONIC-LLOYD PONTIAC-CADILLAC, INC., a Florida corporation,  
SONIC-LUTE RILEY, L.P., a Texas limited partnership,  
SONIC-MANHATTAN FAIRFAX, INC., a Virginia corporation,  
SONIC-MANHATTAN WALDORF, INC., a Maryland corporation,  
SONIC-NEWSOME AUTOMOTIVE, LLC, a South Carolina limited liability company,  
SONIC-NEWSOME CHEVROLET WORLD, INC., a South Carolina corporation,  
SONIC-NEWSOME OF FLORENCE, INC., a South Carolina corporation,  
SONIC-NORTH CHARLESTON, INC., a South Carolina corporation,  
SONIC-NORTH CHARLESTON DODGE, INC., a South Carolina corporation,  
SONIC-READING, L.P., a Texas limited partnership,  
SONIC-ROCKVILLE IMPORTS, INC., a Maryland corporation,  
SONIC-ROCKVILLE MOTORS, INC., a Maryland corporation,  
SONIC-SAM WHITE NISSAN, L.P., a Texas limited partnership,  
SONIC-SAM WHITE OLDSMOBILE, L.P., a Texas limited partnership,  
SONIC-SHOTTENKIRK, INC., a Florida corporation,  
SONIC-SUPERIOR OLDSMOBILE, LLC, a Tennessee limited liability company,  
SONIC OF TEXAS, INC., a Texas corporation,  
SONIC-VOLVO LV, LLC, a Nevada limited liability company,  
SONIC-WILLIAMS BUICK, INC., an Alabama corporation,  
SONIC-WILLIAMS CADILLAC, INC., an Alabama corporation,  
SONIC-WILLIAMS IMPORTS, INC., an Alabama corporation,  
SONIC-WILLIAMS MOTORS, LLC, an Alabama limited liability company, and  
VILLAGE IMPORTED CARS, INC., a Maryland corporation  
FIRSTAMERICA AUTOMOTIVE, INC., a Delaware corporation  
AUTOBAHN, INC., a California corporation  
DON LUCAS INTERNATIONAL, INC., a California corporation  
FA SERVICE CORPORATION, a California corporation  
FAA AUTO FACTORY, INC., a California corporation  
FAA BEVERLY HILLS, INC., a California corporation  
FAA CAPITOL N, INC., a California corporation  
FAA CONCORD H, INC., a California corporation  
FAA CONCORD N, INC., a California corporation  
FAA CONCORD T, INC., a California corporation  
FAA DEALER SERVICES, INC., a California corporation  
FAA DUBLIN N, INC., a California corporation  
FAA DUBLIN VWD, INC., a California corporation  
FAA HOLDING CORP., a California corporation  
FAA LAS VEGAS H, INC., a Nevada corporation  
FAA MARIN D, INC., a California corporation  
FAA MARIN F, INC., a California corporation  
FAA MONTEREY F, INC., a California corporation  
FAA POWAY D, INC., a California corporation  
FAA POWAY G, INC., a California corporation  
FAA POWAY H, INC., a California corporation  
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FAA SAN BRUNO, INC., a California corporation  
FAA SANTA MONICA V, INC., a California corporation  
FAA SERRAMONTE H, INC., a California corporation  
FAA SERRAMONTE L, INC., a California corporation  
FAA SERRAMONTE, INC., a California corporation  
FAA STEVENS CREEK, INC., a California corporation  
FAA TORRANCE CPJ, INC., a California corporation  
FAA WOODLAND HILLS VW, INC., a California corporation  
FRANCISCAN MOTORS, INC., a California corporation  
KRAMER MOTORS INCORPORATED, a California corporation  
LUCAS DEALERSHIP GROUP, INC., a Texas corporation  
SANTA CLARA IMPORTED CARS, INC., a California corporation  
SMART NISSAN, INC., a California corporation  
STEVENS CREEK CADILLAC, INC., a California corporation

TRANSCAR LEASING, INC., a California corporation  
WINDWARD, INC., a Hawaii corporation

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(hereinafter referred to collectively as the "GUARANTEEING SUBSIDIARIES"), SONIC AUTOMOTIVE, INC., a Delaware corporation, (the "COMPANY"), the other Guarantors (as listed on the signature page of the Indenture referred to below) (the "GUARANTORS") and U.S. BANK TRUST NATIONAL ASSOCIATION, as trustee under the Indenture referred to below (the "TRUSTEE").

WITNESSETH

WHEREAS, the Company and the Guarantors have heretofore executed and delivered to the Trustee an Indenture dated as of July 1, 1998, as supplemented (the "INDENTURE") providing for the issuance in an aggregate principal amount of up to \$125,000,000 of the Company's 11% Senior Subordinated Notes due 2008 (the "NOTES"); and

WHEREAS, the Indenture provides that under certain circumstances each of the Guaranteeing Subsidiaries shall execute and deliver to the Trustee a supplemental indenture pursuant to which each of the Guaranteeing Subsidiaries shall guarantee all of the Indenture Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "NOTE GUARANTEE"); and

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

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

WHEREAS, the second paragraph of Section 1314 of the Indenture contains an erroneous cross-reference to Section 1013(b) where such cross-reference should be to Section 1013(c);

WHEREAS, pursuant to Section 901(c) of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture to cure any ambiguity or correct any provision in the Indenture which may be defective or inconsistent with any other provision of the Indenture; and

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

SECTION 1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

SECTION 2. AGREEMENT TO GUARANTEE. Each of the Guaranteeing Subsidiaries hereby agrees as follows (notwithstanding anything to the contrary in this Supplemental Indenture, such agreements of the Guaranteeing Subsidiaries shall be construed as identical to those agreements

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made by the Guarantors under the Indenture, and the obligations and rights of the Guaranteeing Subsidiaries hereunder shall be no more and no less than those of the Guarantors under the Indenture):

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

(b) CONTINUING GUARANTEE; NO RIGHT OF SET-OFF; INDEPENDENT OBLIGATIONS.

(i) This Guarantee by the Guaranteeing Subsidiaries shall be a continuing guarantee of the payment and performance of all Indenture Obligations and shall remain in full force and effect until the payment in full of all of the Indenture Obligations and shall apply to and secure any ultimate balance due or remaining unpaid to the Trustee or the Holders. This Guarantee by the Guaranteeing Subsidiaries shall not be considered as wholly or partially satisfied by the payment or liquidation at any time or from time to time of any sum of money for the time being due or remaining unpaid to the Trustee or the Holders. Each Guaranteeing Subsidiary, jointly and severally, covenants and

agrees to comply with all obligations, covenants, agreements and provisions applicable to it in the Indenture as if named as a Guarantor therein including those set forth in Article Eight of the Indenture. Without limiting the generality of the foregoing, each Guaranteeing Subsidiaries' liability shall extend to all amounts which constitute part of the Indenture Obligations and would be owed by the Company under the Indenture and the Securities but for the fact that they are unenforceable, reduced, limited, impaired, suspended or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Company.

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

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

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

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

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

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

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

- (i) any defect or lack of validity or enforceability in respect of any Indebtedness or other obligation of the Company or any other Person under the Indenture or the Securities, or any agreement or instrument relating to any of the foregoing;
- (ii) any grants of time, renewals, extensions, indulgences, releases, discharges or modifications which the Trustee or the Holders may extend to, or make with, the Company, any Guarantor, any Guaranteeing Subsidiary or any other Person, or any change in the time, manner or place of payment of, or in any other term of, all or any of the Indenture Obligations, or any other amendment or waiver of, or any consent to or departure from, the Indenture or the Securities, including any increase or decrease in the Indenture Obligations;

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- (iii) the taking of security from the Company, any Guarantor, any Guaranteeing Subsidiary or any other Person, and the release, discharge or alteration of, or other dealing with, such security;
- (iv) the occurrence of any change in the laws, rules, regulations or ordinances of any jurisdiction by any present or future

action of any governmental authority or court amending, varying, reducing or otherwise affecting, or purporting to amend, vary, reduce or otherwise affect, any of the Indenture Obligations and the obligations of any Guarantoring Subsidiary hereunder;

- (v) the abstention from taking security from the Company, any Guarantor, any Guarantoring Subsidiary or any other Person or from perfecting, continuing to keep perfected or taking advantage of any security;
- (vi) any loss, diminution of value or lack of enforceability of any security received from the Company, any Guarantor, any Guarantoring Subsidiary or any other Person, and including any other guarantees received by the Trustee;
- (vii) any other dealings with the Company, any Guarantor, any Guarantoring Subsidiary or any other Person, or with any security;
- (viii) the Trustee's or the Holders' acceptance of compositions from the Company, any Guarantor or any Guarantoring Subsidiary;
- (ix) the application by the Holders or the Trustee of all monies at any time and from time to time received from the Company, any Guarantor, any Guarantoring Subsidiary or any other Person on account of any indebtedness and liabilities owing by the Company, any Guarantor or any Guarantoring Subsidiary to the Trustee or the Holders, in such manner as the Trustee or the Holders deems best and the changing of such application in whole or in part and at any time or from time to time, or any manner of application of collateral, or proceeds thereof, to all or any of the Indenture Obligations, or the manner of sale of any collateral;
- (x) the release or discharge of the Company, any Guarantor or any Guarantoring Subsidiary of the Securities or of any Person liable directly as surety or otherwise by operation of law or otherwise for the Securities, other than an express release in writing given by the Trustee, on behalf of the Holders, of the liability and obligations of any Guarantoring Subsidiary hereunder;
- (xi) any change in the name, business, capital structure or governing instrument of the Company, any Guarantor or any Guarantoring

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Subsidiary or any refinancing or restructuring of any of the Indenture Obligations;

