

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

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2021

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
or  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 1-13395

**SONIC AUTOMOTIVE, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

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

56-2010790  
(I.R.S. Employer  
Identification No.)

28211  
(Zip Code)

Registrant's telephone number, including area code: (704) 566-2400  
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.01 per share	SAH	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:  
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  Yes  No

The aggregate market value of the voting common equity held by non-affiliates of the registrant was approximately \$ 1.2 billion based upon the closing sales price of the registrant's Class A Common Stock on June 30, 2021 of \$44.74 per share. The registrant has no non-voting common equity.

As of February 23, 2022, there were 28,186,083 shares of Class A Common Stock, par value \$0.01 per share, and 12,029,375 shares of Class B Common Stock, par value \$0.01 per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the registrant's 2022 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K to the extent described herein.

## UNCERTAINTY OF FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Report on Form 10-K contains, and written or oral statements made from time to time by us or by our authorized officers may contain, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address our future objectives, plans and goals, as well as our intent, beliefs and current expectations regarding future operating performance, results and events, and can generally be identified by words such as “may,” “will,” “should,” “could,” “believe,” “expect,” “estimate,” “anticipate,” “intend,” “plan,” “foresee” and other similar words or phrases.

These forward-looking statements are based on our current estimates and assumptions and involve various risks and uncertainties. As a result, you are cautioned that these forward-looking statements are not guarantees of future performance, and that actual results could differ materially from those projected in these forward-looking statements. Factors which may cause actual results to differ materially from our projections include those risks described in “Item 1A. Risk Factors” of this Annual Report on Form 10-K and elsewhere herein, as well as:

- the number of new and used vehicles sold in the United States as compared to our expectations and the expectations of the market;
- our ability to generate sufficient cash flows or to obtain additional financing to fund our EchoPark expansion, capital expenditures, our share repurchase program, dividends on our common stock, acquisitions and general operating activities;
- our business and growth strategies, including, but not limited to, our EchoPark store operations;
- the reputation and financial condition of vehicle manufacturers whose brands we represent, the financial incentives vehicle manufacturers offer and their ability to design, manufacture, deliver and market their vehicles successfully;
- our relationships with manufacturers, which may affect our ability to obtain desirable new vehicle models in inventory or to complete additional acquisitions or dispositions;
- the adverse resolution of one or more significant legal proceedings against us or our franchised dealerships or EchoPark stores;
- changes in laws and regulations governing the operation of automobile franchises, accounting standards, taxation requirements and environmental laws, including any change in laws or regulations in response to the COVID-19 pandemic;
- changes in vehicle and parts import quotas, duties, tariffs or other restrictions, including supply shortages that could be caused by the COVID-19 pandemic or other supply chain disruptions;
- the inability of vehicle manufacturers and their suppliers to obtain, produce and deliver vehicles or parts and accessories to meet demand at our franchised dealerships for sale and use in our parts, service and collision repair operations;
- general economic conditions in the markets in which we operate, including fluctuations in interest rates, inflation, vehicle valuations, employment levels, the level of consumer spending and consumer credit availability;
- high levels of competition in the retail automotive industry, which not only create pricing pressures on the products and services we offer, but also on businesses we may seek to acquire;
- our ability to successfully integrate potential future acquisitions;
- the significant control that our principal stockholders exercise over us and our business matters;
- the rate and timing of overall economic expansion or contraction; and
- the severity and duration of the COVID-19 pandemic and the actions taken by vehicle manufacturers, governmental authorities, businesses or consumers in response to the pandemic, including in response to a worsening or “next wave” of the pandemic as a result of new variants of the virus or otherwise.

These forward-looking statements speak only as of the date of this Annual Report on Form 10-K or when made, and we undertake no obligation to revise or update these statements to reflect subsequent events or circumstances, except as required under the federal securities laws and the rules and regulations of the Securities and Exchange Commission.

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ANNUAL REPORT ON FORM 10-K  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

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## PART I

**Item 1. Business.**

Sonic Automotive, Inc. was incorporated in Delaware in 1997. References to “Sonic,” the “Company,” “we,” “us” or “our” used throughout this Annual Report on Form 10-K refer to Sonic Automotive, Inc. and its subsidiaries. We are one of the largest automotive retailers in the United States (the “U.S.”) (as measured by total revenue). As a result of the way we manage our business, we had two reportable segments as of December 31, 2021: (1) the Franchised Dealerships Segment and (2) the EchoPark Segment. For management and operational reporting purposes, we group certain businesses together that share management and inventory (principally used vehicles) into “stores.” As of December 31, 2021, we operated 110 stores in the Franchised Dealerships Segment and 46 stores in the EchoPark Segment. The Franchised Dealerships Segment consists of 140 new vehicle franchises (representing 28 different brands of cars and light trucks) and 17 collision repair centers in 17 states.

The Franchised Dealerships Segment provides comprehensive services, including (1) sales of both new and used cars and light trucks; (2) sales of replacement parts and performance of vehicle maintenance, manufacturer warranty repairs, and paint and collision repair services (collectively, “Fixed Operations”); and (3) arrangement of extended warranties, service contracts, financing, insurance and other aftermarket products (collectively, “finance and insurance” or “F&I”) for our guests. The EchoPark Segment sells used cars and light trucks and arranges F&I product sales for our guests in pre-owned vehicle specialty retail locations. Our EchoPark business generally operates independently from our franchised dealerships business (except for certain shared back-office functions and corporate overhead costs). We believe that the continued expansion of our EchoPark business will provide long-term benefits to the Company, our stockholders and our guests.

*Acquisition of RFJ Auto*

On December 6, 2021, Sonic completed the acquisition of RFJ Auto Partners, Inc. and its subsidiaries (collectively, “RFJ Auto”).

In connection with the acquisition of RFJ Auto (the “RFJ Acquisition”), Sonic acquired, 33 automotive retail locations in seven states and a portfolio of 16 automotive brands. Beginning on December 6, 2021, the results of our Franchised Dealerships Segment include 22 stores acquired in the RFJ Acquisition and our EchoPark Segment include 11 Northwest Motorsport pre-owned vehicle stores acquired in the RFJ Acquisition. The aggregate consideration for the RFJ Acquisition was approximately \$950.2 million, of which approximately \$222.4 million was funded from borrowings under Sonic’s new and used vehicle floor plan credit facilities. The consideration for the RFJ Acquisition is subject to customary post-close adjustments.

*Impact of COVID-19*

The COVID-19 pandemic began negatively impacting the global economy in the first quarter of 2020 and continued to affect the global economy and supply chain throughout 2021. The pandemic has affected both consumer behavior and preferences, including by increasing demand for vehicles, and impacted manufacturers ability to meet demand. In 2021, the federal government enacted additional COVID-19 relief and spending measures which, coinciding with a period of low interest rates, had a significant impact on household purchases of durable goods such as vehicles.

This broader economic backdrop resulting from the COVID-19 pandemic continued to impact our business and operations in 2021. As a result of the pandemic and related restrictions on commercial activity, we transitioned many of our teammates to remote work arrangements. In situations where a teammate’s role did not permit remote work (e.g., service repair technicians), we implemented staggered work hours, social distancing and other safety measures to promote the health and safety of our teammates and guests.

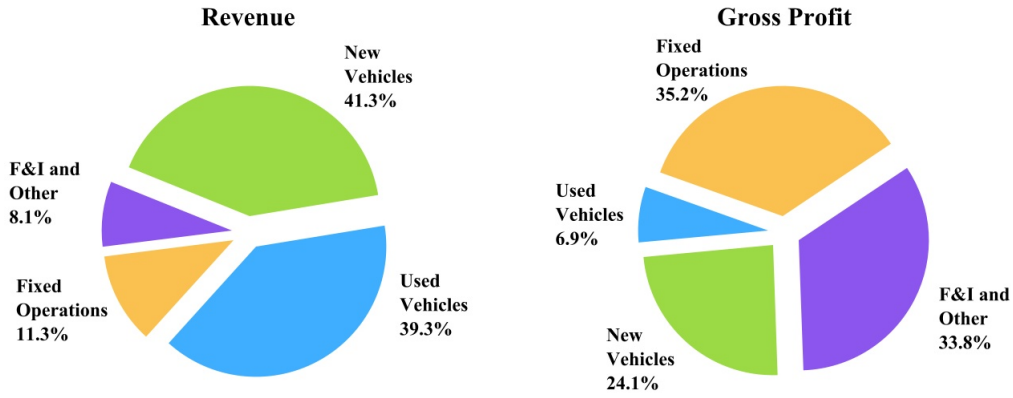
All of our store operations were impacted by the COVID-19 pandemic to varying degrees. As of December 31, 2021, our stores remain subject to both external and self-imposed health and safety policies and practices that may affect the way we sell vehicles and interact with our guests in the future. State and local governmental restrictions on consumer and business activity may be tightened again if conditions related to the pandemic worsen as a result of future coronavirus variants.

The global automotive supply chain in 2021 experienced significant disruptions, primarily related to the production of semiconductors that are used in many components of new vehicles, in addition to workforce-related production delays and stoppages. As a result, automobile manufacturing is operating at lower than expected production levels, reducing the amount of new vehicle and certain parts inventory available to our dealerships. These inventory constraints, coupled with strong consumer demand, a period of low interest rates and record levels of consumer savings, have led to a low new and used vehicle inventory and a high new and used vehicle pricing environment, which drove lower than expected retail new vehicle unit sales volume in 2021. While we believe that new vehicle and parts production levels should begin to improve in the first half of 2022, there is a

risk that new vehicle, used vehicle and certain parts inventory levels remain at a low level or worsen, which could adversely impact our revenues and other financial results.

*Our Business*

The following charts depict the multiple sources of continuing operations revenue and gross profit for the year ended December 31, 2021:



SONIC AUTOMOTIVE, INC.

As of December 31, 2021, we operated in the following states:

Market	Number of Stores in Franchised Dealerships Segment (1)	Number of Stores in EchoPark Segment (2)	Percent of 2021 Total Revenue
Texas	27	7	27.7 %
California	19	1	24.5 %
Colorado	7	3	8.8 %
Tennessee	10	3	7.9 %
Florida	9	2	6.6 %
Alabama	10	2	5.5 %
Georgia	4	3	4.3 %
North Carolina	4	2	4.0 %
Maryland	3	2	2.2 %
South Carolina	2	2	1.8 %
Virginia	1	—	1.7 %
Nevada	2	1	1.6 %
New York	—	2	0.7 %
Idaho	3	1	0.7 %
Indiana	3	—	0.6 %
Arizona	—	1	0.5 %
Missouri	3	—	0.1 %
New Mexico	2	—	0.1 %
Louisiana	—	2	0.1 %
Utah	—	1	0.1 %
Kentucky	—	1	— %
Washington	1	9	— %
Montana	—	1	— %
Disposed stores and holding companies	—	—	0.5 %
<b>Total</b>	<b>110</b>	<b>46</b>	<b>100.0 %</b>

(1) Includes 22 franchised dealerships acquired in the RFJ Acquisition in December 2021.

(2) Includes 35 EchoPark stores, in addition to 11 Northwest Motorsport pre-owned vehicle stores acquired in the RFJ Acquisition in December 2021.

In the future, we may acquire dealerships or open new stores that we believe will strengthen our portfolio and divest dealerships or close stores that we believe will not yield acceptable returns over the long term. The retail automotive industry remains highly fragmented, and we believe that further consolidation may occur. We believe that attractive acquisition opportunities continue to exist for dealership groups with the capital and experience to identify, acquire and professionally manage dealerships. Our ability to complete acquisitions and open new stores in the future will depend on many factors, including the availability of financing and the existence of any contractual provisions that may restrict our acquisition activity.

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources” for a discussion of our plans for the use of capital generated from operations.

#### Reportable Segments

As of December 31, 2021, we had two reportable segments: (1) the Franchised Dealerships Segment and (2) the EchoPark Segment. The Franchised Dealerships Segment is comprised of retail automotive franchises that sell new vehicles and buy and sell used vehicles, sell replacement parts, perform vehicle maintenance, warranty and repair services, and arrange finance and insurance products. The EchoPark Segment is comprised of pre-owned vehicle specialty retail locations that provide guests an opportunity to search our nationwide inventory, purchase a pre-owned vehicle, select finance and insurance products and sell their current vehicle to us.

In 2021, EchoPark Segment revenue represented approximately 18.9% of total revenue, up from 14.5% in 2020. See Note 14, “Segment Information,” to the accompanying consolidated financial statements for additional financial information regarding our two reportable segments.

Unless otherwise noted, the following discussion of our business is presented on a consolidated basis.

### **Business Strategy**

**Execute Our EchoPark Expansion Plan.** We have developed a diversified business model by augmenting our manufacturer-franchised dealership operations with our EchoPark pre-owned vehicle specialty retail business. Our EchoPark business generally operates independently from our franchised dealerships business (except for certain shared back-office functions and corporate overhead costs) and offers consumers a modern guest experience and a wide selection of quality pre-owned vehicle inventory at low prices. Sales operations for EchoPark began in the fourth quarter of 2014, and, as of December 31, 2021, we operated 46 EchoPark stores in 16 states including 11 Northwest Motorsport pre-owned vehicle stores acquired in the RFJ Acquisition in December 2021. Under our current EchoPark growth plan, we plan to open 20 to 25 additional EchoPark stores annually through 2025 as we build out a nationwide EchoPark distribution network expected to reach 90% of the U.S. population by 2025.

**Expand Our Omnichannel Capabilities.** Automotive consumers have become increasingly more comfortable using technology to research their vehicle buying alternatives, communicate with store personnel, and complete a portion or all of a vehicle purchase online. The internet presents a marketing, advertising and sales channel that we will continue to utilize to drive value for our stores and enhance the guest experience. Our existing platforms give us the ability to leverage new technology to integrate systems, customize our dealership websites and use our data to improve the effectiveness of our advertising and interaction with our guests. These platforms also allow us to market all of our products and services to a national audience and, at the same time, support the local market penetration of our individual stores. We believe that the ongoing development of our e-commerce platform will drive incremental revenues and an improved guest experience in the future.

**Focus on the Guest Experience.** We focus on providing a high-quality guest experience and maintaining high levels of customer satisfaction. Our personalized sales process is designed to appeal to our guests by providing high-quality vehicles and service through a positive, “guest-centric” experience. Several manufacturers offer specific financial incentives on a per vehicle basis if certain Customer Satisfaction Index (“CSI”) levels (which vary by manufacturer) are achieved by a dealership. In addition, all manufacturers consider CSI scores in approving acquisitions or awarding new dealership open points. To keep dealership and executive management focused on customer satisfaction, we include CSI results as a component of our incentive-based compensation programs for certain groups of associates and executive management.

**Train, Develop and Retain Our Teammates.** We believe our teammates are the cornerstone of our business and crucial to our financial success. Our goal is to develop our teammates and foster an environment where our teammates can contribute and grow with the Company. Teammate satisfaction is very important to us, and we believe a high level of teammate satisfaction reduces turnover and enhances our guests’ experience at our stores by pairing our guests with well-trained support personnel. We believe that our comprehensive training of our teammates provides us with an advantage over other competitors in providing a high-quality guest experience.

**Optimize Our Capital Structure.** As we generate cash through operations, we may opportunistically repurchase our Class A Common Stock or our outstanding debt in open-market or structured transactions to maintain our targeted capital structure.

**Maximize Asset Returns Through Process Execution.** We have developed standardized operating processes that are documented in operating playbooks for our stores. Through the continued implementation of our operating playbooks, we believe organic growth opportunities exist by offering a more favorable buying experience to our guests and creating efficiencies in our business processes. We believe the development, refinement and implementation of these operating processes will enhance the guest experience, make us more competitive in the markets we serve and drive profit growth across each of our revenue streams.

**Maintain Diverse Revenue Streams.** We have multiple diverse revenue streams among our two operating segments. In addition to new vehicle sales, our revenue sources include used vehicle sales (including through our EchoPark segment), which we believe are less sensitive to economic cycles and other factors that may affect new vehicle sales. Our Fixed Operations sales carry a higher gross margin than new and used vehicle sales and generally are not as sensitive to economic conditions as new or used vehicle sales. We also offer guests assistance in obtaining financing and a range of automobile-related warranty, aftermarket and insurance products.

SONIC AUTOMOTIVE, INC.

**Manage Our Portfolio.** Our long-term growth and acquisition strategy is primarily focused on acquiring desirable businesses in markets that meet certain strategic criteria for population growth and vehicle registration rates, among other considerations. A majority of our franchised dealerships are either luxury or mid-line import brands. For 2021, approximately 88.1% of our total new vehicle revenue was generated by luxury and mid-line import dealerships, which usually have higher operating margins, more stable Fixed Operations departments, lower associate turnover and lower inventory levels than other brand categories. We actively evaluate acquisition opportunities and other strategic transactions that we believe will strengthen our portfolio.

The following table depicts the breakdown of our new vehicle revenues from continuing operations by brand:

Brand	Percentage of New Vehicle Revenues		
	Year Ended December 31,		
	2021	2020	2019
<b>Luxury:</b>			
BMW	26.3 %	24.4 %	24.0 %
Mercedes	12.4 %	12.9 %	12.1 %
Audi	6.4 %	6.5 %	6.9 %
Lexus	5.0 %	4.9 %	4.9 %
Land Rover	3.8 %	4.9 %	4.3 %
Porsche	3.8 %	3.6 %	2.8 %
Cadillac	2.3 %	2.3 %	2.3 %
MINI	1.1 %	1.1 %	1.3 %
Other luxury (1)	2.5 %	2.6 %	2.7 %
<b>Total Luxury</b>	<b>63.6 %</b>	<b>63.2 %</b>	<b>61.3 %</b>
<b>Mid-line Import:</b>			
Honda	13.0 %	13.5 %	15.3 %
Toyota	8.2 %	9.0 %	9.7 %
Volkswagen	1.6 %	1.0 %	1.4 %
Hyundai	0.9 %	1.0 %	1.5 %
Other imports (2)	0.8 %	0.5 %	1.2 %
<b>Total Mid-line Import</b>	<b>24.5 %</b>	<b>25.0 %</b>	<b>29.1 %</b>
<b>Domestic:</b>			
Ford	6.2 %	6.0 %	4.9 %
General Motors (3)	4.6 %	5.8 %	4.7 %
Chrysler Dodge Jeep RAM	1.1 %	— %	— %
<b>Total Domestic</b>	<b>11.9 %</b>	<b>11.8 %</b>	<b>9.6 %</b>
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

(1) Includes Acura, Alfa Romeo, Infiniti, Jaguar, Maserati and Volvo.

(2) Includes Mazda, Nissan and Subaru.

(3) Includes Buick, Chevrolet and GMC.

**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:

**Finance, Insurance and Other Aftermarket Products.** Each sale of a new or used vehicle gives us an opportunity to provide our guests with financing and insurance options and earn financing fees and insurance and other aftermarket product commissions. We also offer our guests the opportunity to purchase extended warranties, service contracts and other aftermarket products from third-party providers whereby we earn a commission for arranging the contract sale. We currently offer a wide range of non-recourse financing, leasing, other aftermarket products, extended warranties, service contracts and insurance products to our guests. We emphasize menu-selling techniques and other best practices to increase our sales of F&I products at all of our stores.

**Parts, Service and Collision Repair.** Each of our franchised dealerships offers a fully integrated service and parts department. Manufacturers permit warranty work to be performed only at franchised dealerships such as ours. As a result, our



franchised dealerships are uniquely qualified and positioned to perform work covered by manufacturer warranties on increasingly complex vehicles. We believe we can continue to grow our profitable parts and service business over the long term by increasing service capacity, investing in sophisticated equipment and well-trained technicians, using competitive variable-rate pricing structures, focusing on the guest experience, and efficiently managing our parts inventory. In addition, we believe our emphasis on selling extended service contracts and maintenance contracts associated with retail new and used vehicle sales will drive further service and parts business in our franchised dealerships as we increase the potential to retain current service and parts guests beyond the term of the standard manufacturer warranty period.

*Certified Pre-Owned Vehicles.* Various manufacturers provide franchised dealers the opportunity to sell certified pre-owned (“CPO”) vehicles. This certification process extends the standard manufacturer warranty on the CPO vehicle, which we believe increases our potential to retain the pre-owned purchaser as a future parts and service customer. As CPO vehicles can only be sold by franchised dealerships and CPO warranty work can only be performed at franchised dealerships, we believe CPO vehicles add additional sales volume and will increase our Fixed Operations business over the long term.

#### **Relationships with Manufacturers**

Each of our franchised dealerships operates under a separate franchise or dealer agreement that governs the relationship between the dealership and the manufacturer. Each franchise or 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 that rewards high unit sales volume. A franchise or dealer agreement incentivizes the dealer to meet specified standards regarding showrooms, facilities and equipment for servicing vehicles, inventories, minimum net working capital, personnel training and other aspects of the business. Each franchise or dealer agreement also gives the related manufacturer the right to approve the dealer operator and any material change in management or ownership of the dealership. Each manufacturer may terminate a franchise or 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 dealer operator, the conviction of the dealership or the dealership’s owner or dealer operator of certain crimes, the failure to adequately operate the dealership or maintain new vehicle inventory or financing arrangements, insolvency or bankruptcy of the dealership or a material breach of other provisions of the applicable franchise or dealer agreement.

Many automobile manufacturers have developed and implemented policies regarding public ownership of dealerships, which include the ability to force the sale of their respective franchises and deny transfer approval requests:

- upon a change in control of the Company or a material change in the composition of our Board of Directors;
- if an automobile manufacturer or distributor acquires more than 5% of the voting power of our securities; or
- if an individual or entity (other than an automobile manufacturer or distributor) acquires more than 20% of the voting power of our securities, and the manufacturer disapproves of such individual’s or entity’s ownership interest.

To the extent that new or amended manufacturer policies restrict the number of dealerships that may be owned by a dealership group or the transferability of our common stock, such policies could have a material adverse effect on us. We believe that we will continue to be able to renew at expiration all of our existing franchise and dealer agreements.

Many states 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 practices they believe constitute unfair competition. In general, these statutes make it unlawful for a manufacturer or distributor to compete with a new motor vehicle dealer in the same brand operating under an agreement or franchise from the manufacturer or distributor in the relevant market area. Certain states, including Florida, Georgia, North Carolina, South Carolina and Virginia, limit the amount of time that a manufacturer or distributor may temporarily operate a dealership. These statutes have been increasingly challenged by new entrants into the retail automotive industry and, to the extent that these statutes are repealed or weakened, such changes could have a material adverse effect on our business.

In addition, each of the states in which our dealerships currently do business requires manufacturers or distributors to show “good cause” for terminating or failing to renew a dealer’s franchise or dealer agreement. Further, each of these states provides some method for dealers to challenge manufacturer attempts to establish dealerships of the same brand in their relevant market area.

While in any individual period conditions may vary, historically we have acquired a significant percentage of our retail used vehicle inventory directly from consumers through our appraisal process, in addition to third-party vehicle auctions. We also acquire used vehicle inventory from wholesalers, franchised and independent dealers and fleet owners, such as leasing companies and rental car companies. The supply of late-model used vehicles is influenced by a variety of factors, including the total number of vehicles in operation; the volume of new vehicle sales, which in turn generate used car trade-ins; and the number of used vehicles sold or remarketed through retail channels, wholesale transactions and automotive auctions. During 2021, low levels of new and used vehicle inventory resulted in higher demand for used vehicle inventory by dealers, wholesalers and consumers, which drove significant increases in the cost to acquire used vehicle inventory and generally lower levels of salable used vehicle inventory. According to industry sources, there were approximately 280.0 million light vehicles in operation in the U.S. as of December 31, 2021. During calendar year 2021, approximately 15.0 million new cars and 40.8 million used cars were sold at retail, many of which were accompanied by trade-ins that could then be resold as used vehicles. Notwithstanding the challenges to new and used vehicle supply experienced in 2021, we continue to believe that sources of used vehicles will continue to be sufficient to meet our current and future needs based on the large number of vehicles remarketed each year, consumer acceptance of our appraisal process, our experience and success in acquiring vehicles from auctions and other sources, and the large size of the U.S. auction market relative to our needs.

### **Competition**

The retail automotive industry is highly competitive. Depending on the geographic market, we compete both with dealers offering the same brands and product lines as ours and dealers offering other manufacturers' vehicles. We also compete for vehicle sales with auto brokers, leasing companies and services offered on the internet that provide referrals to other dealerships, broker vehicle sales between customers and other dealerships or sell vehicles directly to customers via online purchase transactions and delivery. We compete with small, local dealerships and with large multi-franchise and pre-owned automotive dealership groups.

We believe that the principal competitive factors in vehicle sales are the location of stores, the ability of stores to offer an attractive selection of the most popular vehicles at competitive market pricing (including the effect of applicable manufacturer rebates, below-market financing from manufacturers or their captive finance subsidiaries, and other special offers), the successful interplay between the digital and physical aspects of car buying, the marketing campaigns conducted by manufacturers and the quality of services and guest experience at our stores. In particular, pricing has become more important as a result of well-informed customers using a variety of sources available on the internet to determine current retail market prices. Other competitive factors include customer preference for makes of automobiles, vehicle brand reputation, and coverage under manufacturer warranties.

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

In arranging or providing financing for our guests' vehicle purchases, we compete with a broad range of financial institutions outside of our preferred lender network. In addition, certain financial institutions are now offering financing and other F&I products directly to consumers through the internet. We believe that the principal competitive factors in providing financing are convenience, interest rates and contract terms.

Our operating results depend, in part, on national and regional automobile-buying trends, local and regional economic factors and other regional competitive pressures. Conditions and competitive pressures affecting the markets in which we operate, such as price-cutting by dealers in these areas, or in any new markets we enter, could adversely affect our results, even though the retail automotive industry as a whole might not be significantly affected.

### **Governmental Regulations and Environmental Matters**

Numerous federal, state and local regulations govern our business of marketing, selling, financing and servicing automobiles. We are also subject to laws and regulations relating to business corporations.

Under the laws of the states in which we currently operate, 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 franchised dealership or EchoPark store or to operate an automotive service and repair center. These laws also regulate our conduct of business, including our sales, operating,

advertising, financing and employment practices, including federal and state wage-hour, anti-discrimination and other employment practices laws.

Our financing activities with customers are subject to federal truth-in-lending, consumer privacy, 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 franchised dealership and EchoPark properties.

As with automobile dealerships generally, and service, parts and collision repair 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 above ground and underground storage tanks containing such substances, wastes or materials. Accordingly, we are subject to regulation by federal, state and local authorities that establish health and environmental quality standards, provide for liability related to those standards and 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 and other environmentally sensitive materials for treatment, recycling or disposal.

We do not have any known material environmental liabilities, and we believe that compliance with governmental regulations, including environmental laws and regulations will not, individually or in the aggregate, have a material adverse effect on our results of operations, financial condition and cash flows. However, soil and groundwater contamination is known to exist at certain properties owned and used by us. Further, environmental laws and regulations are complex and subject to frequent change. In addition, in connection with our past or future 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.

Starting in 2020, the COVID-19 pandemic led to widespread disruptions to travel and economic activity, including the retail automotive industry. Governmental orders were issued in response to the pandemic and have varied by locality and severity through the duration of the pandemic. Several measures were implemented by various governmental entities in response to the pandemic and our stores remain subject to certain health and safety policies and practices that may affect the way our business operates and how we interact with guests. As of December 31, 2021, most of such restrictions in our key geographic markets have been relaxed; however, our stores remain subject to both external and self-imposed health and safety policies and practices that may affect the way we sell vehicles and interact with our guests in the future. These restrictions may be tightened again if conditions relating to the pandemic worsen, including as a result of future coronavirus variants.

#### Information About Our Executive Officers

The following is a description of the names and ages of the executive officers of the Company, indicating all positions and offices with the Company held by each such person and each person's principal occupation or employment during the past five years. Each executive officer of the Company is elected by our Board of Directors and holds office from the date of election until thereafter removed by the Board.

Name	Age	Position(s) with Sonic
O. Bruton Smith	94	Executive Chairman and Director
David Bruton Smith	47	Chief Executive Officer and Director
Jeff Dyke	54	President and Director
Heath R. Byrd	55	Executive Vice President and Chief Financial Officer

O. Bruton Smith is the Founder of Sonic and has served as its Executive Chairman since July 2015. Prior to his election as Executive Chairman, Mr. Smith had served as Chairman and Chief Executive Officer of the Company since its organization in January 1997. Mr. Smith has also served as a director of Sonic since its organization in January 1997. Mr. Smith is also a director of many of Sonic's subsidiaries. Mr. Smith has worked in the retail automotive industry since 1966. Mr. Smith is also the Executive Chairman and a director of Speedway Motorsports, LLC f/k/a Speedway Motorsports, Inc. ("Speedway Motorsports"), which is controlled by Mr. Smith and his family. Speedway Motorsports was a public company until September 2019 and its shares were traded on the New York Stock Exchange (the "NYSE"). Among other things, Speedway Motorsports owns and operates the following speedways: Atlanta Motor Speedway, Bristol Motor Speedway, Charlotte Motor Speedway, Dover Motor Speedway, Kentucky Speedway, Las Vegas Motor Speedway, Nashville Speedway, New Hampshire Motor

Speedway, Sonoma Raceway, Texas Motor Speedway and Nashville Superspeedway. Mr. Smith is also a director of most of Speedway Motorsports' operating subsidiaries and a director and an officer of Sonic Financial Corporation ("SFC"), the largest stockholder of Sonic. He is the father of Mr. David Bruton Smith and Mr. Marcus G. Smith, a director and a greater than 10% beneficial owner of Sonic.

David Bruton Smith was elected as Chief Executive Officer of Sonic in September 2018. Prior to his election as Chief Executive Officer, Mr. Smith served as Sonic's Executive Vice Chairman and Chief Strategic Officer from March 2018 to September 2018, as Sonic's Vice Chairman from March 2013 to March 2018 and as an Executive Vice President of Sonic from October 2008 to March 2013. He has served as a director of Sonic since October 2008 and has served in Sonic's organization since 1998. Prior to being named an Executive Vice President and a director in October 2008, Mr. Smith had served as Sonic's Senior Vice President of Corporate Development since March 2007. Mr. Smith served as Sonic's Vice President of Corporate Strategy from October 2005 to March 2007, and also served prior to that time as Dealer Operator and General Manager of several Sonic dealerships. Mr. Smith is also a director and an officer of SFC, the largest stockholder of Sonic. He is the son of Mr. O. Bruton Smith and the brother of Mr. Marcus G. Smith.

Jeff Dyke was elected to the office of President of Sonic in September 2018 and is responsible for direct oversight for all of Sonic's retail automotive operations. In addition, Mr. Dyke has served as a director of Sonic since July 2019. Mr. Dyke served as Sonic's Executive Vice President of Operations from October 2008 to September 2018. From March 2007 to October 2008, Mr. Dyke served as Sonic's Division Chief Operating Officer - Southeast Division, where he oversaw retail automotive operations for the states of Alabama, Florida, Georgia, North Carolina, South Carolina, Tennessee and Texas. Mr. Dyke first joined Sonic in October 2005 as Sonic's Vice President of Retail Strategy, a position that he held until April 2006, when he was promoted to Division Vice President - Eastern Division, a position he held from April 2006 to March 2007. Prior to joining Sonic, Mr. Dyke worked in the retail automotive industry at AutoNation, Inc. from 1996 to 2005, where he held several positions in divisional, regional and dealership management with that company.

Heath R. Byrd has served as Sonic's Executive Vice President and Chief Financial Officer since April 2013. Mr. Byrd was previously a Vice President and Sonic's Chief Information Officer from December 2007 to March 2013 and has served our organization since 2007. Prior to joining Sonic, Mr. Byrd served in a variety of management positions at HR America, Inc., a workforce management firm that provided customized human resource and workforce development through co-sourcing arrangements, including as a director, as President and Chief Operating Officer and as Chief Financial Officer and Chief Information Officer. Prior to HR America, Mr. Byrd served as a Manager in the Management Consulting Division of Ernst & Young LLP.

#### **Human Capital Resources**

As of December 31, 2021, we employed approximately 10,200 associates, or teammates, with whom we strive to maintain good relationships, which benefit both our Company and our teammates. Approximately 200 of our associates, primarily service technicians in northern California, are represented by a labor union. Although only a small percentage of our associates is represented by a labor union, we may be affected by labor strikes, work slowdowns and walkouts at automobile manufacturers' manufacturing facilities.

We believe our teammates are key to achieving our business objectives. During the COVID-19 pandemic, we experienced restrictions on permitted occupancy or brief closures at many of our locations. At the beginning of the COVID-19 pandemic, we implemented protocols designed to protect the health and safety of our teammates and guests. These protocols, which remain in place, meet or exceed the Centers for Disease Control and Prevention guidelines and, where applicable, state mandates. Prior to, or upon returning to work, our teammates were trained on the protocols designed to protect the health and safety of our teammates and guests.

As we manage our workforce, we focus on associate satisfaction, turnover and training. We benchmark our compensation practices and benefits programs against those of comparable companies and in the geographic areas where our operations are located. We believe that our compensation and employee benefits are competitive and allow us to attract and retain skilled and unskilled labor throughout our organization. In September 2021, we also established an hourly minimum wage of \$15 per hour for all hourly employees company-wide. Our notable health, welfare, retirement and training benefits include:

- Company-subsidized health insurance;
- 401(k) plan with Company matching contributions;
- Company-wide \$15 per hour minimum wage for all hourly employees;

- paid vacation, sick and bereavement leave;
- paid community service and volunteer leave; and
- tuition assistance programs and Company-paid training opportunities.

We strive to maintain an inclusive environment free from discrimination of any kind, including in our hiring practices and daily operations. Our teammates have multiple avenues available through which inappropriate behavior can be reported, including a confidential hotline. Our policies require all reports of inappropriate behavior to be taken seriously and promptly investigated with appropriate action taken to address and prevent such behavior.

**Company Information**

Our website can be accessed at [www.sonicautomotive.com](http://www.sonicautomotive.com). Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as well as proxy statements and other information we file with, or furnish to, the Securities and Exchange Commission (the “SEC”) are available free of charge on our website as well as the website of the SEC, [www.sec.gov](http://www.sec.gov). We make these documents available as soon as reasonably practicable after we electronically transmit them to the SEC. Except as otherwise stated in these documents, the information contained on our website or available by hyperlink from our website is not incorporated into this Annual Report on Form 10-K or other documents we transmit to the SEC.

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**Item 1A. Risk Factors.**

Our business, financial condition, results of operations, cash flows and prospects and the prevailing market price and performance of our Class A Common Stock may be adversely affected by a number of factors, including the material risks noted below. Our stockholders and prospective investors should consider these risks, uncertainties and other factors prior to making an investment decision.

**Risks Related to Our Growth Strategy**

*Our investment in new business strategies, services and technologies is inherently risky, and could disrupt our ongoing business or have a material adverse effect on our overall business and results of operations.*

We have invested and expect to continue to invest in new business strategies, services and technologies, including our EchoPark business. Such endeavors may involve significant risks and uncertainties, including allocating management resources away from current operations, insufficient revenues to offset expenses associated with these new investments, inadequate return of capital on our investments and unidentified issues not discovered in our due diligence of such strategies and offerings. Because these ventures are inherently risky, no assurance can be given that such strategies and offerings will be successful and will not have a material adverse effect on our reputation, financial condition and operating results.

*Our ability to make acquisitions, execute our growth strategy for our EchoPark business and grow organically may be restricted by our ability to obtain capital, the terms of the instruments governing our long-term debt and the need to obtain consent from manufacturers.*

We intend to finance future real estate and dealership acquisitions with cash generated from operations, through issuances of our stock or debt securities and through borrowings under credit arrangements. We may not be able to obtain additional financing by issuing stock or debt securities due to the market price of our Class A Common Stock, overall market conditions or certain covenants under the instruments that govern our long-term debt that restrict our ability to issue additional indebtedness, or the need for manufacturer consent to the issuance of equity securities. Using cash to complete acquisitions could substantially limit our operating and financial flexibility.

The amount of capital presently available to us is limited to the liquidity available under our existing debt agreements and cash flows generated through operating activities. Pursuant to the 2021 Credit Facilities (as defined below), we are restricted from making dealership acquisitions without lender consent in any fiscal year if the aggregate cost of all such acquisitions is in excess of certain amounts. Our ability to obtain additional sources of financing may be limited by the fact that substantially all of the assets of our dealerships are pledged to secure the indebtedness under the 2021 Credit Facilities and the Silo Floor Plan Facilities (as defined below). These pledges may impede our ability to borrow from other sources. Our pace and scale of growing our EchoPark business may be limited in the event other sources of capital are unavailable.

In addition, we are dependent to a significant extent on our ability to finance our new and certain of our used vehicle inventory under the 2021 Floor Plan Facilities (as defined below) or the Silo Floor Plan Facilities (collectively, "Floor Plan Financing"). Floor Plan Financing arrangements allow us to borrow money to buy a particular new vehicle from the manufacturer or a used vehicle on trade-in or at auction and pay off the loan when we sell that particular vehicle. We must obtain Floor Plan Financing or obtain consents to assume existing floor plan notes payable in connection with our acquisition of dealerships. In the event that we are unable to obtain such financing, our ability to complete dealership acquisitions could be limited.

We are required to obtain the approval of the applicable manufacturer before we can acquire an additional franchise of that manufacturer. Certain manufacturers also limit the number of its dealerships that we may own in total, the number of dealerships we may own in a particular geographic area, or our national market share of that manufacturer's sales of new vehicles. In addition, under an applicable franchise or dealer agreement or under state law, a manufacturer may have a right of first refusal to acquire a dealership that we seek to acquire. We cannot assure you that manufacturers will approve future acquisitions or do so on a timely basis, which could impair the execution of our acquisition strategy.

*We may not adequately anticipate all of the demands that growth through strategic acquisitions or brand development will impose or be able to determine the actual financial condition of dealerships we acquire until after we complete the acquisition and take control of the dealerships. Failure to effectively integrate acquired businesses with our existing operations could adversely affect our future operating results.*

Our future operating results depend on our ability to integrate the operations of acquired businesses with our existing operations. Our growth strategy has focused on the pursuit of strategic acquisitions or brand development that either expand or

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complement our business. We face risks growing through acquisitions or expansion. These risks include, but are not limited to: incurring significantly higher capital expenditures and operating expenses; failing to assimilate the operations and personnel of acquired dealerships; entering new markets with which we are unfamiliar; incurring potential undiscovered liabilities and operational difficulties at acquired dealerships; disrupting our ongoing business; diverting our management resources; failing to maintain uniform standards, controls and policies; impairing relationships with employees, manufacturers and customers as a result of changes in management; the challenge of retaining or attracting appropriate dealership management personnel; incurring increased expenses for accounting and computer systems, as well as integration difficulties; failing to obtain a manufacturer's consent to the acquisition of one or more of its franchises or to renew the franchise or dealer agreement on terms acceptable to us; and incorrectly valuing entities to be acquired or assessing markets entered.