- (xii) the sale of the Company's, any Guarantor's or any Guarantoring Subsidiary's business or any part thereof,
- (xiii) subject to Section 1314 of the Indenture, any merger or consolidation, arrangement or reorganization of the Company, any Guarantor or any Guarantoring Subsidiary, any Person resulting from the merger or consolidation of the Company, any Guarantor or any Guarantoring Subsidiary with any other Person or any other successor to such Person or merged or consolidated Person or any other change in the corporate existence, structure or ownership of the Company, any Guarantor or any Guarantoring Subsidiary or any change in the corporate relationship among the Company, any Guarantor and any Guarantoring Subsidiary, or any termination of such relationship;
- (xiv) the insolvency, bankruptcy, liquidation, winding-up, dissolution, receivership, arrangement, readjustment, assignment for the benefit of creditors or distribution of the assets of the Company or its assets or any resulting discharge of any obligations of the Company (whether voluntary or involuntary) or of any Guarantor (whether voluntary or involuntary) or any Guarantoring Subsidiary (whether voluntary or involuntary) or the loss of corporate existence;
- (xv) subject to Section 1314 of the Indenture, any arrangement or plan of reorganization affecting the Company, any Guarantor or any Guarantoring Subsidiary;
- (xvi) any failure, omission or delay on the part of the Company to conform or comply with any term of the Indenture;

- (xvii) any limitation on the liability or obligations of the Company or any other Person under the Indenture, or any discharge, termination, cancellation, distribution, irregularity, invalidity or unenforceability in whole or in part of the Indenture;
- (xviii) any other circumstance (including any statute of limitations) that might otherwise constitute a defense available to, or discharge of, the Company, any Guarantor or any Guarantoring Subsidiary; or
- (xix) any modification, compromise, settlement or release by the Trustee, or by operation of law or otherwise, of the Indenture Obligations or the liability of the Company or any other obligor under the Securities, in whole or in part, and any refusal of payment by the Trustee, in whole or in part, from

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any other obligor or other guarantor in connection with any of the Indenture Obligations, whether or not with notice to, or further assent by, or any reservation of rights against, each of the Guarantors and the Guarantoring Subsidiaries.

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

(e) WAIVERS.

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

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

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

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

(f) THE GUARANTEEING SUBSIDIARIES REMAIN OBLIGATED IN EVENT THE COMPANY IS NO LONGER OBLIGATED TO DISCHARGE INDENTURE OBLIGATIONS. It is the express intention of the Trustee and the Guaranteeing Subsidiaries that if for any reason the Company has no legal existence, is or becomes under no legal obligation to discharge the Indenture Obligations owing to the Trustee or the Holders by the Company or if any of the Indenture Obligations owing by the Company to the Trustee or the Holders becomes irrecoverable from the Company by operation of law or for any reason whatsoever, this Guarantee and the covenants, agreements and obligations of the Guaranteeing Subsidiaries contained in this Section Two shall nevertheless be binding upon the Guaranteeing Subsidiaries, as principal debtor, until such time as all such Indenture Obligations have been paid in full to the Trustee and all Indenture Obligations owing to the Trustee or the Holders by the Company have been discharged, or such earlier time as Section 402 of the Indenture shall apply to the Securities and the Guarantors and the Guaranteeing Subsidiaries shall be responsible for the payment thereof to the Trustee or the Holders upon demand.

(g) FRAUDULENT CONVEYANCE, CONTRIBUTION, SUBROGATION.

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

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

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

(h) GUARANTEE IS IN ADDITION TO OTHER SECURITY. This Guarantee shall be in addition to and not in substitution for any other guarantees or other security which the Trustee may now or hereafter hold in respect of the Indenture Obligations owing to the Trustee or the Holders by the Company and (except as may be required by law) the Trustee shall be under no obligation to marshal in favor of each of the Guaranteeing Subsidiaries any other guarantees or other security or any moneys or other assets which the Trustee may be entitled to receive or upon which the Trustee or the Holders may have a claim.

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

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

(k) FAILURE TO EXERCISE RIGHTS SHALL NOT OPERATE AS A WAIVER, NO SUSPENSION OF REMEDIES.

(i) No failure to exercise and no delay in exercising, on the part of the Trustee or the Holders, any right, power, privilege or remedy under this Section 2, Article Thirteen of the Indenture and this Guarantee shall operate as a waiver thereof, nor shall any single or partial exercise of any rights, power, privilege or remedy preclude any other or further exercise thereof,

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or the exercise of any other rights, powers, privileges or remedies. The rights and remedies herein provided for are cumulative and not exclusive of any rights or remedies provided in law or equity.

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

(1) TRUSTEE'S DUTIES; NOTICE TO TRUSTEE.

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

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

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

(n) RELEASE OF GUARANTEE.

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

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

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

SECTION 3. AMENDMENT TO SECTION 1314 OF THE INDENTURE. The cross-reference at the end of the second paragraph of Section 1314 of the Indenture shall be amended to read as a cross reference to Section 1013(c) of the Indenture. All other terms and provisions of the Indenture, except as herein amended and supplemented, shall remain in full force and effect.

SECTION 4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS FIRST SUPPLEMENTAL INDENTURE BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

SECTION 5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them

together represent the same agreement.

SECTION 6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiaries and the Company.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the 31st day of December, 1999.

THE COMPANY:

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SONIC AUTOMOTIVE, INC.

By: /s/ B. Scott Smith

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Name: B. Scott Smith

Title: President

GUARANTEEING SUBSIDIARIES:

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SONIC AUTOMOTIVE-BONDESEN, INC.  
SONIC - 1720 MASON AVE., DB, LLC  
SONIC AUTOMOTIVE - 6008 N. DALE MABRY, FL, INC.  
SONIC AUTOMOTIVE - 9103 E. INDEPENDENCE, NC, LLC  
SONIC - 2185 CHAPMAN RD., CHATTANOOGA, LLC  
SONIC - CLASSIC DODGE, INC.  
SONIC - FM AUTOMOTIVE, LLC  
SONIC - FM, INC.  
SONIC - FM NISSAN, INC.  
SONIC - FM VW, INC.  
SONIC - FREELAND, INC.  
SONIC - INTEGRITY DODGE LV, LLC  
SONIC - LLOYD NISSAN, INC.  
SONIC - LLOYD PONTIAC-CADILLAC, INC.  
SONIC -MANHATTAN FAIRFAX, INC.  
SONIC - MANHATTAN WALDORF, INC.  
SONIC - NEWSOME AUTOMOTIVE, LLC  
SONIC - NEWSOME CHEVROLET WORLD, INC.  
SONIC - NEWSOME OF FLORENCE, INC.  
SONIC - NORTH CHARLESTON, INC.  
SONIC - NORTH CHARLESTON DODGE, INC.  
SONIC - ROCKVILLE IMPORTS, INC.  
SONIC - ROCKVILLE MOTORS, INC.  
SONIC - SHOTTENKIRK, INC.  
SONIC - SUPERIOR OLDSMOBILE, LLC  
SONIC OF TEXAS, INC.  
SONIC-VOLVO LV, LLC

[SIGNATURES CONTINUED ON NEXT PAGE]

SONIC - WILLIAMS BUICK, INC.

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SONIC - WILLIAMS CADILLAC, INC.  
FIRSTAMERICA AUTOMOTIVE, INC.  
AUTOBAHN, INC.  
DON LUCAS INTERNATIONAL, INC.  
FA SERVICE CORPORATION  
FAA AUTO FACTORY, INC.  
FAA BEVERLY HILLS, INC.  
FAA CAPITOL N, INC.  
FAA CONCORD H, INC.  
FAA CONCORD N, INC.  
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FAA SERRAMONTE, INC.  
FAA STEVENS CREEK, INC.  
FAA TORRANCE CPJ, INC.  
FAA WOODLAND HILLS VW, INC.  
FRANCISCAN MOTORS, INC.  
KRAMER MOTORS INCORPORATED  
LUCAS DEALERSHIP GROUP, INC.  
SANTA CLARA IMPORTED CARS, INC.  
SMART NISSAN, INC.  
STEVENS CREEK CADILLAC, INC.  
TRANSCAR LEASING, INC.  
WINDWARD, INC.  
SONIC - WILLIAMS IMPORTS, INC.

[SIGNATURES CONTINUED ON NEXT PAGE]

SONIC - WILLIAMS MOTORS, LLC  
VILLAGE IMPORTED CARS, INC.

14

By: /s/ B. Scott Smith

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Name: B. Scott Smith  
Title: Authorized Signatory

Attest: /s/ Theodore M. Wright

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Name: Theodore M. Wright  
Title: Authorized Signatory

SONIC - GLOBAL IMPORTS, L.P.