The operating and financial condition of acquired businesses cannot be determined accurately until we assume control. Although we conduct what we believe to be a prudent level of due diligence regarding the operating and financial condition of the businesses we purchase, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual operating condition of these businesses. Similarly, many of the dealerships we acquire, including some of our largest acquisitions, do not have financial statements audited or prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). We may not have an accurate understanding of the historical financial condition and performance of our acquired entities. Until we actually assume control of business assets and their operations, we may not be able to ascertain the actual value or understand the potential liabilities of the acquired entities and their operations.

**Risks Related to the Retail Automotive Industry**

*Our business could be adversely affected by the effects of pandemics like the COVID-19 pandemic and other natural disasters.*

The automotive manufacturing supply chain spans the globe. As such, supply chain disruptions resulting from widespread public health crises, natural disasters, adverse weather and other events may affect the flow of new vehicle or parts inventory to us or our manufacturing partners. Beginning in 2020, the worldwide spread of COVID-19 led to widespread reductions in travel and economic activity, including automobile manufacturing and supply chain disruptions and production delays. These supply chain disruptions and production delays continued in 2021 and significantly impacted the supply of new vehicles, parts and accessories that we sell. In addition, these disruption and delays led to low new and used vehicle inventory levels through much of 2021, which led to fluctuations in the sales prices and costs to acquire new and used vehicles. We expect that low levels of inventory due to supply chain disruptions and production delays will improve as early as the first half of 2022. The extent to which these supply chain disruptions and production delays, as well as other effects of the COVID-19 pandemic may continue to adversely impact our business depends on the severity and duration of the pandemic, including new variants, and the effectiveness of actions taken globally to contain or mitigate its effects, including governmental orders issued in response to any future developments, which are highly uncertain and unpredictable. Any resulting operational or financial impact cannot be reasonably estimated at this time, but may materially adversely affect our business, financial condition, results of operations and cash flows. We also cannot reasonably predict the timing or magnitude of impacts to our business due to any economic recession or depression that may develop as the COVID-19 pandemic continues or that is attributable to related economic factors, including higher inflation or increases in interest rates.

*Our facilities and operations are subject to extensive governmental laws and regulations. If we are found to be in violation of, or subject to liabilities under, any of these laws or regulations or if new laws or regulations are enacted that adversely affect our operations, then our business, operating results, financial condition, cash flows and prospects could suffer.*

The retail automotive industry, including our facilities and operations, is subject to a wide range of federal, state and local laws and regulations, such as those relating to motor vehicle sales, retail installment sales, leasing, sales of finance, insurance and vehicle protection products, licensing, consumer protection, consumer privacy, employment practices, escheatment, anti-money laundering, environmental, vehicle emissions and fuel economy, and health and safety. With respect to motor vehicle sales, retail installment sales, leasing, and sales of finance, insurance and vehicle protection products at our dealerships and stores, we are subject to various laws and regulations, the violation of which could subject us to consumer class action or other lawsuits or governmental investigations and adverse publicity, in addition to administrative, civil or criminal sanctions. With respect to employment practices, we are subject to various laws and regulations, including complex federal, state and local wage and hour and anti-discrimination laws. We are also subject to lawsuits and governmental investigations alleging violations of these laws and regulations, including purported class action lawsuits, which could result in significant liability, fines and penalties. The violation of other laws and regulations to which we are subject also can result in administrative, civil or criminal sanctions against us, which may include a cease and desist order against the subject operations or even revocation or suspension of our license to operate the subject business, as well as significant liability, fines and penalties. We devote significant resources to comply with applicable federal, state and local regulation of health, safety,

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environmental, zoning and land use regulations, and we may need to spend additional time, effort and money to keep our operations and existing or acquired facilities in compliance. In addition, we may be subject to broad liabilities arising out of contamination at our currently and formerly owned or operated facilities, at locations to which hazardous substances were transported from such facilities, and at such locations related to entities formerly affiliated with us. Although for some such liabilities we believe we are entitled to indemnification from other entities, we cannot assure that such entities will view their obligations as we do or will be able to satisfy them. Failure to comply with applicable laws and regulations may have an adverse effect on our business, operating results, financial condition, cash flows and prospects.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which was signed into law on July 21, 2010, established the Consumer Financial Protection Bureau (the “CFPB”), a new independent federal agency funded by the U.S. Federal Reserve with broad regulatory powers and limited oversight from the U.S. Congress. Although automotive dealers are generally excluded, the Dodd-Frank Act has led to additional, indirect regulation of automotive dealers, in particular, their sale and marketing of finance and insurance products, through its regulation of automotive finance companies and other financial institutions. The CFPB has recommended that financial institutions under its jurisdiction take steps to ensure compliance with the Equal Credit Opportunity Act, which may include imposing controls on discretionary markup of wholesale rates offered by financial institutions (“dealer markup”), monitoring and addressing the effects of dealer markup policies and eliminating dealer discretion to markup buy rates and fairly compensating dealers using a different mechanism that does not result in disparate impact to certain groups of consumers.

***Increasing competition among automotive retailers and the use of the internet reduces our profit margins on vehicle sales and related businesses.***

Automotive retailing is a highly competitive business. Our competitors include publicly and privately owned dealerships, some of which are larger and have greater financial and marketing resources than we do. Many of our competitors sell the same or similar makes and models of new and used vehicles that we offer in our markets at competitive prices. We do not have any cost advantage in purchasing new vehicles from manufacturers due to economies of scale or otherwise. We typically rely on advertising, merchandising, sales expertise, customer service reputation and dealership location to sell new vehicles. In addition, our F&I business and other related businesses, which have higher margins than sales of new and used vehicles, are subject to competition from various financial institutions and other third parties. Our revenues and profitability could be materially adversely affected if certain state dealer franchise laws are relaxed to permit manufacturers to enter the retail market directly.

Moreover, consumers are using the internet to compare pricing for vehicles and related F&I services, which may further reduce margins for new and used vehicles and profits for related F&I services. Governmental and self-imposed restrictions during the COVID-19 pandemic limited in-person contact at vehicle dealerships and resulted in enhanced internet-based contact for new and used vehicle sales. If internet-based new vehicle sales are allowed to be conducted without the involvement of franchised dealers, our business could be materially adversely affected. In addition, other dealership groups have aligned themselves with services offered on the internet or are investing heavily in the development of their own internet sales capabilities, which could materially adversely affect our business, financial condition and results of operations.

***Challenges to the business model of our franchised dealerships from manufacturers and the effect of companies entering into the automotive space may affect our ability to grow or maintain the business over the long term.***

Large and well-capitalized technology-focused companies have continued to enter into the automotive space in recent years. Companies including, but not limited to, Amazon, Apple, Google, Lyft, Tesla and Uber may challenge the existing automotive manufacturing, retail sales, maintenance and repair, and transportation models. For example, Tesla has been challenging state dealer franchise laws in many states with mixed results, but it has achieved success with new vehicle sales business model and its vehicles have been accepted by many consumers, even in states where dealer franchise laws appear to preclude Tesla vehicle sales. In addition, other manufacturers whose new vehicles we sell have recently announced their intentions to implement an “agency” model of direct manufacturer to consumer sales in certain European markets. Although the long-term impact of the participation of vehicle manufacturers in direct sales is undetermined, these other large technology-based companies may continue to change consumers’ view on how automobiles should be manufactured, equipped, retailed, maintained and utilized in the future. Because these companies have the ability to connect with each individual consumer easily through their existing or future technology platforms, we may ultimately be at a competitive disadvantage in marketing, selling, financing and servicing vehicles. In addition, certain automobile manufacturers have expressed interest in or begun selling directly to customers. The franchised dealer’s participation in that potential future transaction type is unclear and our operations and financial results may be negatively impacted if the role of franchised dealers diminishes.



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***Our dealers depend upon new vehicle sales and, therefore, their success depends in large part upon consumer demand for and manufacturer supply of particular vehicles.***

The success of our dealerships depends in large part on the overall success of the vehicle lines they carry. New vehicle sales generate the majority of our total revenue and lead to sales of higher-margin products and services such as finance, insurance, vehicle protection products and other aftermarket products, and parts and service operations. Our new vehicle sales operations are comprised primarily of luxury and mid-line import brands, which exposes us to manufacturer concentration risks. Although our parts and service operations and used vehicle business may serve to offset some of this risk, changes in automobile manufacturers' vehicle models and consumer demand for particular vehicles may have a material adverse effect on our business.

Our business is highly dependent on consumer demand and preferences. Events such as manufacturer recalls and negative publicity or legal proceedings related to these events may have a negative impact on the products we sell. If such events are significant, the profitability of our dealerships related to those manufacturers could be adversely affected and we could experience a material adverse effect on our overall results of operations, financial position and cash flows.

Further, manufacturers typically allocate their vehicles among dealerships based on the sales history of each dealership. Supplies of popular new vehicles may be limited by the applicable manufacturer's production capabilities. Popular new vehicles that are in limited supply typically produce the highest profit margins. We depend on manufacturers to provide us with a desirable mix of popular new vehicles. In addition, supply chain disruptions and production delays for new vehicles experienced in 2021 and so far in 2022 have directly impacted new vehicle inventories and sales. Further disruptions and delays could impact new vehicle inventory levels and demand for particular vehicles. Our operating results may be materially adversely affected if we do not obtain a sufficient supply of these vehicles on a timely basis.

***Our business is dependent upon access to quality sources of used vehicle inventory. Our business sales and results of operations could be materially adversely affected by obstacles that prevent the efficient acquisition and liquidation of used vehicle inventory.***

A reduction in the availability of, or access to, sources of desirable, high-quality used vehicle inventory could have a material adverse effect on our business, sales and results of operations at all of our locations. Although the supply of desirable, high-quality used vehicle inventory has not historically been a material issue, in 2021, we experienced record low used vehicle inventory levels, which led to an increase in the cost to acquire high-quality used vehicle inventory. We expect that used vehicle inventory levels will remain low until late 2022. To the extent that used vehicle inventory levels remain low and the costs to acquire high-quality inventory remain high, we may experience decreased sales volume and margins on sales of our used vehicle inventory, which may have a material negative impact on our business, results of operations and profitability, particularly in the EchoPark Segment.

We obtain a significant percentage of our used vehicle inventory through our proprietary appraisal system as this sourcing outlet is generally more profitable and more convenient for our guests and potential guests. A significant portion of our used vehicle inventory is sourced through trade-ins for purchases of new vehicles, which remain limited in supply. Accordingly, if we fail to make appraisal offers in line with broader market trade-in offer trends, or fail to recognize those trends, it could adversely affect our ability to acquire used vehicle inventory and increase the risk of loss of business to our competitors. Loss of sale, involving trades and insufficient levels of inventory, could also force us to purchase a greater percentage of used vehicle inventory from third-party auctions, which is generally less profitable due to high bidding costs and additional costs associated with transporting the acquired used vehicles to our store locations. Our inability to source high-quality used vehicle inventory from third-party auctions could reduce the demand for our used vehicle inventory offerings. See "Increasing competition among automotive retailers and the use of the internet reduces our profit margins on vehicle sales and related businesses" above in this "Item 1A. Risk Factors" for further discussion.

Used vehicle inventory is subject to depreciation risk. Accordingly, if we develop excess inventory, the inability to liquidate such inventory at prices that allow us to meet desirable profit margins or to recover our costs could have a material adverse effect on our results of operations.

***A decline of available financing or rising financing costs in the consumer automotive lending market may adversely affect our vehicle unit sales volume.***

A significant portion of vehicle buyers finance their purchases of automobiles. Sub-prime lenders have historically provided financing for consumers who, for a variety of reasons including poor credit histories and lack of down payment, do not have access to more traditional finance sources. In the event that interest rates rise, lenders tighten their credit standards or

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there is a decline in the availability of credit in the lending market, the costs of financing could influence consumer buying decisions and the ability of consumers to purchase vehicles could be limited, which could have a material adverse effect on our business, revenues and profitability.

***Our business may be adversely affected by import product restrictions and foreign trade risks that may impair our ability to sell foreign vehicles profitably.***

A significant portion of our new vehicle business involves the sale of vehicles, parts or vehicles composed of parts that are manufactured outside the U.S. As a result, our operations are subject to risks of importing merchandise, including fluctuations in the relative values of currencies, import duties or tariffs, exchange controls, trade restrictions, work stoppages, supply chain disruptions or production delays, inflation, increases in interest rates, and general political and socioeconomic conditions in other countries. In addition, armed conflict and increased international political or economic instability may cause disruptions to foreign and domestic supply chains and manufacturing operations—including as a result of economic sanctions imposed by the U.S.—or result in price increases that adversely impact automotive manufacturers or our new vehicle business. The U.S. or the countries from which our products are imported may, from time to time, impose new quotas, duties, tariffs or other restrictions, or adjust presently prevailing quotas, duties or tariffs, which may affect our operations and our ability to purchase imported vehicles and/or parts at reasonable prices, which may negatively affect affordability to consumers of certain new vehicles and reduce demand for certain vehicle makes and models.

***Changes in customer demand towards fuel efficient vehicles and electric vehicles, and resulting shifts by manufacturers to meet demand, could disrupt our ongoing business or have a material adverse effect on our overall business and results of operations.***

Variability in customer behavior, including due to volatile fuel prices and initiatives to increase the use of fuel efficient and electric vehicles, has affected and may continue to affect purchases of new and used vehicles. Manufacturers have also announced increased production focus on the manufacture of fuel efficient and electric vehicles. The rate at which our customers will continue to demand fuel efficient and electric vehicles, as well as the ability of manufacturers to accurately predict and meet such demand, is dependent on various factors. The inability of manufacturers to produce fuel efficient and electric vehicles that meet customer demand, or our inability to maintain adequate vehicle inventories to meet demand or tailor our selling plans to meet fluctuations in demand for these vehicles, could disrupt our ongoing business or have a material adverse effect on our overall business and results of operations.

Certain fuel efficient and electric vehicles generally require less frequent or less costly maintenance and repairs than traditional combustion engine vehicles due to their mechanical features. In addition, advances in technology by manufacturers and their suppliers and their continued research and development investments with respect to fuel efficient and electric vehicles have contributed to an increase in the overall durability and efficiency of vehicles. The effects of increased adoption of fuel-efficient and electric vehicles are uncertain and may include reduced maintenance and repairs revenues, changes in manufacturer warranties and complimentary maintenance programs from which we realize parts, service and collision repair revenues, and changes in the level of sales or profitability of certain warranty and maintenance products we offer our customers. To the extent that the adoption of fuel efficient and electric vehicles increases rapidly or such vehicles comprise a significant percentage of new or used vehicles being sold nationwide, we may experience a disruption in our parts, service and collision repair revenues or revenues from certain warranty and maintenance products that we sell, any of which could have a material adverse effect on our overall business and results of operations.

**Risks Related to Our Relationships with Vehicle Manufacturers**

***Our operations may be adversely affected if one or more of our manufacturer franchise or dealer agreements is terminated or not renewed.***

Each of our franchised dealerships operates under a separate franchise or dealer agreement with the applicable automobile manufacturer. Without a franchise or dealer agreement, we cannot obtain new vehicles from a manufacturer or advertise as an authorized factory service center. As a result, we are significantly dependent on our relationships with the manufacturers.

Moreover, manufacturers exercise a great degree of control over the operations of our dealerships through the franchise and dealer agreements. The franchise and dealer agreements govern, among other things, our ability to purchase vehicles from the manufacturer and to sell vehicles to customers. Our franchise and dealer agreements do not grant us the exclusive right to sell a manufacturer's product within a given geographic area. Our revenues or profitability could be materially adversely affected if any of our manufacturers award franchises to others in the same markets where we operate or if existing franchised

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dealers increase their market share in our markets. Each of our franchise or dealer agreements provides for termination or non-renewal for a variety of causes, including certain changes in the financial condition of the dealerships and any unapproved change of ownership or management. Manufacturers may also have a right of first refusal if we seek to sell dealerships.

We cannot guarantee that any of our existing franchise and dealer agreements will be renewed or that the terms and conditions of such renewals will be favorable to us. Actions taken by manufacturers to exploit their superior bargaining position in negotiating the terms of franchise and dealer agreements or renewals of these agreements or otherwise could also have a material adverse effect on our business, results of operations, financial condition and cash flows.

In 2021, certain manufacturers whose new vehicles we sell have announced plans to develop an “agency” model of selling new vehicles in certain European markets, which is intended to facilitate sales directly by the manufacturer to the customer. Under currently proposed agency models, our franchised dealerships would receive a fee or similar compensation for facilitating the sale by the manufacturer of a new vehicle, but the purchased new vehicle would not be held in inventory. The timing and extent of implementation and relative success of agency sales models in European markets is uncertain and difficult to predict. Adoption of this sales model by manufacturers in the geographic markets in which we operate could have a material adverse effect on our business, results of operations, financial condition and cash flows.

***Our failure to meet a manufacturer’s customer satisfaction, financial and sales performance or facility requirements may adversely affect our profitability and our ability to acquire new dealerships.***

A manufacturer may condition its allotment of vehicles, our participation in bonus programs or our acquisition of additional franchises upon our compliance with its brand and facility standards. These standards may require investments in technology and facilities that we otherwise would not make. This may put us in a competitive disadvantage with other competing dealerships and may ultimately result in our decision to sell a franchise when we believe it may be difficult to recover the cost of the required investment to reach the manufacturer’s brand and facility standards.

In addition, many manufacturers attempt to measure customers’ satisfaction with their sales and warranty service experiences through manufacturer-determined CSI scores. The components of CSI vary by manufacturer and are modified periodically. Franchise and dealer agreements may also impose financial and sales performance standards. Under our agreements with certain manufacturers, a dealership’s CSI scores, and financial and sales performance standards may be considered as factors in evaluating applications for additional dealership acquisitions. From time to time, some of our dealerships have had difficulty meeting various manufacturers’ CSI requirements or performance standards. We cannot assure you that our dealerships will be able to comply with these requirements or performance standards in the future. A manufacturer may refuse to consent to our acquisition of one of its franchises if it determines our dealerships do not comply with its CSI requirements or performance standards, which could impair the execution of our acquisition strategy. In addition, we receive incentive payments from the manufacturers based, in part, on CSI scores, which could be materially adversely affected if our CSI scores decline.

***If state dealer laws are repealed or weakened, our dealerships will be more susceptible to termination, non-renewal or renegotiation of their franchise and dealer agreements.***

State dealer laws generally provide that a manufacturer may not terminate or refuse to renew a franchise or dealer agreement unless it has first provided the dealer with written notice setting forth good cause and stating the grounds for termination or non-renewal. Some state dealer laws allow dealers to file protests or petitions or to attempt to comply with the manufacturer’s criteria within the notice period to avoid the termination or non-renewal. Manufacturers’ lobbying efforts may lead to the repeal or revision of state dealer laws. If dealer laws are repealed or weakened in the states in which we operate, manufacturers may be able to terminate our franchises without providing advance notice, an opportunity to cure or a showing of good cause. Without the protection of state dealer laws, it may also be more difficult for our dealerships to renew their franchise or dealer agreements upon expiration.

The ability of a manufacturer to grant additional franchises is based on several factors which are not within our control. If manufacturers grant new franchises in areas near or within our existing markets, this could significantly impact our revenues and/or profitability. In addition, current state dealer laws generally restrict the ability of automobile manufacturers to enter the retail market and sell directly to consumers. However, if manufacturers obtain the ability to directly retail vehicles and do so in our markets, such competition could have a material adverse effect on us.

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***Our sales volume and profit margin on each sale may be materially adversely affected if manufacturers reduce or discontinue their incentive programs.***

Our dealerships depend on the manufacturers for certain sales incentives or employee pricing promotions, vehicle warranties, customer rebates, new and used vehicle financing incentives, dealer incentives on new vehicles, manufacturer floor plan interest and advertising assistance, and sponsorship of CPO vehicle sales by authorized new vehicle dealers that are intended to promote and support dealership new vehicle sales. Manufacturers routinely modify their incentive programs in response to changing market conditions. A reduction or discontinuation of a manufacturer's incentive programs may materially adversely impact vehicle demand and affect our results of operations.

***Our sales volume may be materially adversely affected if manufacturer captives change their customer financing programs or are unable to provide floor plan financing.***

One of the primary finance sources used by consumers in connection with the purchase of a new or used vehicle is the manufacturer captive finance companies. These captive finance companies rely, to a certain extent, on the public debt markets to provide the capital necessary to support their financing programs. In addition, the captive finance companies will occasionally change their loan underwriting criteria to alter the risk profile of their loan portfolio or as a result of changes in interest rates. A limitation or reduction of available consumer financing for these or other reasons could affect consumers' ability to purchase a vehicle and, thus, could have a material adverse effect on our sales volume. Any deterioration of our relationship with the particular manufacturer-affiliated finance source could adversely affect our relationship with the affiliated manufacturer, and vice versa.

***Our parts and service sales volume and margins are dependent on manufacturer warranty programs.***

Franchised automotive retailers perform factory authorized service work and sell original replacement parts on vehicles covered by warranties issued by the automotive manufacturer. Dealerships which perform work covered by a manufacturer warranty are reimbursed at rates established by the manufacturer. For 2021, approximately 16.0% of our parts, service and collision repair revenues was for work covered by manufacturer warranties and complimentary maintenance programs. To the extent a manufacturer reduces the labor rates or markup of replacement parts for such warranty work, our parts, service and collision repair sales volume and margins could be adversely affected.

***Adverse conditions affecting one or more key manufacturers or lenders may negatively impact our results of operations.***

Our results of operations depend on the products, services, and financing and incentive programs offered by major automobile manufacturers and could be negatively impacted by any significant changes to these manufacturers' financial condition, marketing strategy, vehicle design, production capabilities, management, labor relations or increased labor costs, or negative publicity or reputation impacts concerning a particular manufacturer or vehicle model.

Events such as labor strikes or other disruptions in production, including those caused by natural disasters, that may adversely affect a manufacturer may also adversely affect us. In particular, labor strikes at a manufacturer that continue for a substantial period of time could have a material adverse effect on our business. Similarly, the delivery of vehicles from manufacturers at a time later than scheduled due to recently experienced supply chain disruptions or otherwise, which may occur during critical periods of new product introductions, could limit sales of those vehicles during those periods. We experienced such delays in 2021 and expect such delays to improve in the first half of 2022. Adverse conditions affecting these and other important aspects of manufacturers' operations and public relations may adversely affect our ability to sell their automobiles and, as a result, significantly and detrimentally affect our business and results of operations.

Moreover, our business could be materially adversely impacted by the bankruptcy of a major vehicle manufacturer or related lender. We may be unable to collect some or all of our significant receivables that are due from such manufacturer or lender, and we may be subject to preference claims relating to payments made by such manufacturer or lender prior to bankruptcy. Consumer demand for such manufacturer's products could be substantially reduced and such manufacturer may be relieved of its indemnification obligations with respect to product liability claims. In addition, a manufacturer in bankruptcy could attempt to terminate all or certain of our franchises, in which case, we may not receive adequate compensation for our franchises and a manufacturer that acts as a lender could attempt to terminate our floor plan financing and demand repayment of any amounts outstanding. We may be unable to arrange financing for our guests for their vehicle purchases and leases through such lender, in which case, we would be required to seek financing with alternate financing sources, which may be difficult to obtain on similar terms, if at all. Additionally, any such bankruptcy may result in us being required to incur impairment charges with respect to the inventory, fixed assets and intangible assets related to certain dealerships, which could adversely impact our results of operations and financial condition and our ability to remain in compliance with the financial ratios contained in our debt agreements.

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***Manufacturer stock ownership restrictions may impair our ability to maintain or renew franchise or dealer agreements or to issue additional equity.***

Some of our franchise and dealer agreements prohibit transfers of any ownership interests of a dealership and, in some cases, its parent, without prior approval of the applicable manufacturer. Our existing franchise and dealer agreements could be terminated if a person or entity acquires a substantial ownership interest in us or acquires voting power above certain levels without the applicable manufacturer's approval. While the holders of our Class B Common Stock currently maintain voting control of Sonic, their future investment decisions as well as those of holders of our Class A Common Stock are generally outside of our control and could result in the termination or non-renewal of existing franchise or dealer agreements or impair our ability to negotiate new franchise or dealer agreements for dealerships we acquire in the future. In addition, if we cannot obtain any requisite approvals on a timely basis, we may not be able to issue additional equity or otherwise raise capital on terms acceptable to us. These restrictions may also prevent or deter a prospective acquirer from acquiring control of us.

**Risks Related to Our Sources of Financing and Liquidity**

***Our significant indebtedness could materially adversely affect our financial health, limit our ability to finance future acquisitions, expansion plans and capital expenditures and prevent us from fulfilling our financial obligations.***

As of December 31, 2021, our total outstanding indebtedness was approximately \$2.8 billion, which includes floor plan notes payable, long-term debt and short-term debt.

We have up to \$350.0 million of maximum borrowing availability under an amended and restated syndicated revolving credit facility (the "2021 Revolving Credit Facility") and up to \$2.6 billion of maximum borrowing availability for combined syndicated new and used vehicle inventory floor plan financing (the "2021 Floor Plan Facilities" and, together with the 2021 Revolving Credit Facility, the "2021 Credit Facilities"). As of December 31, 2021, we had approximately \$281.4 million available for additional borrowings under the 2021 Revolving Credit Facility based on the borrowing base calculation, which is affected by numerous factors, including eligible asset balances. We are able to borrow under the 2021 Revolving Credit Facility only if, at the time of the borrowing, we have met all representations and warranties and are in compliance with all financial and other covenants contained therein. We have capacity to finance new and used vehicle inventory purchases under floor plan agreements with various manufacturer-affiliated finance companies and other lending institutions (the "Silo Floor Plan Facilities") as well as the 2021 Floor Plan Facilities. We have up to \$112.2 million of maximum borrowing commitment under our delayed draw-term loan credit agreement entered into in November 2019 (the "2019 Mortgage Facility"), which varies in borrowing limit based on the appraised value of the collateral underlying the 2019 Mortgage Facility. As of December 31, 2021, we had approximately \$22.2 million available for additional borrowings under the 2019 Mortgage Facility based on the borrowing base calculation. In addition, our 4.625% Senior Notes due 2029 (the "4.625% Notes"), our 4.875% Senior Notes due 2031 (the "4.875% Notes") and our other debt instruments allow us to incur additional indebtedness, including secured indebtedness, as long as we comply with the terms thereunder.

The majority of our dealership properties are subject to long-term operating lease arrangements that commonly have initial terms of 10 to 20 years with renewal options generally ranging from five to 10 years. These operating leases require compliance with financial and operating covenants similar to those under the 2021 Credit Facilities, and require monthly payments of rent that may fluctuate based on interest rates and local consumer price indices. The total future minimum lease payments related to these operating leases and certain equipment leases are significant and are disclosed in Note 12, "Commitments and Contingencies," to the accompanying consolidated financial statements.

Our failure to comply with certain covenants in these agreements could materially adversely affect our ability to access our borrowing capacity, subject us to acceleration of our outstanding debt, result in a cross default on other indebtedness and have a material adverse effect on our ability to continue our business.

***We may not have sufficient funds to meet our obligation to repay all or a substantial portion of the outstanding principal amount of our indebtedness when it becomes due.***

The instruments that govern our long-term indebtedness contain certain provisions that may cause all or a substantial portion of the outstanding principal amount of our indebtedness to become immediately due and payable. The 2021 Credit Facilities, the 2019 Mortgage Facility, the indentures governing the 4.625% Notes and the 4.875% Notes, and many of our operating leases contain numerous financial and operating covenants. A breach of any of these covenants could result in a default under the applicable agreement. In addition, a default under one agreement could result in a cross default and acceleration of our repayment obligations under the other agreements or prevent us from borrowing under such other agreements. If a default or cross default were to occur, we may not be able to pay our debts or to borrow sufficient funds to refinance them. Even if new financing were available, it may not be on terms acceptable to us. If a default were to occur, we

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may be unable to adequately finance our operations because of acceleration and cross-default provisions and the value of our common stock would be materially adversely affected. As a result of this risk, we could be forced to take actions that we otherwise would not take, or not take actions that we otherwise might take, in order to comply with the covenants in these agreements.

Moreover, many of our mortgage notes' principal and interest payments are based on an amortization period longer than the actual terms (maturity dates) of the notes. We will be required to repay or refinance the remaining principal balances for certain of our mortgages with balloon payments at the notes' maturity dates, which range from 2022 to 2033. The amounts to be repaid or refinanced at the maturity dates could be significant. We may not have sufficient liquidity to make such payments at the notes' maturity dates.

In addition, upon the occurrence of a change of control (as defined in the indentures governing the 4.625% Notes and the 4.875% Notes), holders of such notes will have the right to require us to purchase all or any part of such holders' notes at an applicable premium. The events that constitute a change of control under the indentures governing the 4.625% Notes and the 4.875% Notes may also constitute a default under the 2021 Credit Facilities and the 2019 Mortgage Facility. The agreements or instruments governing any future debt that we may incur may contain similar provisions regarding repurchases in the event of a change of control triggering event.

There can be no assurance that we would have sufficient resources available to satisfy all of our obligations under these debt instruments should all or substantial portions of the principal become immediately due and payable. In the event we do not have sufficient liquidity to repay the principal balances, we may not be able to refinance the debt at interest rates that are acceptable to us or, depending on market conditions, at all. Our inability to repay or refinance these notes could have a material adverse effect on our business, financial condition and results of operations.

***Our ability to make interest and principal payments when due to holders of our debt securities depends upon our future performance and our receipt of sufficient funds from our subsidiaries.***

Our ability to meet our debt obligations and other expenses will depend on our future performance, which will be affected by financial, business, domestic and foreign economic conditions, the regulatory environment and other factors, many of which we are unable to control. Substantially all of our consolidated assets are held by our subsidiaries and substantially all of our consolidated cash flow and net income are generated by our subsidiaries. Accordingly, our cash flow and ability to service debt depend to a substantial degree on the results of operations of our subsidiaries and upon the ability of our subsidiaries to provide us with cash. We may receive cash from our subsidiaries in the form of dividends, loans or distributions, which we may use to service our debt obligations or for working capital. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to distribute cash to us or to make funds available to service debt.

***Our use of hedging transactions could limit our financial gains or result in financial losses.***

To reduce our exposure to fluctuations in cash flow due to interest rate fluctuations, we have entered into, and in the future expect to enter into, certain derivative instruments (or hedging agreements). No hedging activity can completely insulate us from the risks associated with changes in interest rates. As of December 31, 2021, we had interest rate cap agreements related to a portion of our London InterBank Offered Rate ("LIBOR")-based variable rate debt to limit our exposure to rising interest rates. See the heading "Derivative Instruments and Hedging Activities" under Note 6, "Long-Term Debt," to the accompanying consolidated financial statements. We intend to hedge as much of our interest rate risk as management determines is in our best interests given the cost of such hedging transactions.

Our hedging transactions expose us to certain risks and financial losses, including, among other things: counterparty credit risk; available interest rate hedging may not correspond directly with the interest rate risk for which we seek protection; the duration or the amount of the hedge may not match the duration or the amount of the related liability; the value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value, downward adjustments or "mark-to-market losses," which would affect our recorded stockholders' equity amounts; and all of our hedging instruments contain terms and conditions with which we are required to meet. In the event those terms and conditions are not met, we may be required to settle the instruments prior to the instruments' maturity with cash payments, which could significantly affect our liquidity. A failure on our part to effectively hedge against interest rate changes may adversely affect our financial condition and results of operations.

***Reforms to and uncertainty regarding LIBOR may adversely affect our business, financial condition and results of operations.***

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The United Kingdom Financial Conduct Authority (the “FCA”) announced in July 2017 that it will no longer persuade or require banks to submit rates for the calculation of LIBOR after 2021 (the “FCA Announcement”). In March 2020, the ICE Benchmark Administration (“IBA”), LIBOR’s administrator, stated it will cease publication of certain LIBOR rates after December 31, 2021. U.S. Dollar LIBOR rates that do not cease on December 31, 2021 will continue to be published through June 30, 2023. The FCA Announcement and IBA statements create uncertainties surrounding the discontinuation or availability of LIBOR and other financial benchmarks beyond June 2023, and future changes in the rules or methodologies used to calculate benchmarks. As of December 31, 2021, approximately \$128.5 million of our outstanding variable-rate mortgage notes payable (excluding the 2019 Mortgage Facility) extend beyond 2022. In addition, certain of our dealership operating lease agreements contain LIBOR-based rent adjustments if LIBOR rises above a specified minimum LIBOR floor. The discontinuation of LIBOR or other benchmarks may have an unpredictable impact on the contractual mechanics of financial contracts (including, but not limited to, interest rates to be paid to or by us), require renegotiation of outstanding financial assets and liabilities, cause significant disruption to financial markets, increase the risk of litigation and/or increase expenses related to the transition to alternative reference rates or benchmarks, among other adverse consequences. Additionally, any transition from current benchmarks may alter the Company’s risk profiles and models, valuation tools, cost of financing and effectiveness of hedging strategies. Reforms to and uncertainty regarding transitions from current benchmarks may adversely affect our business, financial condition and results of operations.

**Risks Related to the Ownership of Our Common Stock**

*Concentration of voting power and anti-takeover provisions of our Amended and Restated Certificate of Incorporation, our Amended and Restated Bylaws, Delaware law and our franchise and dealer agreements may reduce the likelihood of a potential change of control from a third party. At the same time, such voting power concentration also could increase the likelihood of a change of control notwithstanding other factors.*

Our common stock is divided into two classes with different voting rights. This dual class stock ownership allows the present holders of the Class B Common Stock to control us. Holders of Class A Common Stock have one vote per share on all matters. Holders of Class B Common Stock have 10 votes per share on all matters, except that they have only one vote per share on any transaction proposed or approved by our Board of Directors or a Class B common stockholder or otherwise benefiting the Class B common stockholders constituting a: “going private” transaction; disposition of all or substantially all of our assets; transfer resulting in a change in the nature of our business; or merger or consolidation in which current holders of our common stock would own less than 50% of the common stock following such transaction.

The holders of Class B Common Stock (which include Mr. O. Bruton Smith, Sonic’s Executive Chairman and a director, and SFC, an entity Mr. Smith and his family members control) currently hold less than a majority of our outstanding common stock, but a majority of our voting power. As a result, the holders of Class B Common Stock may be able to control fundamental corporate matters and transactions, subject to the above limitations. The concentration of voting power may also discourage, delay or prevent a change of control of us from a third party even if the action was favored by holders of Class A Common Stock. In addition, a sale or transfer of shares by one or more of the holders of Class B Common Stock could result in a change of control or put downward pressure on the market price of our Class A Common Stock. The perception among the public that these sales or transfers will occur could also contribute to a decline in the market price of our Class A Common Stock.

Our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws make it more difficult for our stockholders to take corporate actions at stockholders’ meetings. In addition, stock options, restricted stock and restricted stock units granted under the Sonic Automotive, Inc. 2012 Stock Incentive Plan or the Sonic Automotive, Inc. 2012 Formula Restricted Stock and Deferral Plan for Non-Employee Directors and other obligations become immediately exercisable or automatically vest upon a change in control. Delaware law also makes it difficult for stockholders who have recently acquired a large interest in a company to consummate a business combination transaction with the company against its directors’ wishes. Finally, our franchise and dealer agreements allow the manufacturers the right to terminate the agreements upon a change of control of the Company and impose restrictions upon the transferability of any significant percentage of our stock to any one person or entity that may be unqualified, as defined by the manufacturer, to own one of its dealerships. The inability of a person or entity to qualify with one or more of our manufacturers may prevent or seriously impede a potential takeover bid. In addition, there may be provisions of our lending arrangements that create an event of default upon a change in control. These agreements, corporate governance documents and laws may have the effect of discouraging, delaying or preventing a change in control or preventing stockholders from realizing a premium on the sale of their shares if we were acquired.

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***Potential conflicts of interest between us and our officers or directors could adversely affect our future performance.***

Mr. O. Bruton Smith serves as the Executive Chairman of Speedway Motorsports and is also a director of most of Speedway Motorsports' operating subsidiaries. Accordingly, we compete with Speedway Motorsports for the management time of Mr. Smith. Further, Mr. Smith, members of his family and certain trusts, the beneficiaries of which are members of the Smith family directly and indirectly control a substantial majority of our voting stock.

We have in the past and will likely in the future enter into transactions with Mr. Smith, entities controlled by Mr. Smith and his family or our other affiliates. We believe that all of our existing arrangements with affiliates are as favorable to us as if the arrangements were negotiated between unaffiliated parties, although the majority of these transactions have neither been verified by third parties in that regard nor are likely to be so verified in the future. Potential conflicts of interest could arise in the future between us and our officers or directors in the enforcement, amendment or termination of arrangements existing between them.

***Our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws designate the state and federal courts of Delaware as the exclusive forums for certain claims against the Company which could increase the costs of bringing a claim or limit the ability of a stockholder to bring a claim in a judicial forum viewed by a stockholder as favorable.***

Our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws provide that the Court of Chancery of the State of Delaware is the sole and exclusive forum for claims for (1) any derivative action or proceeding brought on behalf of Sonic (other than derivative actions brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder); (2) any action asserting a claim of a breach of, or based on, a fiduciary duty owed by any current or former director, officer or other employee of Sonic to Sonic or Sonic's stockholders; (3) any action asserting a claim against Sonic or any current or former director, officer, or other employee or stockholder of Sonic arising pursuant to any provision of the Delaware General Corporation Law, our Amended and Restated Certificate of Incorporation or our Amended and Restated Bylaws; or (4) any action asserting a claim against Sonic governed by the internal affairs doctrine of the State of Delaware. Our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws also provide that, unless the Board otherwise consents in writing, to the extent permitted by applicable law, the United States District Court for the District of Delaware shall be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act of 1933, as amended (the "Securities Act"), the Exchange Act or any ancillary claims related thereto which are subject to the ancillary jurisdiction of the federal courts.

The exclusive forum provisions of our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws may increase the costs to bring a claim, discourage claims or limit a stockholder's ability to bring a claim in a judicial forum that he, she or it finds favorable for disputes with the Company or the Company's directors, officers or other employees. Such provisions may also discourage lawsuits against the Company or the Company's directors, officers and other employees. The Delaware courts or the United States District Court for the District of Delaware may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than to our stockholders.

While the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions requiring claims under the Securities Act be brought in federal court are "facially valid" under Delaware law, there is uncertainty as to whether courts in other jurisdictions will enforce provisions such as those contemplated in our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws, including whether a court would enforce the provision requiring claims arising under the Securities Act or the Exchange Act to be brought in the United States District Court for the District of Delaware. If the exclusive forum provisions of our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws are found to be unenforceable in a particular action, we or a stockholder may incur additional costs associated with resolving such an action or the validity of the exclusive forum clause on appeal.