By: Sonic Automotive of Georgia, Inc., its general partner

By: /s/ B. Scott Smith

-----  
Name: B. Scott Smith  
Title: Vice President

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

By: Sonic of Texas, Inc. their general partner

By: /s/ B. Scott Smith

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Name: B. Scott Smith  
Title: Vice President

[SIGNATURES CONTINUED ON NEXT PAGE]

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GUARANTORS:  
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TOWN AND COUNTRY FORD, INC.  
MARCUS DAVID CORPORATION  
FRONTIER OLDSMOBILE-CADILLAC, INC.  
SONIC DODGE, LLC  
SONIC CHRYSLER-PLYMOUTH-JEEP, LLC  
FORT MILL FORD, INC.  
TOWN AND COUNTRY CHRYSLER-PLYMOUTH-JEEP OF  
ROCK HILL, INC.  
FORT MILL CHRYSLER-PLYMOUTH-DODGE, INC.  
SONIC AUTOMOTIVE OF NEVADA, INC.  
SONIC AUTOMOTIVE OF TENNESSEE, INC.  
SONIC AUTOMOTIVE - 6025 INTERNATIONAL DRIVE, LLC  
SONIC AUTOMOTIVE OF NASHVILLE, LLC  
SONIC AUTOMOTIVE OF CHATTANOOGA, LLC  
TOWN AND COUNTRY JAGUAR, LLC

TOWN AND COUNTRY CHRYSLER-PLYMOUTH-JEEP, LLC  
TOWN AND COUNTRY DODGE OF CHATTANOOGA, LLC  
SONIC AUTOMOTIVE - 2490 SOUTH LEE HIGHWAY, LLC  
TOWN AND COUNTRY FORD OF CLEVELAND, LLC  
FREEDOM FORD, INC.  
SONIC AUTOMOTIVE - HWY. 153 AT SHALLOWFORD  
ROAD, CHATTANOOGA, INC.  
SONIC AUTOMOTIVE 5260 PEACHTREE INDUSTRIAL  
BLVD., LLC  
SONIC AUTOMOTIVE OF GEORGIA, INC.  
SONIC AUTOMOTIVE - CLEARWATER, INC.  
SONIC AUTOMOTIVE 21699 U.S. HWY 19 N., INC.  
SONIC AUTOMOTIVE COLLISION CENTER OF  
CLEARWATER, INC.  
SONIC AUTOMOTIVE - 1400 AUTOMALL DRIVE,  
COLUMBUS, INC.  
SONIC AUTOMOTIVE - 1455 AUTOMALL DRIVE,  
COLUMBUS, INC.  
SONIC AUTOMOTIVE - 1495 AUTOMALL DRIVE,  
COLUMBUS, INC.  
SONIC AUTOMOTIVE - 1500 AUTOMALL DRIVE,  
COLUMBUS, INC.  
SONIC AUTOMOTIVE - 3700 WEST BROAD STREET,  
COLUMBUS, INC.

[SIGNATURES CONTINUED ON NEXT PAGE]

16  
SONIC AUTOMOTIVE - 4000 WEST BROAD STREET,  
COLUMBUS, INC.  
SONIC AUTOMOTIVE 2424 LAURENS RD.,  
GREENVILLE, INC.  
SONIC AUTOMOTIVE 2752 LAURENS RD.,  
GREENVILLE, INC.  
SONIC AUTOMOTIVE - 5585 PEACHTREE  
INDUSTRIAL BLVD., LLC  
CAPITOL CHEVROLET AND IMPORTS, INC.  
SONIC AUTOMOTIVE - 1919 N. DIXIE HWY., NSB, INC.  
SONIC AUTOMOTIVE - 1307 N. DIXIE HWY., NSB, INC.  
SONIC AUTOMOTIVE - 3741 S. NOVA RD., PO, INC.  
SONIC AUTOMOTIVE - 241 RIDGEWOOD AVE., HH, INC.  
SONIC AUTOMOTIVE - 1720 MASON AVE., DB, INC.

By: /s/ B. Scott Smith

-----  
Name: B. Scott Smith  
Title: Authorized Signatory

Attest: /s/ Theodore M. Wright

-----  
Name: Theodore M. Wright  
Title: Authorized Signatory

SONIC PEACHTREE INDUSTRIAL BLVD., L.P.

By: Sonic Automotive of Georgia, Inc., its general partner

By: /s/ B. Scott Smith

-----  
Name: B. Scott Smith  
Title: Vice President

[SIGNATURES CONTINUED ON NEXT PAGE]

17  
TRUSTEE:  
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U.S. BANK TRUST NATIONAL ASSOCIATION,  
as Trustee.

By: /s/ LAURIE HOWARD

-----  
Authorized Signatory

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## EXECUTIVE EMPLOYMENT AGREEMENT

THIS AGREEMENT ("Agreement"), dated December 10, 1999, between Sonic Automotive, Inc. ("Sonic", "Employer" or "Corporation"), and Thomas A. Price ("Executive") becomes effective with the consummation of Sonic's acquisition of not less than 90% of each class of outstanding capital stock of FirstAmerica Automotive, Inc. (the "Acquisition"). This Agreement's purpose is to establish in writing all the terms and conditions of that employment.

## SECTION 1. POSITION AND DUTIES.

Executive shall be employed by the Corporation as a Vice-Chairman, Chairman of the Management Committee and a member of the Board of Directors, reporting to the Board of Directors and/or O. Bruton Smith. Subject to the supervision and control of the Board of Directors of the Corporation (the "Board"), Executive shall use his best efforts to do and perform on a full-time basis all services and acts necessary or advisable to fulfill the duties and responsibilities of his position and shall render such services on the terms set forth herein. In addition, Executive shall have such other executive and managerial powers and duties with respect to the Corporation as may be assigned to him by the Board, which include but are not limited to primary executive responsibility for manufacturer relations, primary executive responsibility for acquisitions review and generation of western acquisition opportunities and primary operations executive participant in investor relations. Executive's principal place of employment shall be San Francisco, California.

## SECTION 2. TERM.

The term of this Agreement shall be for a three (3) year period commencing with the closing of the Acquisition (the "Commencement Date"), unless Executive's employment and this Agreement are earlier terminated pursuant to Section 5 or are extended by mutual written agreement.

## SECTION 3. BASIC COMPENSATION.

The Employer shall pay compensation to the Executive as set forth herein.

a. Salary. An annual base salary of \$600,000 (six hundred thousand dollars), \$50,000 (Fifty thousand dollars) per month gross pay per month will be paid to Executive, subject to applicable withholding, in accordance with the Corporation's normal payroll procedures (the "Base Salary"). Such Base Salary shall be reviewed annually and modified (but not decreased) as determined by the sole discretion of the Corporation's Board of Directors.

b. Benefits. The Corporation shall provide the Executive with employee benefits on the same basis as other executive officers of the Corporation, including O. Bruton Smith (excluding company automobiles, which is covered in Section 3.d below). Executive shall have the opportunity to participate in and to receive benefits under any of the Corporation's Executive benefit plans, including the major medical, dental, vision and hospitalization insurance coverage, disability insurance, life insurance, automobile insurance and similar benefits, including any retirement plan maintained by the Corporation, for which he is eligible in accordance with its terms. In addition, Executive shall be entitled to the benefits afforded to other members of senior management under the Corporation's vacation, holiday and business expense reimbursement policies. Executives date of hire for benefit purposes shall be March 1, 1976, the Executive's original date of hire with Executive's acquired employer.

c. Additional Salary and Bonus. For each calendar year during the term of this Agreement, Executive shall earn an annual salary and bonus which shall raise his entire cash compensation package to a total aggregate sum which is \$50,000 (fifty thousand dollars) less than the entire cash compensation package of O. Bruton Smith as Chairman and CEO of Sonic Automotive, Inc. for such calendar year.

d. Corporate Vehicle: Executive will be provided a corporate vehicle allowance of Twelve Hundred Dollars (\$1200.00) per month plus associated operation expenses.

e. Expense Reimbursement: Upon receipt of proper documentation establishing the amount of such expenses, the Corporation shall reimburse Executive for any reasonable business expenses incurred.

## SECTION 4. STOCK OPTIONS.

Executive shall be granted (the "Initial Option") an option to purchase 300,000

shares of the Corporation's Common Stock at a strike price per share equal to the New York Stock Exchange closing price on the date of close of the Acquisition. Provided Executive remains an employee of the Corporation, this option shall vest at the rate of 100,000 shares per year on each of the first, second and third anniversaries of the Commencement Date. In the event that Employee is terminated Without Cause (as defined in Section 7.c below) during a year of the term of this Agreement, then Employee shall become immediately vested pro rata at the rate of 8,333.33 shares per month during such year to the date of termination.

The Initial Grant shall be made pursuant to the Sonic Automotive, Inc. 1997 Stock Option Plan Amended and Restated as of June 8, 1999 (the "Stock Option Plan") and, except as provided above, shall be subject to all of the provisions and terms of the Stock Option Plan. Executive shall be eligible for further grants of options under the Stock Option Plan at times and in amounts which are consistent with the grants of options for similar employees of Corporation (not including O. Bruton Smith). Any such further grants of options under the Stock Option Plan shall be subject to ratification at the discretion of Employer's Board of Directors. The terms and conditions of any further options granted to Executive pursuant to the Stock Option Plan shall otherwise be governed by the provisions of the Stock Option Plan.

#### SECTION 5. RESTRICTIVE COVENANTS.

For purposes of this Agreement "Restrictive Covenants" mean the provisions of this Section 5. It is stipulated and agreed that the Corporation is engaged in the business of owning and operating automobile and/or truck dealerships, which business includes, without limitation, the marketing and selling of new and used vehicles, the servicing of automobiles and trucks, collision repair services and the sale of financing and insurance products to automobile customers (the "Business"). It is further stipulated and agreed that as a result of Executive's employment by the Corporation, and as a result of Executive's continued employment hereunder, Executive has and will have access to valuable, highly confidential, privileged and proprietary information relating to the Corporation's Business, including, without limitation, existing and future inventory information, customer lists, sales methods and techniques, costs and costing methods, pricing techniques and strategies, sales agreements with customers, profits and product line profitability information, unpublished present and future marketing strategies and promotional programs, and other information regarded by the Corporation as proprietary and confidential (the "Confidential Information"). Confidential information shall not include information available in the public domain. It is further acknowledged that unauthorized use or disclosure by Employee of any of the Confidential Information would seriously damage the Corporation in its Business.