**General Risk Factors**

***Our business will be harmed if overall consumer demand suffers from a severe or sustained downturn.***

Our business is heavily dependent on consumer demand and preferences. Retail new vehicle sales are cyclical and historically have experienced periodic downturns characterized by oversupply and weak demand. Recently, consumer demand for new vehicles has increased due in part to constrained supply due to supply chain disruptions and manufacturing delays, and it is uncertain when new vehicle inventories will stabilize. These cycles are often correlated with changes in overall economic conditions, consumer confidence, the level of discretionary personal income and credit availability. Deterioration in any of



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these conditions from current levels may have a material adverse effect on our retail business, particularly sales of new and used automobiles. In addition, our business may be adversely affected by isolated unfavorable conditions or events in our local markets. Due to the provisions and terms contained in our franchise or dealer agreements or operating lease agreements, we may not be able to relocate a dealership operation to a more favorable location without incurring significant costs or penalties, if permitted at all. In addition, severe or sustained changes in gasoline prices or overall shifts in consumer sentiment toward alternative fuel vehicles may lead to a shift in consumer buying patterns. Availability of preferred models may not exist in sufficient quantities to satisfy consumer demand and allow our stores to meet sales expectations.

***The outcome of legal and administrative proceedings we are or may become involved in could have a material adverse effect on our business, financial condition, results of operations, cash flows or prospects.***

We are involved, and expect to continue to be involved, in various legal and administrative proceedings arising out of the conduct of our business, including regulatory investigations and private civil actions brought by plaintiffs purporting to represent a potential class or for which a class has been certified. Although we vigorously defend ourselves in all legal and administrative proceedings, the outcomes of pending and future proceedings arising out of the conduct of our business, including litigation with customers, employment-related lawsuits, contractual disputes, class actions, purported class actions and actions brought by governmental authorities, cannot be predicted with certainty. An unfavorable resolution of one or more of these matters could have a material adverse effect on our business, financial condition, results of operations, cash flows or prospects.

***Climate change legislation or regulations restricting emission of greenhouse gases could result in increased operating costs and reduced demand for the vehicles we sell.***

The U.S. Environmental Protection Agency has adopted rules under existing provisions of the federal Clean Air Act that require (1) a reduction in emissions of greenhouse gases from motor vehicles; (2) certain construction and operating permit reviews for greenhouse gas emissions from certain large stationary sources; and (3) monitoring and reporting of greenhouse gas emissions from specified sources on an annual basis. The adoption of any laws or regulations requiring significant increases in fuel economy requirements or new federal or state restrictions on emissions of greenhouse gases from our operations or on vehicles and automotive fuels in the U.S. could adversely affect demand for those vehicles and require us to incur costs to reduce emissions of greenhouse gases associated with our operations.

***Employee attrition, the loss of key personnel and limited management and personnel resources could adversely affect our operations and growth.***

Our success depends to a significant degree upon the continued contributions of our management team, particularly our Chief Executive Officer, President, other senior management, and sales and service personnel. Additionally, franchise or dealer agreements may require the prior approval of the applicable manufacturer before any change is made in dealership general managers. We do not have employment agreements with most members of our senior management team, our dealership general managers and other key dealership personnel. Consequently, the loss of the services of one or more of these key employees could have a material adverse effect on our results of operations.

The U.S. labor market experienced substantial tightening in 2021, leading to increased labor costs and, at times, shortages of qualified employees in the industry and in the regions in which we operate, particularly for general managers and sales and service personnel. The market for qualified employees remains highly competitive, may impact our ability to identify and attract new employees and retain existing employees, and may subject us to increased labor costs during periods, such as was experienced in 2021 and the beginning of 2022, of high inflation and tight labor supply. The loss of the services of key employees or the inability to attract additional qualified managers could have a material adverse effect on our results of operations. In addition, the lack of qualified management or employees employed by potential acquisition candidates may limit our ability to consummate future acquisitions.

***Natural disasters, adverse weather and other events can disrupt our business.***

Our dealerships are concentrated in certain states, including California, Colorado, Florida and Texas, in which actual or threatened natural disasters and severe weather events (such as earthquakes, wildfires, landslides, hail storms, floods and hurricanes) may disrupt our store operations, which may adversely impact our business, financial condition, results of operations and cash flows. In addition to business interruption, the automotive retailing business is subject to substantial risk of property loss due to the significant concentration of property values at store locations. Although we have substantial insurance, subject to certain deductibles, limitations and exclusions, we may be exposed to uninsured or under insured losses that could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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***Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.***

We have invested in internal and external business applications to execute our strategy of employing technology to benefit our business. In the ordinary course of business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees. Moreover, significant technology-related business functions of ours are outsourced. The frequency and severity of cyber-security incidents has increased in recent years and adversely impacted organizations of varying sizes. Although we have attempted to mitigate the cyber-security risk of both our internal and outsourced functions by implementing various cyber-security controls and other security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breaches due to employee error, malfeasance or other disruptions.

These cyber-security risks include vulnerability to cyber-attack of our internal or externally hosted business applications; interruption of service or access to systems may affect our ability to deliver vehicles or complete transactions with customers; unauthorized access or theft of customer or employee personal confidential information, including financial information, or strategically sensitive data; disruption of communications (both internally and externally) that may affect the quality of information used to make informed business decisions; and damage to our reputation as a result of a breach in security that could affect the financial security of our customers. Any cyber-security breach or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or damage to our reputation, and cause a loss of confidence in our services, which could materially adversely affect our competitive position, results of operations and financial condition.

***We may be subject to substantial withdrawal liability assessments in the future related to a multiemployer pension plan to which certain of our dealerships make contributions pursuant to collective bargaining agreements.***

Three of our dealership subsidiaries in northern California currently make fixed-dollar contributions to the Automotive Industries Pension Plan (the "AI Pension Plan") pursuant to collective bargaining agreements between our subsidiaries and the International Association of Machinists (the "IAM") and the International Brotherhood of Teamsters (the "IBT"). The AI Pension Plan is a "multiemployer plan" as defined under the Employee Retirement Income Security Act of 1974, as amended, and our three dealership subsidiaries are among approximately 140 employers that are obligated to make contributions to the AI Pension Plan pursuant to collective bargaining agreements with the IAM, the IBT and other unions. In March 2008, the Board of Trustees of the AI Pension Plan notified participants, participating employers and local unions that the AI Pension Plan's actuary issued a certification that the AI Pension Plan was in critical status. In conjunction with the AI Pension Plan's critical status, all participating employers were required to increase employer contributions to the AI Pension Plan for a seven-year period which commenced in 2013. As of April 2021, the AI Pension Plan's actuary certified that the AI Pension Plan remained in critical status for the plan year commencing January 1, 2019 and is projected to become insolvent in 2031. Under applicable federal law, any employer contributing to a multiemployer pension plan that completely ceases participating in the plan while the plan is underfunded is subject to payment of such employer's assessed share of the aggregate unfunded vested benefits of the plan. In certain circumstances, an employer can be assessed withdrawal liability for a partial withdrawal from a multiemployer pension plan. If any of these adverse events were to occur in the future, it could result in a substantial withdrawal liability assessment that could have a material adverse effect on our business, financial condition, results of operations or cash flows.

***Tax positions may exist related to our tax filings that could be challenged by governmental agencies and result in higher income tax expenses and affect our overall liquidity if we are unable to successfully defend these tax positions.***

We are subject to audits by federal and state governmental income tax agencies on a continual basis. During the course of those audits, the agencies may disagree with or challenge tax positions taken on tax returns filed for Sonic and its subsidiaries. As a result of these audits, the agencies may issue assessments and penalties based on their understanding of the underlying facts and circumstances. In the event we are not able to arrive at an agreeable resolution, we may be forced to litigate these matters. If we are unsuccessful in litigation, our results of operations and financial position may be negatively impacted.

***Impairment of our goodwill or other intangible assets could have a material adverse impact on our earnings.***

Goodwill is subject to impairment assessments at least annually or more frequently when events or changes in circumstances indicate that an impairment may have occurred. Pursuant to applicable accounting pronouncements, we evaluate goodwill for impairment annually or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We describe the process for testing goodwill and other intangible assets more thoroughly under the heading "Use of Estimates and Critical Accounting Policies" in "Item 7.

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Management's Discussion and Analysis of Financial Condition and Results of Operations". A significant amount of our goodwill is related to our franchised dealerships and our acquisitions of dealerships. If we determine that the amount of our goodwill or other intangible assets is impaired at any point in time, we are required to reduce goodwill on our balance sheet. If goodwill or other intangible assets are impaired based on a future impairment test, we will be required to record a significant non-cash impairment charge that may also have a material adverse effect on our results of operations for the period in which the impairment of goodwill or other intangible assets occurs. As of December 31, 2021, our balance sheet reflected a carrying amount of approximately \$416.4 million in goodwill and approximately \$480.2 million in other intangible assets, net.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our principal executive offices are located at a property owned by us at 4401 Colwick Road, Charlotte, North Carolina 28211, and our telephone number at that location is (704) 566-2400.

Our dealerships are generally located along major U.S. or interstate highways. One of the principal factors we consider in evaluating a potential acquisition is its location. We prefer to acquire dealerships or build dealership facilities located along major thoroughfares, which can be easily visited by prospective guests. For information regarding the states in which we operate and the breakdown of our stores among our Franchised Dealerships Segment and EchoPark Segment, see the discussion under the heading “Our Operations” in “Item 1. Business.”

We lease a significant number of the properties utilized by our dealership operations from affiliates of Capital Automotive Real Estate Services, Inc. and other individuals and entities. Under the terms of our franchise and dealer agreements, each of our dealerships must maintain an appropriate appearance and design of its dealership facility and is restricted in its ability to relocate. The properties utilized by our dealership operations that are owned by us or one of our subsidiaries are pledged as security for the 2021 Credit Facilities, the 2019 Mortgage Facility, or other mortgage financing arrangements. We believe that our facilities are adequate for our current needs.

**Item 3. Legal Proceedings.**

For information regarding legal proceedings, see the discussion under the heading “Legal Proceedings” in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our Class A Common Stock is currently traded on the NYSE under the symbol “SAH.” Our Class B Common Stock is not traded on a public market and, we do not intend to apply to have our Class B Common Stock listed on a national exchange or an automated dealer quotation system.

As of February 23, 2022, there were 28,186,083 shares of our Class A Common Stock and 12,029,375 shares of our Class B Common Stock outstanding. As of February 23, 2022, there were 719 record holders of the Class A Common Stock and four record holders of the Class B Common Stock. The closing stock price for the Class A Common Stock on February 23, 2022 was \$50.65.

Our Board of Directors issued four quarterly cash dividends on all outstanding shares of Class A and Class B Common Stock totaling \$0.46 per share, \$0.40 per share and \$0.40 per share during the years ended December 31, 2021, 2020 and 2019, respectively. Subsequent to December 31, 2021, our Board of Directors approved a cash dividend on all outstanding shares of Class A and Class B Common Stock of \$0.25 per share for stockholders of record on March 15, 2022 to be paid on April 15, 2022. The declaration and payment of any future dividend is subject to the business judgment of our Board of Directors, taking into consideration our historic and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance, share repurchases, current economic environment and other factors considered by our Board of Directors to be relevant. These factors are considered each quarter and will be scrutinized as our Board of Directors determines our future dividend policy. There is no guarantee that additional dividends will be declared and paid at any time in the future. See Note 6, “Long-Term Debt,” to the accompanying consolidated financial statements and the heading “Liquidity and Capital Resources” in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional discussion of dividends and for a description of restrictions on the payment of dividends.

**Issuer Purchases of Equity Securities**

The following table sets forth information about the shares of Class A Common Stock we repurchased during the three months ended December 31, 2021:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
	(In millions, except shares and per share data)			
October 2021	91,293	\$ 48.89	91,293	\$ 247.9
November 2021	449,127	\$ 48.62	449,127	\$ 226.2
December 2021	—	\$ —	—	\$ 226.2
Total	<u>540,420</u>		<u>540,420</u>	

(1) On February 13, 2017, July 31, 2020 and April 29, 2021, we announced that our Board of Directors had increased the dollar amount authorized for us to repurchase shares of our Class A Common Stock pursuant to our share repurchase program. Our share repurchase program does not have an expiration date and current remaining availability under the program is as follows:

	(In millions)	
April 2021 authorization	\$	250.0
Total active program repurchases prior to December 31, 2021		(23.8)
Current remaining availability as of December 31, 2021	\$	<u>226.2</u>

Subsequent to December 31, 2021, we repurchased an additional 500,000 shares of Class A Common Stock at an average price of \$48.76, resulting in current remaining availability of approximately \$202.0 million.

Item 6. Reserved

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements and related notes thereto and "Item 1A. Risk Factors" included in this Annual Report on Form 10-K. The financial and statistical data contained in the following discussion for all periods presented reflects our December 31, 2021 classification of dealerships between continuing and discontinued operations in accordance with "Presentation of Financial Statements" in the Accounting Standards Codification (the "ASC"). For comparison and discussion of our results of operations for the year ended December 31, 2020 ("2020") compared to our results of operations for the year ended December 31, 2019 ("2019"), please refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for 2020.

Unless otherwise noted, we present the discussion in this Management's Discussion and Analysis of Financial Condition and Results of Operations on a consolidated basis. To the extent that we believe a discussion of the differences among reportable segments will enhance a reader's understanding of our financial condition, cash flows and other changes in financial condition and results of operations, the differences are discussed separately.

Unless otherwise noted, all discussion of increases or decreases are for the year ended December 31, 2021 ("2021") compared to 2020. The following discussion of Franchised Dealerships Segment new vehicles, used vehicles, wholesale vehicles, parts, service and collision repair, and finance, insurance and other, net, is on a same store basis, except where otherwise noted. All currently operating franchised dealership stores are included within the same store group as of the first full month following the first anniversary of the store's opening or acquisition. All currently operating EchoPark stores in a local geographic market are included within the same market group as of the first full month following the first anniversary of the market's opening.

### Overview

We are one of the largest automotive retailers in the U.S. (as measured by total revenue). As a result of the way we manage our business, we had two reportable segments as of December 31, 2021: (1) the Franchised Dealerships Segment and (2) the EchoPark Segment. For management and operational reporting purposes, we group certain businesses together that share management and inventory (principally used vehicles) into "stores." As of December 31, 2021, we operated 110 stores in the Franchised Dealerships Segment and 46 stores in the EchoPark Segment. The Franchised Dealerships Segment consists of 140 new vehicle franchises (representing 28 different brands of cars and light trucks) and 17 collision repair centers in 17 states.

The Franchised Dealerships Segment provides comprehensive services, including (1) sales of both new and used cars and light trucks; (2) sales of replacement parts and performance of vehicle maintenance, manufacturer warranty repairs, and paint and collision repair services (collectively, "Fixed Operations"); and (3) arrangement of extended warranties, service contracts, financing, insurance and other aftermarket products (collectively, "finance and insurance" or "F&I") for our guests. The EchoPark Segment sells used cars and light trucks and arranges F&I product sales for our guests in pre-owned vehicle specialty retail locations. Our EchoPark business generally operates independently from our franchised dealerships business (except for certain shared back-office functions and corporate overhead costs). Sales operations for EchoPark began in the fourth quarter of 2014, and, as of December 31, 2021, we operated 46 EchoPark stores in 16 states, including 11 Northwest Motorsport pre-owned vehicle stores acquired in the RFJ Acquisition (as defined below) in December 2021. Under our current EchoPark growth plan, we plan to open 20 to 25 additional EchoPark stores annually through 2025 as we build out a nationwide EchoPark distribution network expected to reach 90% of the U.S. population by 2025.

### Executive Summary

#### *Acquisition of RFJ Auto*

On December 6, 2021 (the "Closing Date"), Sonic completed the acquisition of RFJ Auto Partners, Inc. and its subsidiaries (collectively, "RFJ Auto") pursuant to the previously disclosed Agreement and Plan of Merger (the "Merger Agreement") dated as of September 17, 2021 by and among Sonic, a subsidiary of Sonic ("Merger Sub"), RFJ Auto and The Resolute Fund III, L.P., solely in its capacity as the representative of RFJ Auto's equityholders. On the Closing Date, pursuant to the Merger Agreement and upon the terms and subject to the conditions therein, RFJ Auto merged with and into Merger Sub, a wholly owned subsidiary of Sonic, with RFJ Auto surviving the merger and becoming a direct, wholly owned subsidiary of Sonic.

In connection with the acquisition of RFJ Auto (the "RFJ Acquisition"), Sonic acquired 33 automotive retail locations in seven states and a portfolio of 16 automotive brands. Beginning on the Closing Date, the results of our Franchised



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Dealerships Segment include 22 stores acquired in the RFJ Acquisition and our EchoPark Segment include 11 Northwest Motorsport pre-owned vehicle stores acquired in the RFJ Acquisition. The aggregate consideration for the RFJ Acquisition was approximately \$950.2 million, of which approximately \$222.4 million was funded from borrowings under Sonic's syndicated new and used vehicle floor plan credit facilities. The consideration for the RFJ Acquisition is subject to customary post-close adjustments.

*Retail Automotive Industry Performance*

The U.S. retail automotive industry's total new vehicle (retail and fleet combined) unit sales volume was approximately 15.0 million vehicles in 2021, an increase of 3.4%, compared to approximately 14.5 million vehicles in 2020, according to the Power Information Network ("PIN") from J.D. Power. For 2022, analysts' industry expectation for the new vehicle seasonally adjusted annual rate of sales ("SAAR") ranges from 14.5 million vehicles (a 3.3% decrease compared to 2021) to 16.0 million vehicles (an increase of 6.7% compared to 2021). We estimate the 2022 new vehicle SAAR will be between 15.0 million vehicles (flat compared to 2021) and 15.5 million vehicles (an increase of 3.3% compared to 2021). The ongoing effects of the COVID-19 pandemic, changes in consumer confidence, availability of consumer financing, interest rates, additional federal relief spending by the U.S. government, manufacturer inventory production levels, incentive levels from automotive manufacturers, or shifts in level or timing of consumer demand as a result of natural disasters or other unforeseen circumstances could cause the actual 2022 new vehicle SAAR to vary from expectations. Many factors, including brand and geographic concentrations as well as the industry sales mix between retail and fleet new vehicle unit sales volume, have caused our past results to differ from the industry's overall trend. Our new vehicle sales strategy focuses on our retail new vehicle sales (as opposed to fleet new vehicle sales) and, as a result, we believe it is appropriate to compare our retail new vehicle unit sales volume to the retail new vehicle SAAR (which excludes fleet new vehicle sales). According to PIN from J.D. Power, industry retail new vehicle unit sales volume increased 5.6%, to 13.1 million vehicles, in 2021, from 12.4 million vehicles in 2020.

*Impact of COVID-19*

The ongoing effects of the COVID-19 pandemic continue to evolve. While we currently expect to see continued economic recovery in 2022, the ongoing pandemic may cause changes in consumer behaviors, including a potential reduction in consumer spending for vehicles and automotive repairs, especially if the pandemic worsens or the regulatory environment changes in response to the pandemic or as a result of rising interest rates. This may lead to increased asset recovery and valuation risks, such as impairment of additional indefinite lived intangible assets. In addition, uncertainties in the global economy have negatively impacted our suppliers and other business partners, which may interrupt our vehicle and parts inventory supply chain and require other changes to our operations. We have also seen a tightening in the supply of new and used vehicles due, in part, to the COVID-19 pandemic, which is likely to continue in 2022. These and other COVID-related factors may adversely impact our revenues, operating income and earnings per share financial measures.

In addition, the global automotive supply chain has been significantly disrupted during the pandemic, primarily related to the production of semiconductors that are used in many components of modern automobiles, in addition to workforce-related production delays and stoppages. As a result, automobile manufacturing is operating at lower than usual production levels, reducing the amount of new vehicle and certain parts inventory available to our dealerships. These inventory constraints, coupled with strong consumer demand and record levels of consumer savings, have led to a low new vehicle inventory and a high new and used vehicle pricing environment, which drove lower than expected retail new vehicle unit sales volume in 2021. While we believe that new vehicle and parts production levels should begin to improve in the first half of 2022, there is a risk that new vehicle and certain parts inventory levels remain at a low level or worsen, which could cause actual 2022 new vehicle SAAR to vary from our expectations.