In consideration of the provisions of this Section 5, the compensation and benefits referred to in Sections 3 and 4 hereof, which Executive acknowledges are legally sufficient to support enforceability by the Corporation of the Restrictive Covenants against Executive, Executive agrees as follows:

- (a) During the term of this Agreement and after its termination or expiration for any reason, Executive will not, without Corporations' prior written consent, divulge, disclose, furnish or make accessible to any third person, company or other entity, any aspect of the Confidential Information (other than as required in the ordinary discharge of Executive's duties hereunder).
- (b) During the term of this Agreement and, with respect to clauses (i) and (iii) below only, for a period of one year after the date of the expiration or termination of this Agreement for any reason (the "Restrictive Period"), Executive shall not, directly or indirectly (general media advertising excluded):
  - (i) Solicit the employment of any person, who at any time during the twelve (12) calendar months immediately preceding the termination or expiration of this Agreement, was employed by the Corporation or any of its subsidiaries;
  - (ii) Provide or solicit, except as provided herein, the provision of products or services, similar to those provided by Corporation or any of its subsidiaries to any person or entity who purchase or leased automobiles, trucks, parts, supplies, inventory or services at any time during the twelve (12) calendar months immediately preceding the termination or expiration of this Agreement for any reason;
  - (iii) Interfere or attempt to interfere with the terms or other aspects of the relationship between the

Corporation or any of its subsidiaries and any person or entity from who the Corporation or any of its subsidiaries has purchased automobiles, trucks, parts, supplies, inventory or services at any time during the twelve (12) calendar months immediately preceding the termination or expiration of this Agreement for any reason;

- (iv) 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 agent for, any person, corporation or other entity that is directly or indirectly engaged in a business which is substantially similar to the Business or competitive with the Corporation's business; provided, however, that nothing herein shall preclude the Executive from owning (A) a one-third (1/3 rd) interest in Sunnyvale Acura, Sunnyvale, California with buy-sell provisions with other partners, (B) having a significant interest in DSW Associates, Inc., d/b/a AutoTown, a California Corporation in the automotive computer software and technology business, (C) having an interest in Imotors, Inc. an automotive internet company or (D) acquiring a one hundred percent (100%) interest in Jaguar Marin, San Rafael, California, so long as such ownership and activities do not prevent the Executive from performing his obligations and duties under this Agreement.

In the event that the term of this Agreement shall be extended, these Restrictive Covenants shall apply during such extended term and, where applicable, the one year period thereafter. These Restrictive Covenants shall survive the termination of this Agreement in accordance with their terms.

#### SECTION 6. RETURN OF CORPORATION PROPERTY.

Immediately upon the termination of Executive's employment, Executive shall return to the Corporation all of its property, equipment, documents, records, lists, files and any and all other Corporation materials including, without limitation, computerized or electronic information, that is in Executive's possession (the "Corporation Property") by delivering the Corporation Property to the Corporation's principal executive offices on or before the date of such term. It is specifically acknowledged that all art work located at 601 Brannan St., San Francisco, California at date of this agreement is owned exclusively by Executive. Unless otherwise agreed by the Corporation in writing, Executive shall not retain any Corporation Property or any copies thereof.

SECTION 7. TERMINATION OF EMPLOYMENT. This Agreement shall terminate as follows:

- a. Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Corporation determines in good faith that the Executive becomes unable to perform the essential functions of his position, with or without reasonable accommodation, and that such inability is likely to continue for a period of more than six (6) months, then the Corporation shall give to the Executive written notice of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Corporation shall terminate effective on the thirtieth (30th) day after receipt of such notice by the Executive provided that, within the thirty (30) days after such receipt, the Executive shall not have returned to full time performance of the Executive's duties.
- b. Cause. The Corporation may terminate the Executive's employment at any time, without notice and with immediate effect for Cause. For purposes of this Agreement "Cause" shall mean
  - (i) A material breach by the Executive of the Executive's obligations as set forth herein (other than due to disability) which material breach is not remedied within fourteen (14) business days after receipt of written notice from the Corporation specifying such a breach;
  - (ii) The conviction of the Executive of a felony;

- (iii) Willful failure of Executive to comply with reasonable directives of the Corporation's Board of Directors;
  - (iv) Chronic absenteeism of the Executive which continues for a 30 day period after written notice by the Corporation; or
  - (v) Willful misconduct of Executive resulting in damage to the Corporation.
- c. Without Cause. Corporation may terminate this Agreement at any time, for any reason other than for Cause or the Executive's death or disability, or without any reason. Any such termination for the Corporation pursuant to this Section 7.c shall be deemed a termination "Without Cause". Executive may also terminate this Agreement at any time for any reason, or without any reason.
- d. Payment Upon Termination Without Cause. If Executive's employment is terminated by the Corporation Without Cause, Executive shall be entitled to the following separation benefits:

- (i) Continuation of Executive's Base Salary at the rate in effect on the date of termination for a period of one year, such salary continuation payments to be made in twelve equal monthly installments, commencing with the first month after such termination occurs, in accordance with the Corporation's ordinary payroll procedures without regard to whether Executive obtains alternative employment in the interim; and
- (ii) Payment of a bonus for the year in which the termination occurs in an amount not less than fifty percent (50%) of the then current rate of Base Salary, with such bonus to be made in twelve equal monthly installments, commencing with the first month after such termination occurs.

It shall be a condition to the Corporation's obligation to pay the Base Salary and bonus contemplated above that Executive continue to observe the Restrictive Covenants in clauses (i) and (iii) of Section 5.b during such twelve month period. Payment of such Base Salary and bonus contemplated above shall be in lieu of all other severance benefits to which Executive would otherwise be entitled.

- e. Resignation for Good Reason. For purposes of this Agreement, Executive's resignation for Good Reason shall constitute a termination Without Cause. For purposes of this Agreement, "Good Reason" means any of the following conditions, which notice must be given by the Executive within 30 days after the occurrence of any such condition (failure to timely give such notice to constitute a waiver of Executive's right to terminate for Good Reason):
  - (i) a decrease in Executive's base salary and/or a material decrease in Executive's bonus plan or Executive benefits;
  - (ii) a material, adverse change in Executive's title, authority, responsibilities or duties;
  - (iii) any material breach by the Corporation of any provision of this Agreement, which breach is not cured within fourteen (14) days following written notice of such breach from Executive; or,
  - (iv) if there is a Change in Control of Employer during the term of this Agreement. As used herein, a "Change of Control" shall mean:
    - (A) a sale of all or substantially all of the assets of the Corporation to a person who is not an Affiliate (as used herein the term "Affiliate"

means a person or entity which controls, is controlled by or is under common control with the Corporation and the concept of control means the ownership of voting securities representing more than 50% of the voting power of the entity in question);

(B) a merger, consolidation or reorganization of the Corporation as a result of which stockholders of the Corporation holding more than 50% of the voting power of all voting securities of the Corporation immediately before the merger, consolidation or reorganization do not hold more than 50% of the voting power

of all voting securities of the Corporation after the merger, consolidation or reorganization;

(C) the acquisition by a person or group of persons who are not Affiliates of the Corporation in one transaction or a series of related transactions of voting securities which have more than 50% of the voting power of all voting securities of the Corporation;

(D) if the Chairman in place at the time of the execution of this Agreement either resigns or is removed from office as Chairman of the Board of Directors;

f. Upon termination of this Agreement for any reason or upon termination of Executive's employment with Corporation for any reason, Executive will resign all directorships he may then hold with Corporation or any of its subsidiaries.

#### SECTION 8. BENEFITS UPON TERMINATION OTHER THAN A TERMINATION WITHOUT CAUSE.

In the event Executive terminates this Agreement under Section 7.c above or voluntarily resigns from his employment with the Corporation, or in the event that Executive's employment terminates for Cause or as a result of his death or disability or as a result of the expiration of the term of this Agreement, Executive shall be entitled to no compensation or benefits from the Corporation other than his Base Salary under Section 3.a and his benefits under Section 3.b above until the date of termination.

#### SECTION 9. REMEDY FOR BREACH.

The Executive acknowledges that a violation of any of the provisions of this Agreement, including its restrictive covenants, will cause irreparable damage to the Employer, its successors and assigns. The Executive consents that any violation shall entitle the Employer or its successors and assigns, in addition to any other rights or remedies it, or they, may have, to an immediate injunction restraining any violation.

#### SECTION 10. NOTICES.

All notices, requests, demands, and other communications that are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid addressed to the intended recipient as follows or at such other address as is provided by either party to the other:

If to the Corporation:

Sonic Automotive, Inc.  
5401 East Independence Boulevard  
P.O. Box 18747  
Charlotte, NC 28218  
Telecopier No.: (704) 532-3323  
Attention: Chief Financial Officer

With a copy to:

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

If to Executive:

With a copy to:

Mr. Thomas A. Price  
55 Peninsula Drive  
Belvedere, CA 94920  
Telecopier No. (415) 435-2133

Gray, Cary, Ware & Friedenrich LLP  
400 Hamilton Avenue  
Palo Alto, CA 94301-1825  
Telecopier No.: (650) 327-3699  
Attn: Andrew Zeif

SECTION 11. GOVERNING LAWS.

This Agreement shall be construed and enforced in accordance with the laws of the State of California excluding its conflict of law provisions.

SECTION 12. ENTIRE AGREEMENT.

This Agreement contains the entire agreement among the parties regarding Executive's pay plan and the employment relationship. All prior negotiations, agreements, and understandings are superseded. This Agreement may not be amended or revised except by a writing signed by all the parties.

SECTION 13. BINDING EFFECT; ASSIGNMENT.

This Agreement shall be binding upon and inure to the benefit of the heirs, legal representatives, and successors of the respective parties; provided however, that this Agreement and all its rights may not be assigned by any party except by or with the written consent of the other parties, except that the Corporation shall have the right to assign this Agreement to an assignee who acquires all or substantially all of the business and assets of the Corporation.

SECTION 14. SURVIVAL.

In the event of termination of Executive's employment and this Agreement for any reason by Executive or the Corporation, Executive and/or the Corporation, as the case may be, nevertheless shall continue to be bound by the terms and conditions set forth in Section 13 herein.

SECTION 15. ATTORNEYS' FEES.