*Franchised Dealerships Segment*

As a result of the acquisition, disposition, termination or closure of several franchised dealership stores in 2020 and 2021, including the RFJ Acquisition in December 2021, the change in consolidated reported amounts from period to period may not be indicative of the current or future operational or financial performance of our current group of operating stores. Unless otherwise noted, all discussion of increases or decreases are for 2021 compared to 2020. The following discussion is on a same store basis (which excludes results from disposed stores), except where otherwise noted. All currently operating franchised dealership stores are included within the same store group as of the first full month following the first anniversary of the store's opening or acquisition.

New vehicle revenue increased 16.4% in 2021, primarily driven by a 7.9% increase in new vehicle unit sales volume and a 7.9% increase in new vehicle sales prices. New vehicle gross profit increased 93.1% in 2021, as a result of higher average selling prices. New vehicle gross profit per unit increased \$1,991 per unit, or 78.9%, to \$4,513 per unit, due primarily to

generally increased average selling prices due to inventory shortages in certain makes and models as a result of vehicle manufacturer supply chain disruptions and production delays since the onset of the COVID-19 pandemic. As a result of the new vehicle inventory shortages, our new vehicle inventories are near historic lows. Many of our new vehicles are being pre-ordered and delivered to customers shortly after the vehicles arrive at our stores. On a trailing quarter cost of sales basis, our Franchised Dealerships Segment new vehicle inventory days' supply was approximately 16 days (11 days excluding the effect of the RFJ Acquisition in December 2021, which contributed less than one month of trailing cost of sales to the days' supply calculation) as of December 31, 2021, compared to 40 days as of December 31, 2020. The level of new vehicle inventory on hand continues to be below our target level as a result of ongoing automotive supply chain disruptions and production delays described above, and while we anticipate that manufacturer production and new vehicle inventory levels will begin to improve in the first half of 2022, we expect that new vehicle inventory levels will remain low throughout 2022.

Retail used vehicle revenue increased 22.6% in 2021, driven by a 19.0% increase in retail used vehicle average sales price and a 3.0% increase in retail used vehicle unit sales volume. Retail used vehicle gross profit increased 42.8% in 2021, due to an increase in retail used vehicle gross profit per unit of \$491 per unit, or 38.6%, to \$1,763 per unit as a result of higher retail used vehicle sales prices due primarily to the impact of low new vehicle inventory levels on new and used vehicle prices and availability. Wholesale vehicle gross profit (loss) improved by approximately \$8.4 million, to gross profit of \$7.9 million during 2021, due in part to increased demand in the wholesale auction market as a result of new vehicle inventory shortages, which resulted in higher wholesale vehicle prices for much of 2021. We generally focus on maintaining used vehicle inventory days' supply in the 30- to 35-day range, which may fluctuate seasonally, in order to limit our exposure to market pricing volatility. On a trailing quarter cost of sales basis, our Franchised Dealerships Segment used vehicle inventory days' supply was approximately 42 days (36 days excluding the effect of the RFJ Acquisition in December 2021, which contributed less than one month of trailing cost of sales to the days' supply calculation) and 30 days as of December 31, 2021 and 2020, respectively.

Fixed Operations revenue increased 12.2% and Fixed Operations gross profit increased 12.9% in 2021 as daily vehicle use and vehicle miles driven began to recover from pandemic-related declines in 2020. Fixed Operations gross margin increased 40 basis points, to 50.2%, in 2021, driven primarily by an increase in customer pay revenue contribution and higher customer pay gross margin.

F&I revenue increased 22.4% in 2021, driven by an increase in F&I gross profit per retail unit. F&I gross profit per retail unit increased \$285 per unit, or 16.3%, to \$2,034 per unit, in 2021. We believe that our proprietary software applications, playbook processes and guest-centric selling approach enable us to optimize F&I gross profit and penetration rates (the number of F&I products sold per vehicle) across our F&I product lines. We believe that we will continue to increase revenue in this area as we refine our processes, train our associates and continue to sell a high volume of retail new and used vehicles at our stores.

#### ***EchoPark Segment***

Unless otherwise noted, all discussion of increases or decreases are for 2021 compared to 2020. Reported total EchoPark Segment revenues increased 65.3% in 2021, driven primarily by new store openings, and increases in retail used vehicle unit sales volume and average selling prices. Reported total gross profit increased 30.3% in 2021, due primarily to higher retail used vehicle unit sales volume, offset partially by lower retail used vehicle gross profit per unit as a result of significant fluctuations in wholesale and retail used vehicle prices during the COVID-19 pandemic.

Reported retail used vehicle revenue increased 61.5% and F&I revenue increased 46.6% in 2021, driven primarily by a 36.2% increase in retail used vehicle unit sales volume in 2021. Combined retail used vehicle and F&I gross profit per unit decreased \$217 per unit, or 10.9%, to \$1,779 per unit in 2021. The decrease in combined retail used vehicle and F&I gross profit per unit was primarily due to higher cost of inventory acquisition as a result of increased demand in the wholesale auction market for much of 2021, partially offset by an increase in F&I product penetration rates.

Wholesale vehicle gross profit (loss) improved by approximately \$9.3 million to \$9.2 million in 2021, due in part to increased demand in the wholesale auction market as a result of new vehicle inventory shortages, which resulted in higher wholesale vehicle prices for much of 2021. We generally focus on maintaining used vehicle inventory days' supply in the 30- to 35-day range, which may fluctuate seasonally, in order to limit our exposure to market pricing volatility. On a trailing quarter cost of sales basis, our used vehicle inventory days' supply in our EchoPark Segment was approximately 70 days (39 days excluding the acquisition of 11 Northwest Motorsport pre-owned vehicle stores in the RFJ Acquisition in December 2021, which contributed less than one month of trailing cost of sales to the days' supply calculation) as of December 31, 2021, as compared to 41 days as of December 31, 2020. The elevated level of used vehicle inventory days' supply as of December 31, 2021 was due primarily to the opening of several new EchoPark stores during 2021, which required additional inventory on

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hand but were not yet generating retail used vehicle sales at the rate of a more mature store, and the acquisition of 11 Northwest Motorsport pre-owned vehicle stores in the RFJ Acquisition in December 2021.

EchoPark same market total revenues increased 29.9% in 2021, driven primarily by a 6.7% increase in retail used vehicle unit sales volume and an increase in retail used vehicle average selling prices. Same market total gross profit increased 21.9% in 2021, due primarily to an increase in wholesale and retail used vehicle unit sales volume, higher average selling prices and an 8.8% increase in F&I per retail unit.

**Results of Operations**

The following table summarizes the percentages of total revenues represented by certain items reflected in our consolidated statements of operations:

	Percentage of Total Revenues		
	Year Ended December 31,		
	2021	2020	2019
<b>Revenues:</b>			
New vehicles	41.3 %	43.8 %	46.8 %
Used vehicles	39.3 %	36.5 %	33.4 %
Wholesale vehicles	3.0 %	2.0 %	1.9 %
Parts, service and collision repair	11.3 %	12.6 %	13.3 %
Finance, insurance and other, net	5.1 %	5.1 %	4.6 %
<b>Total revenues</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Cost of sales	84.6 %	85.4 %	85.5 %
Gross profit	15.4 %	14.6 %	14.5 %
Selling, general and administrative expenses	10.3 %	10.5 %	10.5 %
Impairment charges	— %	2.8 %	0.2 %
Depreciation and amortization	0.8 %	0.9 %	0.9 %
Operating income	4.3 %	0.3 %	2.9 %
Interest expense, floor plan	0.1 %	0.3 %	0.5 %
Interest expense, other, net	0.4 %	0.4 %	0.5 %
Other income (expense), net	0.1 %	0.0 %	0.1 %
Income (loss) from continuing operations before taxes	3.7 %	(0.4)%	1.8 %
Provision for income taxes for continuing operations - benefit (expense)	0.9 %	0.2 %	0.5 %
Income (loss) from continuing operations	2.8 %	(0.6)%	1.3 %

**Results of Operations - Consolidated**

As a result of the acquisition, disposition, termination or closure of several franchised dealership stores in 2020 and 2021, the change in consolidated reported amounts from period to period may not be indicative of the current or future operational or financial performance of our current group of operating stores.

**New Vehicles - Consolidated**

New vehicle revenues include the sale of new vehicles to retail customers, as well as the sale of fleet vehicles. New vehicle revenues and gross profit can be influenced by vehicle manufacturer incentives to consumers (which vary from cash-back incentives to low interest rate financing, among other things), the availability of consumer credit and the level and type of manufacturer-to-dealer incentives, as well as manufacturers providing adequate inventory allocations to our dealerships to meet consumer demands. The automobile manufacturing industry is cyclical and historically has experienced periodic downturns characterized by oversupply and weak demand, both within specific brands and in the industry as a whole. As an automotive retailer, we seek to mitigate the effects of this sales cycle by maintaining a diverse brand mix of dealerships. Our brand diversity allows us to offer a broad range of products at a wide range of prices from lower-priced/economy vehicles to luxury vehicles.

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The U.S. retail automotive industry's new vehicle unit sales volume below reflects all brands marketed or sold in the U.S. This industry sales volume includes brands we do not sell and markets in which we do not operate, therefore our new vehicle unit sales volume may not trend directly in line with the industry new vehicle unit sales volume. We believe that the retail new vehicle industry sales volume is a more meaningful metric for comparing our new vehicle unit sales volume to the industry due to our minimal fleet vehicle business.

Beginning in the middle of March 2020, the COVID-19 pandemic began to adversely impact the retail automotive industry and consequentially also our business operations by severely impacting the demand portion of our business. State and local governmental authorities in all of the markets in which we currently operate began to put in place various levels of shelter-in-place or stay-at-home orders in the middle of March 2020, which in many cases significantly restricted our business operations and suppressed consumer activity, in particular related to our vehicle sales activities. While the majority of these restrictions have been relaxed and consumer demand has rebounded significantly in our key geographic markets, the timing and rate of improvement in demand has not been uniform across the markets in which we operate. Further, disruptions in the automotive supply chain have caused lower than expected levels of vehicle production, which, combined with consumer demand for new vehicles, drove lower than typical levels of new vehicle inventory during 2021. Low levels of new vehicle inventory have resulted in higher average selling prices for new vehicles and we believe had a negative impact on retail new vehicle SAAR for 2021.

Retail new vehicle SAAR, fleet new vehicle SAAR and total new vehicle SAAR were as follows:

	Year Ended December 31,		Better / (Worse)
	2021	2020	% Change
	(In millions of vehicles)		
Retail new vehicle SAAR (1)	13.1	12.4	5.6 %
Fleet new vehicle SAAR	1.9	2.1	(9.5) %
Total new vehicle SAAR (2)	15.0	14.5	3.4 %

(1) Source: PIN from J.D. Power

(2) Source: Bloomberg Finance L.P., provided by Stephens Inc.

For 2022, analysts' industry expectation for the new vehicle SAAR ranges from 14.5 million vehicles (a 3.3% decrease compared to 2021) to 16.0 million vehicles (an increase of 6.7% compared to 2021). We estimate the 2022 new vehicle SAAR will be between 15.0 million vehicles (flat compared to 2021) and 15.5 million vehicles (an increase of 3.3% compared to 2021). The ongoing effects of the COVID-19 pandemic, changes in consumer confidence, availability of consumer financing, interest rates, additional federal relief spending by the U.S. government, manufacturer inventory production levels, incentive levels from automotive manufacturers or shifts in level or timing of consumer demand as a result of natural disasters or other unforeseen circumstances could cause the actual 2022 new vehicle SAAR to vary from expectations.

Our consolidated reported new vehicle results (combined retail and fleet data) were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
	(In millions, except unit and per unit data)			
Reported new vehicle:				
Revenue	\$ 5,118.0	\$ 4,281.2	\$ 836.8	19.5 %
Gross profit	\$ 461.4	\$ 234.1	\$ 227.3	97.1 %
Unit sales	103,486	93,281	10,205	10.9 %
Revenue per unit	\$ 49,456	\$ 45,896	\$ 3,560	7.8 %
Gross profit per unit	\$ 4,459	\$ 2,510	\$ 1,949	77.6 %
Gross profit as a % of revenue	9.0 %	5.5 %	350	bps

For further analysis of new vehicle results, see the tables and discussion under the heading "New Vehicles - Franchised Dealerships Segment" in the Franchised Dealerships Segment section below.

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***Used Vehicles - Consolidated***

Used vehicle revenues are directly affected by a number of factors, including the pricing and level of manufacturer incentives on new vehicles, the number and quality of trade-ins and lease turn-ins, the availability and pricing of used vehicles acquired at wholesale auction and the availability of consumer credit. As with new vehicles, the COVID-19 pandemic began to adversely impact the retail automotive industry and consequentially also our business operations beginning in the middle of March 2020, by severely impacting the demand portion of our business. State and local governmental authorities in all of the markets in which we currently operate began to put in place various levels of shelter-in-place or stay-at-home orders in the middle of March 2020, which in many cases significantly restricted our business operations and suppressed consumer activity, in particular related to our vehicle sales activities. While the majority of these restrictions have been relaxed and consumer demand has rebounded significantly in our key geographic markets, the timing and rate of improvement in demand has not been uniform across the markets in which we operate.

As a result of low levels of new vehicle inventory and a recovery in demand for used vehicles (both by retail consumers and dealers at wholesale auction), used vehicle prices reached an all-time high during the fourth quarter of 2021. Depending on the mix of inventory sourcing (trade-in versus wholesale auction), the days' supply of used vehicle inventory, and the pricing strategy employed by the dealership, retail used vehicle gross profit per unit and retail used vehicle gross profit as a percentage of revenue may vary significantly from historical levels given the current used vehicle environment.

Our consolidated reported retail used vehicle results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Reported used vehicle:</b>				
Revenue	\$ 4,877.2	\$ 3,564.8	\$ 1,312.4	36.8 %
Gross profit	\$ 131.9	\$ 106.0	\$ 25.9	24.4 %
Unit sales	183,292	159,025	24,267	15.3 %
Revenue per unit	\$ 26,609	\$ 22,417	\$ 4,192	18.7 %
Gross profit per unit	\$ 720	\$ 667	\$ 53	7.9 %
Gross profit as a % of revenue	2.7 %	3.0 %	(30) bps	

For further analysis of used vehicle results, see the tables and discussion under the headings "Used Vehicles – Franchised Dealerships Segment" and "Used Vehicles and F&I – EchoPark Segment" in the Franchised Dealerships Segment and EchoPark Segment sections, respectively, below.

***Wholesale Vehicles - Consolidated***

Wholesale vehicle revenues are affected by retail new and used vehicle unit sales volume and the associated trade-in volume, as well as short-term, temporary and seasonal fluctuations in wholesale auction pricing. Since the beginning of the COVID-19 pandemic in March 2020, wholesale vehicle prices and supply at auction have experienced periods of volatility, impacting our wholesale vehicle revenues and related gross profit (loss), as well as retail used vehicle revenues and related gross profit. During 2021, wholesale vehicle gross profit increased significantly due in part to increased demand in the wholesale auction market as a result of new vehicle inventory shortages, which resulted in higher wholesale vehicle prices for much of 2021. We believe that the current wholesale vehicle price environment is not sustainable in the long-term and expect that wholesale vehicle pricing and related gross profit (loss) may begin to return toward long-term normalized levels in 2022. Wholesale vehicle revenues are also significantly affected by our corporate inventory management strategy and policies, which are designed to optimize our total used vehicle inventory and minimize inventory carrying risks.

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Our consolidated reported wholesale vehicle results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
	(In millions, except unit and per unit data)			
<b>Reported wholesale vehicle:</b>				
Revenue	\$ 367.2	\$ 197.4	\$ 169.8	86.0 %
Gross profit (loss)	\$ 9.8	\$ (0.9)	\$ 10.7	NM
Unit sales	36,795	32,057	4,738	14.8 %
Revenue per unit	\$ 9,980	\$ 6,157	\$ 3,823	62.1 %
Gross profit (loss) per unit	\$ 266	\$ (27)	\$ 293	NM
Gross profit (loss) as a % of revenue	2.7 %	(0.4)%	310	bps

NM = Not Meaningful

For further analysis of wholesale vehicle results, see the tables and discussion under the headings “Wholesale Vehicles – Franchised Dealerships Segment” and “Wholesale Vehicles – EchoPark Segment” in the Franchised Dealerships Segment and EchoPark Segment sections, respectively, below.

***Fixed Operations - Consolidated***

Parts, service and collision repair revenues consist of customer requested repair orders (“customer pay”), warranty repairs (manufacturer-paid), wholesale parts and internal, sublet and other. Parts and service revenue is driven by the mix of warranty repairs versus customer pay repairs, available service capacity (a combination of service bay count and technician availability), vehicle quality, manufacturer recalls, customer loyalty, and prepaid or manufacturer-paid maintenance programs. Internal, sublet and other primarily relates to preparation and reconditioning work performed on vehicles in inventory that are later sold to a third party. When that work is performed by one of our dealerships or stores, the work is classified as internal. In the event the work is performed by a third party on our behalf, it is classified as sublet.

We believe that, over time, vehicle quality will continue to improve, but vehicle complexity and the associated demand for repairs by qualified technicians at manufacturer-affiliated dealerships may result in market share gains that could offset any revenue lost from improvement in vehicle quality. We also believe that, over the long term, we have the ability to continue to optimize service capacity at our dealerships and stores to further increase Fixed Operations revenues. Manufacturers continue to extend new vehicle warranty periods and have also begun to include regular maintenance items in the warranty or complimentary maintenance program coverage. These factors, over the long term, combined with the extended manufacturer warranties on CPO vehicles, should facilitate growth in our parts and service business. Barriers to long-term growth may include reductions in the rate paid by manufacturers to dealers for warranty work performed, as well as the improved quality of vehicles that may affect the level and frequency of future customer pay or warranty-related repair revenues.

The COVID-19 pandemic had a significant effect on our consolidated Fixed Operations revenues, as travel restrictions, government-imposed stay-at-home and shelter-in-place orders and fewer workers undertaking a daily commute combined to substantially decrease the number of miles driven in the U.S., which decreased the demand for maintenance and warranty and collision repair services beginning in March 2020. As government imposed restrictions have been relaxed in our key geographic markets, we have begun to see a recovery in Fixed Operations revenues to varying degrees depending on the market and type of work being performed; however, the timing and rate of improvement in demand has not been uniform across markets.

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Our consolidated reported Fixed Operations results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions)				
<b>Reported Fixed Operations:</b>				
<b>Revenue</b>				
Customer pay	\$ 602.3	\$ 505.4	\$ 96.9	19.2 %
Warranty	214.8	224.9	(10.1)	(4.5)%
Wholesale parts	158.8	130.1	28.7	22.1 %
Internal, sublet and other	420.9	373.3	47.6	12.8 %
<b>Total revenue</b>	<b>\$ 1,396.8</b>	<b>\$ 1,233.7</b>	<b>\$ 163.1</b>	<b>13.2 %</b>
<b>Gross profit</b>				
Customer pay	\$ 341.9	\$ 284.1	\$ 57.8	20.3 %
Warranty	125.0	127.9	(2.9)	(2.3)%
Wholesale parts	28.0	22.6	5.4	23.9 %
Internal, sublet and other	179.1	159.9	19.2	12.0 %
<b>Total gross profit</b>	<b>\$ 674.0</b>	<b>\$ 594.5</b>	<b>\$ 79.5</b>	<b>13.4 %</b>
<b>Gross profit as a % of revenue</b>				
Customer pay	56.8 %	56.2 %	60 bps	
Warranty	58.2 %	56.8 %	140 bps	
Wholesale parts	17.8 %	17.4 %	40 bps	
Internal, sublet and other	42.6 %	42.9 %	(30) bps	
<b>Total gross profit as a % of revenue</b>	<b>48.3 %</b>	<b>48.2 %</b>	<b>10 bps</b>	

For further analysis of Fixed Operations results, see the tables and discussion under the headings "Fixed Operations - Franchised Dealerships Segment" and "Fixed Operations - EchoPark Segment" in the Franchised Dealerships Segment and EchoPark Segment sections, respectively, below.