The prevailing party shall be entitled to recover from the losing party its attorneys' fees and costs incurred in any action brought to enforce any right arising out of this Agreement.

IT IS SO UNDERSTOOD AND AGREED:

EXECUTIVE:

Signature: /s/ Thomas A. Price  
-----  
Thomas A. Price

EMPLOYER:

Sonic Automotive, Inc.

By: /s/ O. Bruton Smith  
-----  
Its: Chairman and Chief  
Executive Officer



FIRST AMENDMENT TO  
SECOND AMENDED AND RESTATED CREDIT AGREEMENT  
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THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated December 6, 1999, is entered into between SONIC AUTOMOTIVE, INC., a Delaware corporation ("Borrower"), whose address is 5401 East Independence Boulevard, P.O. Box 18747, Charlotte, North Carolina 28218, and FORD MOTOR CREDIT COMPANY, a Delaware corporation ("Lender"), whose address is 6302 Fairview Road, Suite 500, Charlotte, North Carolina 28210.

WHEREAS, pursuant to the terms of a certain Credit Agreement dated as of October 15, 1997, as amended by that certain Credit Agreement Amendment dated November 12, 1997, as amended by that certain Amended and Restated Credit Agreement dated as of December 15, 1997, as amended by that certain Letter Agreement dated July 28, 1998, as amended by that certain Letter Agreement dated September 21, 1998, as amended by that certain Letter Agreement dated October 15, 1998, as amended by that certain Amendment to Amended and Restated Credit Agreement dated March 2, 1999, as further amended by that certain Second Amended and Restated Credit Agreement dated July 28, 1999 between Borrower and Lender (collectively, the "Agreement") Lender extended to Borrower a revolving loan facility in an amount not to exceed \$150,000,000.00 (the "Original Loan Facility"); and

WHEREAS, the Original Loan Facility is evidenced by a certain Promissory Note dated as of October 15, 1997, made by Borrower to the order of Lender in the principal amount of \$26,000,000.00, as amended by that certain Amended and Restated Promissory Note dated December 15, 1997, made by Borrower to the order of Lender in the principal amount of \$75,000,000.00, as amended by that certain Second Amended and Restated Promissory Note dated March 2, 1999 made by Borrower to the order of Lender in the principal amount of \$100,000,000.00, as further amended and restated by that certain Third Amended and Restated Promissory Note dated July 28, 1999 made by Borrower to the order of Lender in the principal amount of \$150,000,000.00 (the "Original Note"); and

WHEREAS, Borrower has requested that Lender amend certain provisions of the Original Loan Facility and increase the principal balance available to Borrower thereunder to \$350,000,000.00 for additional working capital and to purchase dealership assets, pursuant to the terms of the Fourth Amended and Restated Promissory Note dated as of even date herewith in the principal amount of \$350,000,000.00 and made by Borrower to the order of Lender (the "Amended Note" and with the Original Note collectively referred to as the "Note"); and

WHEREAS, Lender is willing to amend and increase the Original Loan Facility if and only if (a) Borrower executes this Amendment and the Amended Note, and (b) each Sonic Dealership (as defined in the Agreement) and each Subsidiary Holding Company (as defined in the Agreement) executes the Reaffirmation of Guaranty dated as of even date herewith reaffirming their guaranty of the indebtedness and obligations of the Borrower and each other Sonic Dealership and Subsidiary Holding Company to Lender under the Wholesale Lines (as defined in the Agreement) and the Original Loan Facility, as amended and increased;

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Borrower and Lender agree as follows:

1. Incorporation by Reference and Defined Terms. The parties hereby incorporate the foregoing recitals in this Amendment as though fully set forth herein, agreeing that such recitals are material, true and correct. Except as modified herein, all capitalized terms shall have the meanings set forth in the Agreement and the Note.

2. Loan Facility. The term "Loan Facility" shall mean the Original Loan Facility, as amended by this Amendment.

3. Amendment of Agreement. The Agreement is hereby amended to provide as follows:

(a) The definition of "Applicable Commercial Paper Rate" set forth in Article I, Section 1.1 of the Agreement is hereby deleted in its entirety and the following shall be substituted therefor:

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

(b) The definition of "Average Scaled Assets" set forth in Article I, Section 1.1 of the Agreement is hereby deleted in its entirety.

(c) The definition of "Commercial Paper Rate" set forth in

Article I, Section 1.1 of the Agreement is hereby deleted in its entirety and the following shall be substituted therefor:

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

(d) The definition of "Commitment" set forth in Article I, Section 1.1 of the Agreement is hereby deleted in its entirety and the following shall be substituted therefor:

"COMMITMENT" means the lesser of (a) \$350,000,000.00 and (b) the Scaled Assets of the Sonic Group plus \$100,000,000.00; provided, however, that for purposes of Section 2.9(C) hereof, "Commitment" shall mean the lesser of (a) \$350,000,000.00 and (b) the amount to which the Commitment has been reduced from time to time pursuant to Section 2.3 hereof "

(e) The definition of "Contribution Agreement" set forth in Article I, Section 1.1 of the Agreement is hereby deleted in its entirety and the following shall be substituted therefor:

"CONTRIBUTION AGREEMENT" means that certain Amended and Restated Contribution Agreement, dated as of October 20, 1997, as amended by the Second Amended and Restated Contribution Agreement, dated as of December 15, 1997, as amended by the Third Amended and Restated Contribution Agreement, dated as of March 24, 1998, as amended and restated by the Fourth Amended and Restated Contribution Agreement, dated as of December 1, 1998, as amended and restated by the Fifth Amended and Restated Contribution Agreement dated March 2, 1999, as amended and restated by the Sixth Amended and Restated Contribution Agreement dated July 28,

-2-

1999, as amended and restated by the Seventh Amended and Restated Contribution Agreement dated December 6, 1999, and as such agreement may be further amended, restated or otherwise modified and in effect from time to time."

(f) The definition of "Daily Adjustment Amount" set forth in Article I, Section 1.1 of the Agreement, is hereby deleted in its entirety.

(g) The definition of "Note" as set forth in Article I, Section 1.1 of the Agreement is hereby deleted in its entirety and the following shall be substituted therefor:

"NOTE" means that Promissory Note dated October 15, 1997 duly executed by the Borrower and payable to the order of the Lender in the principal amount of \$26,000,000.00, as amended and restated by that certain Amended and Restated Promissory Note dated December 15, 1997 duly executed by the Borrower and payable to the order of Lender in the principal amount of \$75,000,000.00, as amended and restated by that certain Second Amended and Restated Promissory Note dated March 2, 1999 duly executed by the Borrower and payable to the order of Lender in the principal amount of \$100,000,000.00, as amended and restated by that certain Third Amended and Restated Promissory Note dated July 28, 1999 duly executed by the Borrower and payable to the order of Lender in the principal amount of \$150,000,000.00, as further amended and restated by that certain Fourth Amended and Restated Promissory Note dated December 6, 1999 duly executed by the Borrower and payable to the order of Lender in the principal amount of \$350,000,000.00 including any amendment, restatement, modification, renewal, increase or replacement of such Note."

(h) The definition of "Quarter" as set forth in Article I, Section 1.1 of the Agreement is hereby deleted in its entirety.

(i) The definition of "Quarterly Payment Date" as set forth in Article I, Section 1.1 of the Agreement is hereby deleted in its entirety.

(j) The definition of "Reaffirmation of Guaranty" as set forth in Article I, Section 1.1 of the Agreement is hereby deleted in its entirety and the following shall be substituted therefor:

"REAFFIRMATION OF GUARANTY" means, collectively, the Reaffirmation of Guaranty dated July 28, 1999 and the Reaffirmation of Guaranty dated December 6, 1999 from each Dealership Guarantor and each Subsidiary Holding Company to Lender, pursuant to which each Dealership Guarantor and each Subsidiary Holding company reaffirmed its guaranty of the Obligations as such Obligations have been amended, restated and/or increased."

(k) The definition of "Scaled Assets Adjustment Amount" as set forth in Article I, Section 1.1 of the Agreement is hereby deleted in its entirety.

(l) The definition of "Termination Date" as set forth in Article I, Section 1.1 of the Agreement is hereby deleted in its entirety and the following shall be substituted therefor:

"TERMINATION DATE" means the earlier of (a) October 31, 2002 and (b) the date of termination of the Commitment pursuant to either of Section 2.3 or Section 7.1 hereof."

(m) Section 2.1 of the Agreement entitled "Advances" is hereby deleted in its entirety and the following shall be substituted therefor:

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"2.1 Advances. Upon the satisfaction of the conditions precedent set forth in Sections 3.1 and 3.2, from and including the date of this Agreement and prior to the Termination Date, the Lender shall, on the terms and conditions set forth in this Agreement, make Advances to the Borrower from time to time, in Dollars, in an amount not to exceed the Revolving Credit Availability at such time; provided, however, at no time shall the Revolving Credit Obligations exceed the Commitment at such time. Subject to the terms of this Agreement, the Borrower may borrow, repay and re-borrow Advances at time prior to the Termination Date. The Borrower shall repay in full the outstanding principal balance of each Advance on or before the Termination Date."

(n) Section 2.2(A) of the Agreement entitled "Optional Payments" is hereby deleted in its entirety and the following shall be substituted therefor:

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

(o) Section 2.3 of the Agreement entitled "Changes in the Commitment. Reduction of Commitment." is hereby deleted in its entirety and the following shall be substituted therefor:

"2.3 Changes in the Commitment. Reduction of Commitment. The Borrower may permanently reduce the Commitment in whole, or in part, in an aggregate minimum amount of \$5,000,000.00 and integral multiples of \$1,000,000.00 in excess of that amount (unless the Commitment is reduced in whole), upon at least three (3) Business Day's written notice to the Lender, which notice shall specify the amount of any such reduction, and upon payment of a termination/reduction fee equal to the amount by which the Commitment is reduced multiplied by:

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- (a) one-half of one percent (.50%), if Borrower terminates the Commitment on or before November 1, 2000; or
- (b) three-eighths of one percent (.375%), if Borrower terminates the Commitment after November 1, 2000 but on or before November 1, 2001; or
- (c) one-quarter of one percent (0.25%), if Borrower terminates the Commitment after November 1, 2001 but before October 31, 2002.