**F&I - Consolidated**

Finance, insurance and other, net revenues include commissions for arranging vehicle financing and insurance, sales of third-party extended warranties and service contracts for vehicles, and sales of other aftermarket products. In connection with vehicle financing, extended warranties and service contracts, other aftermarket products and insurance contracts, we receive commissions from the providers for originating contracts. F&I revenues are recognized net of estimated chargebacks and other costs associated with originating contracts (as a result, F&I revenues and F&I gross profit are the same amount). F&I revenues are affected by the level of new and retail used vehicle unit sales volume, the age and average selling price of vehicles sold, the level of manufacturer financing specials or leasing incentives, and our F&I penetration rate. The F&I penetration rate represents the number of finance contracts, extended warranties and service contracts, other aftermarket products or insurance contracts that we are able to originate per vehicle sold, expressed as a percentage.

Yield spread premium is another term for the commission earned by our dealerships for arranging vehicle financing for consumers. The amount of the commission could be zero, a flat fee or an actual spread between the interest rate charged to the consumer and the interest rate provided by the direct financing source (e.g., a commercial bank, credit union or manufacturer captive finance company). We have established caps on the potential yield spread premium our dealerships can earn with all finance sources. We believe the yield spread premium we earn for arranging vehicle financing represents value to the consumer in numerous ways, including the following:

- lower cost, below-market financing is often available only from the manufacturers' captives and franchised dealers;
- ease of access to multiple high-quality lending sources;
- lease-financing alternatives are largely available only from manufacturers' captives or other indirect lenders;
- guests with substandard credit frequently do not have direct access to potential sources of sub-prime financing; and

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- guests with significant “negative equity” in their current vehicle (i.e., the guest’s current vehicle is worth less than the balance of their vehicle loan or lease obligation) frequently are unable to pay off the loan on their current vehicle and finance the purchase or lease of a replacement new or used vehicle without the assistance of a franchised dealer’s network of lending sources.

Our consolidated reported F&I results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Reported F&amp;I:</b>				
Revenue	\$ 637.2	\$ 489.9	\$ 147.3	30.1 %
Unit sales	283,235	250,964	32,271	12.9 %
Gross profit per retail unit (excludes fleet)	\$ 2,250	\$ 1,952	\$ 298	15.3 %

For further analysis of F&I results, see the tables and discussion under the headings “F&I - Franchised Dealerships Segment” and “Used Vehicles and F&I - EchoPark Segment” in the Franchised Dealerships Segment and EchoPark Segment sections, respectively, below.

***Results of Operations - Franchised Dealerships Segment***

As a result of the acquisition, disposition, termination or closure of several franchised dealership stores in 2021 and 2020, the change in consolidated reported amounts from period to period may not be indicative of the current or future operational or financial performance of our current group of operating stores. The following discussion of new vehicles, used vehicles, wholesale vehicles, parts, service and collision repair, and finance, insurance and other, net, is on a same store basis (which excludes results from disposed stores), except where otherwise noted.



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***New Vehicles - Franchised Dealerships Segment***

The following table provides a reconciliation of Franchised Dealerships Segment reported basis and same store basis for total new vehicles (combined retail and fleet data):

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit data)				
<b>Total new vehicle revenue:</b>				
Same store	\$ 4,943.3	\$ 4,246.1	\$ 697.2	16.4 %
Acquisitions, open points, dispositions and holding company	165.7	35.1	130.6	NM
Total as reported	<u>\$ 5,109.0</u>	<u>\$ 4,281.2</u>	<u>\$ 827.8</u>	<u>19.3 %</u>
<b>Total new vehicle gross profit:</b>				
Same store	\$ 448.6	\$ 232.3	\$ 216.3	93.1 %
Acquisitions, open points, dispositions and holding company	11.7	1.8	9.9	NM
Total as reported	<u>\$ 460.3</u>	<u>\$ 234.1</u>	<u>\$ 226.2</u>	<u>96.6 %</u>
<b>Total new vehicle unit sales:</b>				
Same store	99,396	92,124	7,272	7.9 %
Acquisitions, open points, dispositions and holding company	3,962	1,157	2,805	NM
Total as reported	<u>103,358</u>	<u>93,281</u>	<u>10,077</u>	<u>10.8 %</u>

NM = Not Meaningful

Our Franchised Dealerships Segment reported new vehicle results (combined retail and fleet data) were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Reported new vehicle:</b>				
Revenue	\$ 5,109.0	\$ 4,281.2	\$ 827.8	19.3 %
Gross profit	\$ 460.3	\$ 234.1	\$ 226.2	96.6 %
Unit sales	103,358	93,281	10,077	10.8 %
Revenue per unit	\$ 49,430	\$ 45,896	\$ 3,534	7.7 %
Gross profit per unit	\$ 4,453	\$ 2,510	\$ 1,943	77.4 %
Gross profit as a % of revenue	9.0 %	5.5 %	350	bps

Our Franchised Dealerships Segment same store new vehicle results (combined retail and fleet data) were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Same store new vehicle:</b>				
Revenue	\$ 4,943.3	\$ 4,246.1	\$ 697.2	16.4 %
Gross profit	\$ 448.6	\$ 232.3	\$ 216.3	93.1 %
Unit sales	99,396	92,124	7,272	7.9 %
Revenue per unit	\$ 49,733	\$ 46,091	\$ 3,642	7.9 %
Gross profit per unit	\$ 4,513	\$ 2,522	\$ 1,991	78.9 %
Gross profit as a % of revenue	9.1 %	5.5 %	360	bps

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New vehicle revenue increased 16.4% due primarily to higher average selling prices and a 7.9% increase in new vehicle unit sales volume, which was driven by a recovery in demand due to the impact of the COVID-19 pandemic on the prior year results. New vehicle gross profit increased approximately \$216.3 million, or 93.1%, as a result of increased new vehicle unit sales volume and higher new vehicle gross profit per unit. New vehicle gross profit per unit increased \$1,991 per unit, or 78.9%, to \$4,513 per unit, due primarily to inventory shortages as a result of vehicle manufacturer supply chain and production delays as a result of the COVID-19 pandemic, which have generally increased the average selling prices of such vehicles.

On a trailing quarter cost of sales basis, our reported Franchised Dealerships Segment new vehicle inventory days' supply was approximately 16 days (11 days excluding the effect of the RFJ Acquisition in December 2021, which contributed less than one month of trailing cost of sales to the days' supply calculation) and 40 days as of December 31, 2021 and 2020, respectively. The level of new vehicle inventory on hand continues to be below our target level as a result of the ongoing automotive supply chain disruptions and production delays described above, and while we anticipate that manufacturer production and new vehicle inventory levels will begin to improve in the first half of 2022, we expect that new vehicle inventory levels will remain low throughout 2022.

**Used Vehicles - Franchised Dealerships Segment**

The following table provides a reconciliation of Franchised Dealerships Segment reported basis and same store basis for retail used vehicles:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit data)				
<b>Total used vehicle revenue:</b>				
Same store	\$ 2,846.8	\$ 2,321.2	\$ 525.6	22.6 %
Acquisitions, open points, dispositions and holding company	54.2	24.7	29.5	119.4 %
Total as reported	<u>\$ 2,901.0</u>	<u>\$ 2,345.9</u>	<u>\$ 555.1</u>	<u>23.7 %</u>
<b>Total used vehicle gross profit:</b>				
Same store	\$ 182.5	\$ 127.8	\$ 54.7	42.8 %
Acquisitions, open points, dispositions and holding company	5.6	(4.9)	10.5	214.3 %
Total as reported	<u>\$ 188.1</u>	<u>\$ 122.9</u>	<u>\$ 65.2</u>	<u>53.1 %</u>
<b>Total used vehicle unit sales:</b>				
Same store	103,529	100,484	3,045	3.0 %
Acquisitions, open points, dispositions and holding company	1,928	1,380	548	39.7 %
Total as reported	<u>105,457</u>	<u>101,864</u>	<u>3,593</u>	<u>3.5 %</u>

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Our Franchised Dealerships Segment reported retail used vehicle results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Reported used vehicle:</b>				
Revenue	\$ 2,901.0	\$ 2,345.9	\$ 555.1	23.7 %
Gross profit	\$ 188.1	\$ 122.9	\$ 65.2	53.1 %
Unit sales	105,457	101,864	3,593	3.5 %
Revenue per unit	\$ 27,509	\$ 23,030	\$ 4,479	19.4 %
Gross profit per unit	\$ 1,784	\$ 1,207	\$ 577	47.8 %
Gross profit as a % of revenue	6.5 %	5.2 %	130	bps

Our Franchised Dealerships Segment same store retail used vehicle results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Same store used vehicle:</b>				
Revenue	\$ 2,846.8	\$ 2,321.2	\$ 525.6	22.6 %
Gross profit	\$ 182.5	\$ 127.8	\$ 54.7	42.8 %
Unit sales	103,529	100,484	3,045	3.0 %
Revenue per unit	\$ 27,498	\$ 23,100	\$ 4,398	19.0 %
Gross profit per unit	\$ 1,763	\$ 1,272	\$ 491	38.6 %
Gross profit as a % of revenue	6.4 %	5.5 %	90	bps

Retail used vehicle revenue increased approximately \$525.6 million or 22.6% and retail used vehicle revenue per unit increased approximately 19.0%, due to higher industry used vehicle prices as a result of increased consumer demand from the impact of new vehicle inventory shortages during 2021. Retail used vehicle gross profit increased approximately \$54.7 million, or 42.8%, driven primarily by a 38.6% increase in retail used vehicle gross profit per unit, as well as a 3.0% increase in retail used vehicle unit sales volume due to increased consumer demand for used vehicles during 2021.

On a trailing quarter cost of sales basis, our reported Franchised Dealerships Segment used vehicle inventory days' supply was approximately 42 days (36 days excluding the effect of the RFJ Acquisition in December 2021, which contributed less than one month of trailing cost of sales to the days' supply calculation) and 30 days as of December 31, 2021 and 2020, respectively.

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**Wholesale Vehicles - Franchised Dealerships Segment**

The following table provides a reconciliation of Franchised Dealerships Segment reported basis and same store basis for wholesale vehicles:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit data)				
<b>Total wholesale vehicle revenue:</b>				
Same store	\$ 248.4	\$ 167.2	\$ 81.2	48.6 %
Acquisitions, open points, dispositions and holding company	8.8	1.5	7.3	486.7 %
Total as reported	<u>\$ 257.2</u>	<u>\$ 168.7</u>	<u>\$ 88.5</u>	<u>52.5 %</u>
<b>Total wholesale vehicle gross profit (loss):</b>				
Same store	\$ 7.9	\$ (0.5)	\$ 8.4	NM
Acquisitions, open points, dispositions and holding company	(7.3)	(0.3)	(7.0)	NM
Total as reported	<u>\$ 0.6</u>	<u>\$ (0.8)</u>	<u>\$ 1.4</u>	<u>175.0 %</u>
<b>Total wholesale vehicle unit sales:</b>				
Same store	24,583	24,623	(40)	(0.2)%
Acquisitions, open points, dispositions and holding company	545	256	289	112.9 %
Total as reported	<u>25,128</u>	<u>24,879</u>	<u>249</u>	<u>1.0 %</u>

NM = Not Meaningful

Our Franchised Dealerships Segment reported wholesale vehicle results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Reported wholesale vehicle:</b>				
Revenue	\$ 257.2	\$ 168.7	\$ 88.5	52.5 %
Gross profit (loss)	\$ 0.6	\$ (0.8)	\$ 1.4	175.0 %
Unit sales	25,128	24,879	249	1.0 %
Revenue per unit	\$ 10,236	\$ 6,779	\$ 3,457	51.0 %
Gross profit (loss) per unit	\$ 24	\$ (32)	\$ 56	175.0 %
Gross profit (loss) as a % of revenue	0.2 %	(0.5)%	70 bps	

Our Franchised Dealerships Segment same store wholesale vehicle results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Same store wholesale vehicle:</b>				
Revenue	\$ 248.4	\$ 167.2	\$ 81.2	48.6 %
Gross profit (loss)	\$ 7.9	\$ (0.5)	\$ 8.4	NM
Unit sales	24,583	24,623	(40)	(0.2)%
Revenue per unit	\$ 10,105	\$ 6,790	\$ 3,315	48.8 %
Gross profit (loss) per unit	\$ 321	\$ (20)	\$ 341	NM
Gross profit (loss) as a % of revenue	3.2 %	(0.3)%	350 bps	

NM = Not Meaningful

Wholesale vehicle revenue increased 48.6%, driven primarily by a 48.8% increase in wholesale vehicle revenue per unit as a result of decreased wholesale vehicle supply in the wholesale auction market due to the impact of new vehicle inventory

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shortages during 2021. Wholesale vehicle gross profit improved by approximately \$8.4 million, driven primarily by a \$341 per unit increase in wholesale vehicle gross profit per unit as a result of increased demand in the wholesale auction market due to the impact of new vehicle inventory shortages during 2021.

**Fixed Operations - Franchised Dealerships Segment**

The following table provides a reconciliation of Franchised Dealerships Segment reported basis and same store basis for Fixed Operations:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions)				
<b>Total Fixed Operations revenue:</b>				
Same store	\$ 1,322.0	\$ 1,178.0	\$ 144.0	12.2 %
Acquisitions, open points, dispositions and holding company	18.4	16.4	2.0	12.2 %
Total as reported	<u>\$ 1,340.4</u>	<u>\$ 1,194.4</u>	<u>\$ 146.0</u>	<u>12.2 %</u>
<b>Total Fixed Operations gross profit:</b>				
Same store	\$ 663.0	\$ 587.0	\$ 76.0	12.9 %
Acquisitions, open points, dispositions and holding company	10.1	8.4	1.7	20.2 %
Total as reported	<u>\$ 673.1</u>	<u>\$ 595.4</u>	<u>\$ 77.7</u>	<u>13.1 %</u>

Our Franchised Dealerships Segment reported Fixed Operations results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions)				
<b>Reported Fixed Operations:</b>				
<b>Revenue</b>				
Customer pay	\$ 600.3	\$ 504.5	\$ 95.8	19.0 %
Warranty	213.8	224.9	(11.1)	(4.9)%
Wholesale parts	158.8	130.1	28.7	22.1 %
Internal, sublet and other	367.5	334.9	32.6	9.7 %
Total revenue	<u>\$ 1,340.4</u>	<u>\$ 1,194.4</u>	<u>\$ 146.0</u>	<u>12.2 %</u>
<b>Gross profit</b>				
Customer pay	\$ 341.0	\$ 284.1	\$ 56.9	20.0 %
Warranty	125.0	127.9	(2.9)	(2.3)%
Wholesale parts	28.0	22.6	5.4	23.9 %
Internal, sublet and other	179.1	160.8	18.3	11.4 %
Total gross profit	<u>\$ 673.1</u>	<u>\$ 595.4</u>	<u>\$ 77.7</u>	<u>13.1 %</u>
<b>Gross profit as a % of revenue</b>				
Customer pay	56.9 %	56.3 %	60 bps	
Warranty	58.3 %	56.8 %	150 bps	
Wholesale parts	17.8 %	17.4 %	40 bps	
Internal, sublet and other	48.7 %	48.0 %	70 bps	
Total gross profit as a % of revenue	50.2 %	49.8 %	40 bps	

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Our Franchised Dealerships Segment same store Fixed Operations results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions)				
<b>Same store Fixed Operations:</b>				
<b>Revenue</b>				
Customer pay	\$ 592.0	\$ 495.5	\$ 96.5	19.5 %
Warranty	211.8	223.2	(11.4)	(5.1)%
Wholesale parts	157.2	129.0	28.2	21.9 %
Internal, sublet and other	361.0	330.3	30.7	9.3 %
<b>Total revenue</b>	<b>\$ 1,322.0</b>	<b>\$ 1,178.0</b>	<b>\$ 144.0</b>	<b>12.2 %</b>
<b>Gross profit</b>				
Customer pay	\$ 337.1	\$ 279.5	\$ 57.6	20.6 %
Warranty	123.3	126.9	(3.6)	(2.8)%
Wholesale parts	28.0	22.4	5.6	25.0 %
Internal, sublet and other	174.6	158.2	16.4	10.4 %
<b>Total gross profit</b>	<b>\$ 663.0</b>	<b>\$ 587.0</b>	<b>\$ 76.0</b>	<b>12.9 %</b>
<b>Gross profit as a % of revenue</b>				
Customer pay	56.9 %	56.4 %	50 bps	
Warranty	58.2 %	56.9 %	130 bps	
Wholesale parts	17.8 %	17.4 %	40 bps	
Internal, sublet and other	48.4 %	47.9 %	50 bps	
<b>Total gross profit as a % of revenue</b>	<b>50.2 %</b>	<b>49.8 %</b>	<b>40 bps</b>	

Fixed Operations revenue increased approximately \$144.0 million, or 12.2%, and Fixed Operations gross profit increased approximately \$76.0 million, or 12.9%. Customer pay gross profit increased approximately \$57.6 million, or 20.6%, warranty gross profit decreased approximately \$3.6 million, or 2.8%, wholesale parts gross profit increased approximately \$5.6 million, or 25.0%, and internal, sublet and other gross profit increased approximately \$16.4 million, or 10.4%. While our Fixed Operations business was not specifically restricted by state and local shelter-in-place or stay-at-home orders, consumer behavior was disrupted by such orders beginning in March 2020 and we experienced lower levels of Fixed Operations activity through most of 2020. During 2021, daily vehicle use and vehicle miles driven improved, driving higher levels of Fixed Operations activity.