Notwithstanding the foregoing, the amount of the Commitment may not be reduced below the aggregate principal amount of the outstanding Revolving Credit Obligations. All accrued commitment fees and termination fees shall be payable on the effective date of any partial or complete termination of the obligations of the Lender to make Advances hereunder."

(p) Section 2.4 of the Agreement entitled "Method of Borrowing" is hereby deleted in its entirety and the following shall be substituted therefor:

"Method of Borrowing. The Borrower shall give the Lender irrevocable notice in substantially the form of Exhibit B hereto (a "BORROWING NOTICE") not later than 10:00 a.m. (Eastern Standard Time) on the Business Day preceding the Borrowing Date of each Advance, specifying: (i) the Borrowing Date (which shall be a Business Day) of such Advance; (ii) the aggregate amount of such Advance; (iii) the use of proceeds of such Advance, and (iv) the account or accounts into which the Advances should be funded. Not later than 2:00 p.m. (Eastern Standard Time) on each Borrowing Date, the Lender shall make available its Advance, in funds immediately available to the Borrower at such account or accounts as shall have been notified to the Lender. Each

Advance shall bear interest from and including the date of the making of such Advance to (but not including) the date of repayment thereof at the Applicable LIBOR Rate, changing when and as the underlying LIBOR Rate changes, which such interest shall be payable in accordance with Section 2.9(B)."

(q) Section 2.6 of the Agreement, entitled "Default Rate: Late Payment Fee" is hereby deleted in its entirety and the following shall be substituted therefor:

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

(r) Section 2.9(B)(i) of the Agreement, entitled "Interest payable on Advances" is hereby deleted in its entirety and the following shall be substituted therefor:

"Interest Payable on Advances. Interest accrued on each Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof and at maturity (whether by acceleration or otherwise). On each Payment

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Date from and after November 1, 1999 to maturity, the Borrower shall pay interest at the Applicable LIBOR Rate on each Advance outstanding on such date."

(s) Section 2.10 of the Agreement, entitled "Termination Date" is hereby deleted in its entirety and the following shall be substituted therefor:

"Termination Date. This Agreement shall be effective until the Termination Date. Notwithstanding the termination of this Agreement on the Termination Date, until all of the Obligations (other than contingent indemnity obligations, but including all Floor Plan Indebtedness) shall have been fully and indefeasibly paid and satisfied and all financing arrangements between the Borrower and the Lender in connection with this Agreement shall have been terminated (other than with respect to Hedging Obligations), all of the rights and remedies under this Agreement and the other Loan Documents shall survive and the Lender shall be entitled to retain its security interest in and to all existing and future Collateral."

(t) Section 5.2(K) of the Agreement, entitled "Use of Proceeds" is hereby deleted in its entirety and the following shall be substituted therefor:

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

(u) Section 5.3(E) of the Agreement, entitled "Restricted Payments" is hereby deleted in its entirety and the following shall be substituted therefor:

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

- (i) where the consideration therefor consists solely of Equity Interests (but excluding Disqualified Stock) of the Borrower or its Subsidiaries provided no Change of Control would occur as a result thereof;
- (ii) in connection with the payment of dividends by a Subsidiary to the Borrower; and
- (iii) the redemption or repurchase by Borrower of any Equity Interests of the Borrower or a Subsidiary of Borrower, now or hereafter outstanding, provided that after giving effect to such redemption or repurchase, Borrower remains in compliance with the Financial Covenants set forth in

(v) Section 5.4(B) of the Agreement, entitled "Total Adjusted Debt to Tangible Base Capital Ratio" is hereby deleted in its entirety.

(w) Section 5.4(C) of the Agreement, entitled "Fixed Charge Coverage Ratio" is hereby deleted in its entirety and the following shall be substituted therefor:

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

4. Warranties and Representations of Borrower. Borrower represents and warrants to Lender that the representations and warranties contained in Article IV of the Agreement are true and correct as of the date hereof and that Borrower is not in default under the Original Note, the Agreement or any other loan document delivered to Lender in connection therewith, nor is there a circumstance which, upon the giving of notice or the passage of time or both, would constitute a default under any provision thereof. Borrower stipulates and declares to Lender that Borrower has no charge, claim, demand, plea or set-off upon, for or against the Original Note, the Agreement or any other loan documents delivered in connection therewith.

5. Rights Granted Lender. All rights granted to Lender under this Amendment shall be in addition to any rights granted to Lender under the Note, the Agreement or any other loan document delivered in connection therewith.

6. Amendment. The terms and conditions of the Agreement shall apply equally to the indebtedness evidenced by the Note, and the covenants of the Agreement, as amended by this Amendment and shall remain in full force and effect until the Principal Balance of the Note and interest thereon is paid in full and all of the obligations of Borrower to Lender under the Agreement, as amended, and the Note are fully performed and observed. Except as otherwise amended in this Amendment, the terms and conditions of the Agreement shall remain in full force and effect in accordance with the provisions thereof. The Loan Facility may be further renewed or extended only upon such terms and conditions and at such rate of interest as the parties hereby may agree upon in writing.

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IN WITNESS WHEREOF, Borrower and Lender have executed this Amendment under seal as of the date set forth above intending to be legally bound hereby.

FORD MOTOR CREDIT COMPANY,  
a Delaware corporation

By: /s/ William J. Beck IV (SEAL)  
-----  
Name: William J. Beck IV  
-----  
Title: National Account Manager  
-----

SONIC AUTOMOTIVE, INC.,  
a Delaware corporation

By: /s/ B. Scott Smith (SEAL)  
-----  
Name: B. Scott Smith  
Title: President

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FOURTH AMENDED AND RESTATED PROMISSORY NOTE  
 (Acquisition/Revolving Line of Credit)  
 (LIBOR Rate)

\$350,000,000.00

Charlotte, North Carolina

December 6, 1999

FOR VALUE RECEIVED, SONIC AUTOMOTIVE, INC., a Delaware corporation ("Borrower"), whose address is 5401 East Independence Blvd., P.O. Box 18747, Charlotte, North Carolina 28218, promises to pay to FORD MOTOR CREDIT COMPANY, a Delaware corporation ("Lender"), or order, at 6302 Fairview Road, Suite 500, Charlotte, North Carolina 28210, or at such other place as Lender may from time to time in writing designate, in lawful money of the United States of America, the principal sum of THREE HUNDRED FIFTY MILLION AND 00/100 DOLLARS (\$350,000,000.00), or so much thereof as may be advanced from time to time, together with interest, adjusted monthly, on the principal balance outstanding from time to time (the "Principal Balance"), in like money, from the date of this Fourth Amended and Restated Promissory Note (this "Note"), to and including the Termination Date, at the rate of two and fifty hundredths percent (2.50%) per annum above the LIBOR Rate (as defined herein) in effect from time to time (the "Applicable Interest Rate"):

Capitalized terms used herein and not otherwise defined herein shall have the meaning given to such terms in the Agreement.

For purposes of computing interest during the term of this Note, the Applicable Interest Rate for each month shall be based on the LIBOR Rate in effect on the last day of the prior month. All changes in the Applicable Interest Rate shall become effective on the first day of a month following a change in the LIBOR Rate and shall be deemed in effect throughout such month.

The Principal Balance and interest thereon at the Applicable Interest Rate shall be due and payable as hereinafter set forth.

The outstanding Principal Balance hereunder may fluctuate up and down from time to time as Advances are made, and Borrower repays the Principal Balance, or any portion thereof; provided, however, that at any one time, the aggregate of all Advances made hereunder may not exceed the lesser of (a) \$350,000,000.00 and (b) the Scaled Assets of the Sonic Group plus \$100,000,000.00.

This Note amends, restates, replaces and supersedes the Promissory Note dated as of October 15, 1997 in the original principal amount of \$26,000,000.00, as amended and restated by that certain Amended and Restated Promissory Note dated December 15, 1997, in the original principal amount of \$75,000,000.00, as amended and restated by that certain Second Amended and Restated Promissory Note dated March 2, 1999 in the principal amount of \$100,000,000.00, as further amended and restated by that certain Third Amended and Restated Promissory Note dated July 28, 1999 in the principal amount of \$150,000,000.00 from Borrower to Lender (collectively, the "Original Note"). Any interest accrued on the Original Note as of the date hereof will be included in the next monthly payment due hereunder.

The term "AGREEMENT" shall mean the Credit Agreement dated as of October 15, 1997, as amended by that certain Credit Agreement Amendment dated November 12, 1997, as amended and restated by that certain Amended and Restated Credit Agreement dated as of December 15, 1997, as amended by that certain Letter Agreement dated July 28, 1998, as amended by that certain Letter Agreement dated September 21, 1998, as amended by that certain Letter Agreement dated October 15, 1998, as amended by that certain Amendment to Amended and Restated Credit Agreement dated March 2, 1999, as amended and restated by that certain Second Amended and Restated Credit Agreement dated July 28, 1999, as further amended by that certain First Amendment to Second Amended and Restated Credit Agreement dated as of even date herewith between Borrower and Lender.

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

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

The term "SECURITY DOCUMENTS" shall mean the Agreement and any and all

of the documents now or hereafter executed by Borrower and/or others, and by or in favor of Lender, which wholly or partially guarantee or secure this Note or are executed in connection with this Note.

The term "TERMINATION DATE" shall mean the earlier of (a) October 31, 2002 and (b) the date of the termination of the Commitment pursuant to either of Section 2.3 or Section 7.1 of the Agreement.

From November 1, 1999 to and including the Termination Date, the Principal Balance and interest thereon shall be due and shall be payable as follows:

- (a) consecutive monthly installments of interest at the Applicable Interest Rate on the unpaid Principal Balance outstanding commencing on the first Payment Date following the date hereof and continuing thereafter on each Payment Date through and including the Termination Date; and
- (b) if at any time and for any reason the outstanding Principal Balance exceeds the lesser of (i) \$350,000,000.00 and (ii) the Scaled Assets of Sonic Group plus \$100,000,000.00, the Borrower shall immediately make a mandatory prepayment in an amount equal to such excess; and
- (c) on the Termination Date, a final installment which shall include all unpaid amounts of the Principal Balance and interest accrued and unpaid thereon and any and all other payments due under this Note and the Security Documents.

Each of such payments shall be applied first to interest at the Applicable Interest Rate and the balance to reduction of the Principal Balance.

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Except for a prepayment of the Principal Balance in whole made in connection with Borrower's termination of the Commitment, Borrower may prepay the unpaid Principal Balance in whole or from time to time in part, upon payment of interest accrued on the unpaid Principal Balance outstanding through the day of prepayment and all other charges, without premium. Prepayments of the Principal Balance shall be applied to installments of the Principal Balance remaining unpaid in the inverse order of their maturity and shall be credited to the Principal Balance as of the date of receipt by Lender. Notwithstanding the foregoing, the Borrower may not so prepay the unpaid Principal Balance unless Borrower shall have provided notice to the Lender of such prepayment by 12:00 p.m. on the day such payment will be made and the amount of such prepayment is not less than \$500,000.00.

Any prepayments of the Principal Balance made in connection with the reduction or termination of the Commitment shall be subject to the terms and conditions of Section 2.3 of the Agreement, including but not limited to the payment of a termination/reduction fee equal to the amount by which the Commitment has been reduced multiplied by:

- (a) one-half of one percent (0.50%), if Borrower terminates the Commitment on or before November 1, 2000; or
- (b) three-eighths of one percent (0.375%), if Borrower terminates the Commitment after November 1, 2000 but on or before November 1, 2001; or
- (c) one-quarter of one percent (0.25%), if Borrower terminates the Commitment on or after November 1, 2001 but before October 31, 2002.

Payment of this Note is secured by the Security Documents. All of the agreements, conditions, covenants, provisions and stipulations contained in the Security Documents which are to be kept and performed by Borrower are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein, and Borrower covenants and agrees to keep and perform them, or cause them to be kept and performed, strictly in accordance with their terms.

Time is of the essence hereof and if any of the Principal Balance or interest on this Note or other sum due hereunder is not paid when due, to the extent not in excess of the Maximum Rate (as such term is defined in the Agreement) and in accordance with applicable law, any amount not paid by the Borrower when due shall accrue interest at an additional five percent (5.0%) per annum above the rate applicable thereto until such amounts have been paid in full and shall be payable on demand by the Lender and at any rate not later than the next succeeding Payment Date. If any Event of Default shall occur, then Lender, at its option and without further notice, demand or presentment for payment to Borrower or others, may declare immediately due and payable the unpaid Principal Balance and interest accrued thereon to the date of such Event of Default and thereafter at the Applicable Rate plus three percent (3%) per annum, together with all other sums owed by Borrower under this Note and the Security Documents.

This Note is the "Note" referred to in, and is entitled to the benefits of, the Agreement. The Agreement, among other things, (i) provides for the making of Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. Dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such advance being evidenced by this Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for the prepayment of the principal hereof prior to the Termination Date upon the terms and conditions therein specified.

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Principal and interest are payable in lawful money of the United States of America to the Lender, so such domestic account as the Lender may designate, in same day funds. At the time of each Advance, and upon each payment or prepayment of principal of each Advance, the Lender shall make a notation either on the schedule attached hereto and made a part hereof, or in such Lender's own books and records, in each case specifying the amount of such Advance, or the amount of principal paid or prepaid with respect to such Advance, as the case may be; PROVIDED that the failure of the Lender to make any such recordation or notation shall not affect the Obligations of the Borrower hereunder or under the Agreement.

The remedies of Lender, as provided in this Note and the Security Documents, shall be cumulative and concurrent and may be pursued singularly, successively or together, at the sole discretion of Lender, and may be exercised as often as occasion therefor shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

Borrower waives presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note.

Lender shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by Lender and, then, only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event.

This instrument shall be interpreted, and the rights and liabilities of the parties hereto determined, in accordance with the internal laws (as distinguished from the conflicts of law provisions) of the State of North Carolina.

Whenever used, the singular shall include the plural, the plural shall include the singular, and the words "Lender" and "Borrower" shall be deemed to include their respective heirs, administrators, executors, successors and assigns. The provisions of this Note shall be binding upon and inure to the benefit of said heirs, administrators, executors, successors and assigns. Borrower's successors and assigns shall include, without limitation, a receiver, trustee or debtor in possession of or for Borrower.

In the event any one or more of the provisions hereof shall be invalid, illegal or unenforceable in any respect, the validity of the remaining provisions hereof shall be in no way affected, prejudiced or disturbed hereby.

This Note amends and restates in full the Original Note and is issued in substitution for and not in payment of such prior Original Note and is not intended to constitute a novation thereof.

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

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SONIC AUTOMOTIVE, INC.,  
a Delaware corporation

By: /s/ B. Scott Smith (SEAL)

-----  
Name: B. Scott Smith  
Title: President

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## LIST OF SUBSIDIARIES

<TABLE>  
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NAME OF ENTITY -----	STATE OF INCORPORATION -----	ASSUMED NAME -----
<S> Autobahn, Inc.	<C> California	<C> Autobahn Motors
Capitol Chevrolet and Imports, Inc.	Alabama	Capitol Kia Capitol Chevrolet Capitol Hyundai Capitol Mitsubishi
Casa Ford of Houston, Inc.	Texas	
Don Lucas International, Inc.	California	Stevens Creek BMW
FA Service Corporation	California	First Automotive Service Corp.
FAA Auto Factory, Inc.	California	
FAA Beverly Hills, Inc.	California	Beverly Hills BMW
FAA Capitol N, Inc.	California	Capitol Nissan
FAA Concord H, Inc.	California	Concord Honda
FAA Concord N, Inc.	California	Concord Nissan
FAA Concord T, Inc.	California	Concord Toyota
FAA Dealer Services, Inc.	California	
FAA Dublin N, Inc.	California	Dublin Nissan
FAA Dublin VWD, Inc.	California	Dublin Volkswagen Dublin Dodge
FAA Holding Corp.	California	
FAA Las Vegas H, Inc.	Nevada	Honda West
FAA Marin D, Inc.	California	First Dodge - Marin
FAA Marin F, Inc.	California	Ford of San Rafael
FAA Poway D, Inc.	California	Poway Dodge

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NAME OF ENTITY -----	STATE OF INCORPORATION -----	ASSUMED NAME -----
<S> FAA Poway G, Inc.	<C> California	<C> Ritchey/Fipp Poway Chevrolet/Oldsmobile
FAA Poway H, Inc.	California	Poway Honda
FAA Poway T, Inc.	California	Poway Toyota
FAA San Bruno, Inc.	California	Melody Toyota
FAA Santa Monica V, Inc.	California	Volvo of Santa Monica
FAA Serramonte H, Inc.	California	Honda of Serramonte
FAA Serramonte L, Inc.	California	Lexus of Serramonte
FAA Serramonte, Inc.	California	Serramonte Auto Plaza Serramonte Dodge Serramonte Isuzu Serramonte Mitsubishi Serramonte Nissan
FAA Stevens Creek, Inc.	California	Stevens Creek Nissan
FAA Torrance CPJ, Inc.	California	South Bay Chrysler,

		Plymouth, Jeep
FAA Woodland Hills VW, Inc.	California	Volkswagen of Woodland Hills
FirstAmerica Automotive, Inc.	Delaware	
Fort Mill Chrysler-Plymouth-Dodge Inc.	South Carolina	
Fort Mill Ford, Inc.	South Carolina	
Franciscan Motors, Inc.	California	Acura of Serramonte
Freedom Ford, Inc.	Florida	
Frontier Oldsmobile-Cadillac, Inc.	North Carolina	Frontier Hyundai Freedom Chevrolet- Oldsmobile-Cadillac
Kramer Motors Incorporated	California	Honda of Santa Monica
Lone Star Ford, Inc.	Texas	
Lucas Dealership Group, Inc.	Texas	

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NAME OF ENTITY -----	STATE OF INCORPORATION -----	ASSUMED NAME -----
<S> Marcus David Corporation	<C> North Carolina	<C> Town & Country Toyota
Northpoint Volvo LLC	Georgia	
Ron Craft Chevrolet-Cadillac- Oldsmobile, Inc.	Texas	
Santa Clara Imported Cars, Inc.	California	Honda of Stevens Creek
Smart Nissan, Inc.	California	First Nissan-Marin
Sonic Automotive - Bondesen, Inc.	Florida	Fred Bondesen Chevrolet, Oldsmobile, Cadillac, Inc.
Sonic Automotive of Chattanooga, LLC	Tennessee	Town and Country Volvo of Chattanooga  BMW of Chattanooga  Volvo of Chattanooga
Sonic Automotive-Clearwater, Inc.	Florida	Clearwater Toyota
Sonic Automotive Collision Center of Clearwater, Inc.	Florida	
Sonic Automotive F&I, LLC	Nevada	
Sonic Automotive Finance, LLC	North Carolina	
Sonic Automotive of Georgia, Inc.	Georgia	
Sonic Automotive-Hwy. 153 at Shallowford Road, Chattanooga, Inc.	Tennessee	
Sonic Automotive of Nashville, LLC	Tennessee	BMW of Nashville Town and Country Volkswagen of Nashville Volkswagen of Nashville Sonic Automotive Body Shop
Sonic Automotive of Nevada, Inc.	Nevada	
Sonic Automotive Servicing Company, LLC	Nevada	
Sonic Automotive of Tennessee, Inc.	Tennessee	

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STATE OF

NAME OF ENTITY -----	INCORPORATION -----	ASSUMED NAME -----
<S> Sonic Automotive of Texas, L.P.	<C> Texas	<C> Lone Star Ford
Sonic Automotive West, LLC	Nevada	
Sonic Automotive - 1307 N. Dixie Hwy. NSB, Inc.	Florida	Halifax Ford-Mercury Halifax Ford Truck Center Halifax Ford Used Cars
Sonic Automotive-1400 Automall Drive, Columbus, Inc.	Ohio	Hatfield Hyundai
Sonic Automotive-1455 Automall Drive, Columbus, Inc.	Ohio	
Sonic Automotive-1495 Automall Drive, Columbus, Inc.	Ohio	Hatfield Lincoln-Mercury
Sonic Automotive-1500 Automall Drive, Columbus, Inc.	Ohio	
Sonic Automotive - 1720 Mason Ave., DB, Inc.	Florida	Higginbotham Automobiles
Sonic Automotive - 1720 Mason Ave., DB, LLC	Florida	Higginbotham Automobiles
Sonic Automotive - 1919 N. Dixie Hwy. NSB, Inc.	Florida	Higginbotham Chevrolet- Oldsmobile
Sonic Automotive - 21699 U.S. Hwy 19 N., Inc.	Florida	Clearwater Mitsubishi
Sonic Automotive - 241 Ridgewood Ave. HH, Inc.	Florida	Sunrise Auto World Sunrise Fleet Sales
Sonic Automotive 2424 Laurens Rd., Greenville, Inc.	South Carolina	
Sonic Automotive 2752 Laurens Rd., Greenville, Inc.	South Carolina	Century BMW
Sonic Automotive - 3401 N. Main, TX, L.P.	Texas	Ron Craft Chevrolet- Cadillac-Oldsmobile

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NAME OF ENTITY -----	STATE OF INCORPORATION -----	ASSUMED NAME -----
<S> Sonic Automotive-3700 West Broad Street, Columbus, Inc.	<C> Ohio	<C>
Sonic Automotive - 3741 S. Nova Rd., PO, Inc.	Florida	HMC Finance
Sonic Automotive-4000 West Broad Street, Columbus, Inc.	Ohio	
Sonic Automotive - 4701 I-10 East, TX, L.P.	Texas	Casa Ford
Sonic Automotive - 5221 I-10 East, TX, L.P.	Texas	Ron Craft Chrysler Plymouth Jeep Casa Chrysler-Plymouth-Jeep
Sonic Automotive 5260 Peachtree Industrial Blvd., LLC	Georgia	Dyer and Dyer  Dyer & Dyer Volvo of Southlake
Sonic Automotive-5585 Peachtree Industrial Blvd., LLC	Georgia	Dyer & Dyer Oldsmobile
Sonic Automotive - 6008 N. Dale Mabry, FL, Inc.	Florida	Volvo of Tampa
Sonic Automotive - 6025 International Drive, LLC	Tennessee	Town and Country KIA of Chattanooga  Town and Country Volkswagen Volkswagen of Chattanooga Kia of Chattanooga

Sonic Automotive - 9103 E. Independence, NC, LLC	North Carolina	Infiniti of Charlotte
Sonic - 2185 Chapman Rd., Chattanooga, LLC	Tennessee	Economy Honda Cars
Sonic-Birmingham Used Cars, Inc.	Alabama	Sonic Automotive Collision Center

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NAME OF ENTITY -----	STATE OF INCORPORATION -----	ASSUMED NAME -----
<S> Sonic - Camp Ford, L.P.	<C> Texas	<C> LaPorte Ford
Sonic Chrysler-Plymouth-Jeep, LLC	North Carolina	Lake Norman Chrysler-Plymouth-Jeep Lake Norman Used Car Center Lake Norman Pre-Owned
Sonic - Classic Dodge, Inc.	Alabama	Classic Dodge
Sonic Dodge, LLC	North Carolina	Lake Norman Dodge
Sonic - Fitzgerald Chevrolet, LLC	North Carolina	Not New Car Store
Sonic - FM Automotive, LLC	Florida	Mercedes-Benz of Fort Myers
Sonic - FM , Inc.	Florida	BMW of Fort Myers
Sonic - FM Nissan, Inc.	Florida	Nissan of Fort Myers
Sonic - FM VW, Inc.	Florida	Volkswagen of Fort Myers
Sonic - Freeland, Inc.	Florida	Honda of Fort Myers
Sonic - Global Imports, L.P.	Georgia	
Sonic-Glover, Inc.	Oklahoma	Jim Glover Dodge
Sonic - Integrity Dodge LV, LLC	Nevada	Nevada Dodge
Sonic - Lloyd Nissan, Inc.	Florida	Lloyd Nissan Lloyd Automotive
Sonic - Lloyd Pontiac - Cadillac, Inc.	Florida	Lloyd Pontiac-Cadillac-GMC
Sonic - Lute Riley, L. P.	Texas	Lute Riley Honda
Sonic - Manhattan Fairfax, Inc.	Virginia	BMW of Fairfax
Sonic - Manhattan Waldorf, Inc.	Maryland	Nissan Jeep of Waldorf
Sonic - Naples Nissan, Inc.	Florida	Nissan of Naples
Sonic - Newsome Automotive, LLC	South Carolina	Newsome Automotive
Sonic - Newsome Chevrolet World, Inc.	South Carolina	Newsome Chevrolet World

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NAME OF ENTITY -----	STATE OF INCORPORATION -----	ASSUMED NAME -----
<S> Sonic - Newsome of Florence, Inc.	<C> South Carolina	<C> Newsome Automotive Imports of Florence Newsome Chevrolet Isuzu of Florence
Sonic - North Charleston, Inc.	South Carolina	Charleston Lincoln-Mercury North Charleston Hyundai

Sonic - North Charleston Dodge, Inc.	South Carolina	Altman Dodge
Sonic Peachtree Industrial Blvd., L.P.	Georgia	
Sonic - Reading, L.P.	Texas	Reading Buick-Pontiac-GMC Reading Toyota Toyota of Baytown Baytown Pontiac-GMC-Buick
Sonic-Riverside, Inc.	Oklahoma	Riverside Chevrolet
Sonic - Rockville Imports, Inc.	Maryland	Rockville Porsche-Audi
Sonic - Rockville Motors, Inc.	Maryland	Lexus of Rockville
Sonic - Sam White Nissan, L.P.	Texas	Lone Star Nissan Lone Star Oldsmobile Lone Star Nissan-Oldsmobile
Sonic - Sam White Oldsmobile, L.P.	Texas	
Sonic - Shottenkirk, Inc.	Florida	Pensacola Honda
Sonic - Superior Oldsmobile, LLC	Tennessee	Cleveland Oldsmobile-Cadillac-GMC
Sonic of Texas, Inc.	Texas	
Sonic-Volvo LV, LLC	Nevada	Volvo of Las Vegas
Sonic - Williams Buick, Inc.	Alabama	

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NAME OF ENTITY -----	STATE OF INCORPORATION -----	ASSUMED NAME -----
<S> Sonic - Williams Cadillac, Inc.	<C> Alabama	<C>
Sonic - Williams Imports, Inc.	Alabama	
Sonic - Williams Motors, LLC	Alabama	
Stevens Creek Cadillac, Inc.	California	St. Claire Cadillac/Oldsmobile
Town and Country Chrysler-Plymouth-Jeep, LLC	Tennessee	Cleveland Chrysler-Plymouth-Jeep
Town and Country Chrysler-Plymouth-Jeep of Rock Hill, Inc.	South Carolina	Town and Country Hyundai
Town and Country Dodge of Chattanooga, LLC	Tennessee	Dodge of Chattanooga
Town and Country Ford, Incorporated	North Carolina	
Town and Country Ford of Cleveland, LLC	Tennessee	
Town and Country Jaguar, LLC	Tennessee	Town and Country Infiniti of Chattanooga Town and Country Jaguar of Chattanooga Jaguar of Chattanooga Infiniti of Chattanooga
Transcar Leasing, Inc.	California	Serramonte Pontiac Buick GMC
Village Imported Cars, Inc.	Maryland	Village Volvo
Windward, Inc.	Hawaii	Honda of Hayward

</TABLE>

INDEPENDENT AUDITORS' CONSENT

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

We consent to the incorporation by reference in the following Registration  
Statements of Sonic Automotive, Inc.:

Registration Statement No. 333-82615 on Form S-3;  
Registration Statement No. 333-81059 on Form S-8;  
Registration Statement No. 333-81053 on Form S-8;  
Registration Statement No. 333-71803 on Form S-3;  
Registration Statement No. 333-69907 on Form S-8;  
Registration Statement No. 333-69901 on Form S-8;  
Registration Statement No. 333-69899 on Form S-8;  
Registration Statement No. 333-68183 on Form S-3;  
Registration Statement No. 333-65447 on Form S-8;  
Registration Statement No. 333-49113 on Form S-8;  
Registration Statement No. 333-96023 on Form S-3;  
and Registration Statement No. 333-95791 on Form S-8,

of our report dated March 17, 2000, appearing in this Annual Report on Form  
10-K of Sonic Automotive, Inc. for the year ended December 31, 1999.

Charlotte, North Carolina  
March 30, 2000

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