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**F&I - Franchised Dealerships Segment**

The following table provides a reconciliation of Franchised Dealerships Segment reported basis and same store basis for F&I:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Total F&amp;I revenue:</b>				
Same store	\$ 409.5	\$ 334.5	\$ 75.0	22.4 %
Acquisitions, open points, dispositions and holding company	34.0	23.3	10.7	45.9 %
Total as reported	<u>\$ 443.5</u>	<u>\$ 357.8</u>	<u>\$ 85.7</u>	<u>24.0 %</u>
<b>Total F&amp;I gross profit per retail unit (excludes fleet):</b>				
Same store	\$ 2,034	\$ 1,749	\$ 285	16.3 %
Reported	\$ 2,160	\$ 1,846	\$ 314	17.0 %
<b>Total combined retail new and used vehicle unit sales:</b>				
Same store	202,925	192,608	10,317	5.4 %
Acquisitions, open points, dispositions and holding company	5,890	2,537	3,353	132.2 %
Total as reported	<u>208,815</u>	<u>195,145</u>	<u>13,670</u>	<u>7.0 %</u>

Our Franchised Dealerships Segment reported F&I results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Reported F&amp;I:</b>				
Revenue	\$ 443.5	\$ 357.8	\$ 85.7	24.0 %
Unit sales	208,815	195,145	13,670	7.0 %
Gross profit per retail unit (excludes fleet)	\$ 2,160	\$ 1,846	\$ 314	17.0 %

Our Franchised Dealerships Segment same store F&I results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Same store F&amp;I:</b>				
Revenue	\$ 409.5	\$ 334.5	\$ 75.0	22.4 %
Unit sales	202,925	192,608	10,317	5.4 %
Gross profit per retail unit (excludes fleet)	\$ 2,034	\$ 1,749	\$ 285	16.3 %

F&I revenues increased approximately \$75.0 million, or 22.4%, due to a 16.3% increase in F&I gross profit per retail unit, driven by a 5.4% increase in retail new and used vehicle unit sales volume. F&I gross profit per retail unit increased \$285 per unit, or 16.3%, to \$2,034 per unit, primarily due to an increase in gross profit per finance contract and higher penetration rates across all F&I products. Finance contract revenue increased 26.9%, primarily due to a 20.6% increase in gross profit per finance contract and a 5.2% increase in finance contract volume, offset by a 10-basis point decrease in the combined new and used vehicle finance contract penetration rate. Service contract revenue increased 19.1%, due primarily to a 310-basis point increase in the service contract penetration rate, a 4.2% increase in gross profit per service contract, and a 14.3% increase in service contract volume. Other aftermarket contract revenue increased 25.9%, driven primarily by a 16.8% increase in other

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aftermarket contract volume, a 7.8% increase in gross profit per other aftermarket contract, and a 1,560-basis point increase in the other aftermarket contract penetration rate.

**Results of Operations - EchoPark Segment**

All currently operating EchoPark stores in a local geographic market are included within the same market group as of the first full month following the first anniversary of the market's opening. Due to the ongoing expansion of our EchoPark Segment, same market results may vary significantly from reported results due to newly opened markets that began operations in the last 13 months.

**Used Vehicles and F&I - EchoPark Segment**

Based on the way we manage the EchoPark Segment, our operating strategy focuses on maximizing total used vehicle-related gross profit (based on a combination of retail used vehicle unit sales volume, front-end retail used vehicle gross profit (loss) per unit and F&I gross profit per unit) rather than realizing traditional levels of front-end retail used vehicle gross profit (loss) per unit. As such, we believe the best per unit measure of gross profit performance at our EchoPark stores is a combined total gross profit per unit, which includes both front-end retail used vehicle gross profit (loss) and F&I gross profit per unit sold. See the discussion under the heading "Results of Operations - Franchised Dealerships Segment" for additional discussion of the macro drivers of used vehicle revenues and F&I revenues.

As all Fixed Operations at our EchoPark stores support our used vehicle operations and EchoPark stores do not currently perform customer pay repairs or maintenance work and are not permitted to perform manufacturer-paid warranty repairs, amounts previously classified as Fixed Operations revenues and cost of sales for the EchoPark Segment have been reclassified to used vehicle cost of sales.

The following table provides a reconciliation of EchoPark Segment reported basis, same market basis and new market basis for retail used vehicles:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit data)				
<b>Total used vehicle revenue:</b>				
Same market	\$ 1,588.4	\$ 1,253.9	\$ 334.5	26.7 %
New markets	444.2	4.3	439.9	NM
Total as reported	<u>\$ 2,032.6</u>	<u>\$ 1,258.2</u>	<u>\$ 774.4</u>	<u>61.5 %</u>
<b>Total used vehicle gross profit (loss):</b>				
Same market	\$ (43.4)	\$ (34.6)	\$ (8.8)	(25.4)%
New markets	(11.8)	16.6	(28.4)	(171.1)%
Total as reported	<u>\$ (55.2)</u>	<u>\$ (18.0)</u>	<u>\$ (37.2)</u>	<u>(206.7)%</u>
<b>Total used vehicle unit sales:</b>				
Same market	60,815	56,974	3,841	6.7 %
New markets	17,020	187	16,833	NM
Total as reported	<u>77,835</u>	<u>57,161</u>	<u>20,674</u>	<u>36.2 %</u>

NM = Not Meaningful



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The following table provides a reconciliation of EchoPark Segment reported basis, same market basis and new market basis for F&I:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions)				
<b>Total F&amp;I revenue:</b>				
Same market	\$ 152.6	\$ 131.0	\$ 21.6	16.5 %
New markets	41.1	1.1	40.0	NM
Total as reported	<u>\$ 193.7</u>	<u>\$ 132.1</u>	<u>\$ 61.6</u>	<u>46.6 %</u>

NM = Not Meaningful

Our EchoPark Segment reported retail used vehicle and F&I results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Reported used vehicle and F&amp;I:</b>				
Used vehicle revenue	\$ 2,032.6	\$ 1,258.2	\$ 774.4	61.5 %
Used vehicle gross profit (loss)	\$ (55.2)	\$ (18.0)	\$ (37.2)	(206.7)%
Used vehicle unit sales	77,835	57,161	20,674	36.2 %
Used vehicle revenue per unit	\$ 26,114	\$ 22,012	\$ 4,102	18.6 %
F&I revenue	\$ 193.7	\$ 132.1	\$ 61.6	46.6 %
Combined used vehicle gross profit and F&I revenue	\$ 138.5	\$ 114.1	\$ 24.4	21.4 %
Total used vehicle and F&I gross profit per unit	\$ 1,779	\$ 1,996	\$ (217)	(10.9)%

Our EchoPark Segment same market retail used vehicle and F&I results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Same market used vehicle and F&amp;I:</b>				
Used vehicle revenue	\$ 1,588.4	\$ 1,253.9	\$ 334.5	26.7 %
Used vehicle gross profit (loss)	\$ (43.4)	\$ (34.6)	\$ (8.8)	(25.4) %
Used vehicle unit sales	60,815	56,974	3,841	6.7 %
Used vehicle revenue per unit	\$ 26,119	\$ 22,008	\$ 4,111	18.7 %
F&I revenue	\$ 152.6	\$ 131.0	\$ 21.6	16.5 %
Combined used vehicle gross profit and F&I revenue	\$ 109.2	\$ 96.4	\$ 12.8	13.3 %
Total used vehicle and F&I gross profit per unit	\$ 1,796	\$ 1,692	\$ 104	6.1 %

Reported retail used vehicle revenue increased approximately \$774.4 million, or 61.5%, due to a 36.2% increase in retail used vehicle unit sales volume, as well as an 18.6% increase in retail used vehicle revenue per unit. Reported combined retail used vehicle gross profit and F&I revenue increased approximately \$24.4 million, or 21.4%, due to a \$61.6 million, or 46.6%, increase in F&I revenue, offset partially by an approximately \$37.2 million increase in retail used vehicle gross loss. The decrease in total retail used vehicle and F&I gross profit per unit was due primarily to the higher cost of inventory acquisition as a result of increased demand in the wholesale auction market for much of 2021, offset partially by an increase in F&I product penetration rates.

Within F&I revenue, reported finance contract gross profit increased approximately \$18.4 million, or 49.2%, due to a 37.6% increase in total finance contract volume, as well as an 8.5% increase in gross profit per finance contract. Reported service contract gross profit increased approximately \$31.2 million, or 43.3%, due to a 40.7% increase in total service contract volume, as well as a 1.9% increase in gross profit per service contract. Reported other aftermarket product contract gross profit increased approximately \$12.1 million, or 53.4%, due to a 44.3% increase in total other aftermarket product contract volume, as well as a 6.5% increase in gross profit per other aftermarket product contract.

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On a trailing quarter cost of sales basis, our reported used vehicle inventory days' supply in our EchoPark Segment was approximately 70 days (39 days excluding the effect of the RFJ Acquisition in December 2021, which contributed less than one month of trailing cost of sales to the days' supply calculation) and 41 days as of December 31, 2021 and 2020, respectively. We generally focus on maintaining used vehicle inventory days' supply in the 30- to 35-day range, which may fluctuate seasonally, in order to limit our exposure to market pricing volatility. The elevated level of used vehicle inventory days' supply as of December 31, 2021 was due primarily to the opening of several new EchoPark stores during 2021, which required additional inventory on hand but were not yet generating retail used vehicle sales at the rate of a more mature store, and the acquisition of 11 Northwest Motorsport pre-owned vehicle stores in the RFJ Acquisition in December 2021.

Same market retail used vehicle revenue increased approximately \$334.5 million, or 26.7%, driven primarily by an 18.7% increase in retail used vehicle revenue per unit, as well as a 6.7% increase in retail used vehicle unit sales volume. Same market combined retail used vehicle gross profit and F&I revenue increased approximately \$12.8 million, or 13.3%, driven primarily by a \$21.6 million, or 16.5%, increase in F&I revenue, offset partially by an approximately \$8.8 million increase in retail used vehicle gross loss.

**Wholesale Vehicles - EchoPark Segment**

See the discussion under the heading "Results of Operations - Franchised Dealerships Segment" for additional discussion of the macro drivers of wholesale vehicle revenues.

The following table provides a reconciliation of EchoPark Segment reported basis, same market basis and new market basis for wholesale vehicles:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit data)				
<b>Total wholesale vehicle revenue:</b>				
Same market	\$ 85.8	\$ 28.6	\$ 57.2	200.0 %
New markets	24.2	0.1	24.1	NM
Total as reported	<u>\$ 110.0</u>	<u>\$ 28.7</u>	<u>\$ 81.3</u>	<u>283.3 %</u>
<b>Total wholesale vehicle gross profit (loss):</b>				
Same market	\$ 7.4	\$ (0.1)	\$ 7.5	NM
New markets	1.8	—	1.8	100.0 %
Total as reported	<u>\$ 9.2</u>	<u>\$ (0.1)</u>	<u>\$ 9.3</u>	<u>NM</u>
<b>Total wholesale vehicle unit sales:</b>				
Same market	8,664	7,154	1,510	21.1 %
New markets	3,003	24	2,979	NM
Total as reported	<u>11,667</u>	<u>7,178</u>	<u>4,489</u>	<u>62.5 %</u>

NM = Not Meaningful

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Our EchoPark Segment reported wholesale vehicle results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Reported wholesale vehicle:</b>				
Revenue	\$ 110.0	\$ 28.7	\$ 81.3	283.3 %
Gross profit (loss)	\$ 9.2	\$ (0.1)	\$ 9.3	NM
Unit sales	11,667	7,178	4,489	62.5 %
Revenue per unit	\$ 9,428	\$ 4,002	\$ 5,426	135.6 %
Gross profit (loss) per unit	\$ 789	\$ (11)	\$ 800	NM
Gross profit (loss) as a % of revenue	8.4 %	(0.3)%	870 bps	

NM = Not Meaningful

Our EchoPark Segment same market wholesale vehicle results were as follows:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
(In millions, except unit and per unit data)				
<b>Same market wholesale vehicle:</b>				
Revenue	\$ 85.8	\$ 28.6	\$ 57.2	200.0 %
Gross profit (loss)	\$ 7.4	\$ (0.1)	\$ 7.5	NM
Unit sales	8,664	7,154	1,510	21.1 %
Revenue per unit	\$ 9,903	\$ 3,998	\$ 5,905	147.7 %
Gross profit (loss) per unit	\$ 854	\$ (14)	\$ 868	NM
Gross profit (loss) as a % of revenue	8.6 %	(0.3)%	890 bps	

NM = Not Meaningful

Same market wholesale vehicle revenue increased 200.0% and same market wholesale vehicle gross profit improved by approximately \$7.5 million, due primarily to higher trade-in volume, which drove a 21.1% increase in same market wholesale vehicle unit sales volume and an increase in same market wholesale vehicle gross profit per unit of approximately \$868 per unit, due to excess demand in the wholesale auction market driving higher wholesale pricing. Given EchoPark's retail inventory mix, the majority of vehicles acquired from guests on trade-ins cannot be sold as retail at our EchoPark stores and are subsequently sold at auction or transferred to one of our franchised dealerships to be sold as a retail used vehicle. However, a successful acquisition of a guest's trade-in vehicle often facilitates a retail used vehicle sale transaction that otherwise may not have occurred, driving higher overall gross profit. Our overall EchoPark inventory acquisition and pricing strategy reduces the risk of aged inventory that must be sold at auction (which would typically have a higher wholesale vehicle gross loss per unit) and increases the volume of trade-ins that we obtain from guests.

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**Segment Results Summary**

In the following table of financial data, total segment income of the reportable segments is reconciled to consolidated income (loss) from continuing operations before taxes and impairment charges. See above for tables and discussion of results by reportable segment.

	<u>Year Ended December 31,</u>		<u>Better / (Worse)</u>	
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% Change</u>
<b>Segment Revenues:</b>				
<b>(In millions, except unit data)</b>				
<b>Franchised Dealerships Segment Revenues:</b>				
New vehicles	\$ 5,109.0	\$ 4,281.2	\$ 827.8	19.3 %
Used vehicles	2,901.0	2,345.9	555.1	23.7 %
Wholesale vehicles	257.2	168.7	88.5	52.5 %
Parts, service and collision repair	1,340.4	1,194.4	146.0	12.2 %
Finance, insurance and other, net	443.5	357.8	85.7	24.0 %
Franchised Dealerships Segment revenues	<u>\$ 10,051.1</u>	<u>\$ 8,348.0</u>	<u>\$ 1,703.1</u>	<u>20.4 %</u>
<b>EchoPark Segment Revenues:</b>				
New vehicles	\$ 9.0	\$ —	\$ 9.0	100.0 %
Used vehicles	2,032.6	1,258.2	774.4	61.5 %
Wholesale vehicles	110.0	28.7	81.3	283.3 %
Finance, insurance and other, net	193.7	132.1	61.6	46.6 %
EchoPark Segment revenues	<u>\$ 2,345.3</u>	<u>\$ 1,419.0</u>	<u>\$ 926.3</u>	<u>65.3 %</u>
Total consolidated revenues	<u><u>\$ 12,396.4</u></u>	<u><u>\$ 9,767.0</u></u>	<u><u>\$ 2,629.4</u></u>	<u><u>26.9 %</u></u>
<b>Segment Income (Loss) (1):</b>				
Franchised Dealerships Segment (2)	\$ 530.3	\$ 231.2	\$ 299.1	129.4 %
EchoPark Segment (3)	(72.0)	4.0	(76.0)	NM
Total segment income (loss)	\$ 458.3	\$ 235.2	\$ 223.1	94.9 %
Impairment charges (4)	(0.1)	(270.0)	269.9	100.0 %
Income (loss) from continuing operations before taxes	<u><u>\$ 458.2</u></u>	<u><u>\$ (34.8)</u></u>	<u><u>\$ 493.0</u></u>	<u><u>NM</u></u>
<b>Retail New and Used Vehicle Unit Sales Volume:</b>				
Franchised Dealerships Segment	208,815	195,145	13,670	7.0 %
EchoPark Segment	77,963	57,161	20,802	36.4 %
Total retail new and used vehicle unit sales volume	<u><u>286,778</u></u>	<u><u>252,306</u></u>	<u><u>34,472</u></u>	<u><u>13.7 %</u></u>

NM = Not Meaningful

- (1) Segment income (loss) for each segment is defined as income (loss) from continuing operations before taxes and impairment charges.
- (2) For 2021, the above amount includes approximately \$15.5 million of pre-tax net loss on the extinguishment of debt, approximately \$3.0 million of pre-tax net loss on the acquisition of franchised dealerships, partially offset by approximately \$1.8 million of pre-tax net gain on the disposal of franchised dealerships. For 2020, the above amount includes approximately \$4.0 million of pre-tax net gain on the disposal of franchised dealerships.
- (3) For 2021, the above amount includes approximately \$6.5 million of long-term compensation-related expenses. For 2020, the above amount includes approximately \$5.2 million of pre-tax net gain on the disposal of land and buildings at former EchoPark locations.
- (4) For 2021, the above amount includes approximately \$0.1 million of pre-tax impairment charges for the EchoPark Segment. For 2020, the above amount includes approximately \$270.0 million of pre-tax impairment charges for the Franchised Dealerships Segment.

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***Selling, General and Administrative ("SG&A") Expenses - Consolidated***

Consolidated SG&A expenses are comprised of four major groups: compensation expense, advertising expense, rent expense and other expense. Compensation expense primarily relates to store personnel who are paid a commission or a salary plus commission and support personnel who are generally paid a fixed salary. Commissions paid to store personnel typically vary depending on gross profits realized and sales volume objectives. Due to the salary component for certain store and corporate personnel, gross profits and compensation expense do not change in direct proportion to one another. Advertising expense and other expense vary based on the level of actual or anticipated business activity and the number of dealerships in operation. Rent expense typically varies with the number of store locations owned, investments made for facility improvements and interest rates. Other expense includes various fixed and variable expenses, including gain on disposal of franchises, certain customer-related costs such as gasoline and service loaners, and insurance, training, legal and IT expenses, which may not change in proportion to gross profit levels.

The following table sets forth information related to our consolidated reported SG&A expenses:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
	(In millions)			
<b>SG&amp;A expenses:</b>				
Compensation	\$ 834.5	\$ 659.8	\$ (174.7)	(26.5)%
Advertising	61.6	42.2	(19.4)	(46.0)%
Rent	53.2	54.5	1.3	2.4 %
Other	325.4	272.2	(53.2)	(19.5)%
Total SG&A expenses	<u>\$ 1,274.7</u>	<u>\$ 1,028.7</u>	<u>\$ (246.0)</u>	<u>(23.9)%</u>
<b>SG&amp;A expenses as a % of gross profit:</b>				
Compensation	43.6 %	46.3 %	270	bps
Advertising	3.2 %	3.0 %	(20)	bps
Rent	2.8 %	3.8 %	100	bps
Other	17.0 %	19.2 %	220	bps
Total SG&A expenses as a % of gross profit	<u>66.6 %</u>	<u>72.3 %</u>	<u>570</u>	<u>bps</u>

Overall SG&A expenses increased in dollar amount primarily due to an increase in compensation expense as a result of higher levels of sales volume, but decreased as a percentage of gross profit, primarily due to higher overall gross profit levels and the effects of expense optimization efforts that began in mid-2020. Compensation expense increased in dollar amount but decreased as a percentage of gross profit, primarily due to increased sales associate productivity during 2021, as well as higher overall gross profit levels. Advertising expense increased in both dollar amount and as a percentage of gross profit, due primarily to higher levels of advertising spend at EchoPark to support our growth strategy. Rent expense decreased in dollar amount and as a percentage of gross profit, primarily due to the purchase of several properties that were previously leased. Other SG&A expenses increased in dollar amount but decreased as a percentage of gross profit, primarily due primarily to higher gross profit levels and a continued focus on expense optimization.

SG&A expenses for 2021 include approximately \$1.8 million of net gain on the disposal of franchised dealerships and approximately \$6.5 million of long-term compensation expenses. SG&A expenses for 2020 include approximately \$4.0 million of net gain on the disposal of franchised dealerships and approximately \$5.2 million of net gain on disposal of real estate.

***Impairment Charges - Consolidated***

Impairment charges were approximately \$0.1 million and \$270.0 million in 2021 and 2020, respectively. Impairment charges for 2021 include approximately \$0.1 million of charges related to operating lease right-of-use ("ROU") asset impairment for a former EchoPark location. Impairment charges for 2020 include approximately \$268.0 million related to goodwill, and approximately \$2.0 million related to the write-off of certain construction project costs.

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***Depreciation and Amortization - Consolidated***

Depreciation expense increased approximately \$10.1 million, or 11.1%, in 2021, due primarily to the opening or acquisition of additional EchoPark stores and the construction projects completed and placed into service in our Franchised Dealerships Segment.

***Interest Expense, Floor Plan - Consolidated***

Interest expense, floor plan for new vehicles decreased approximately \$13.4 million, or 63.0%. The average new vehicle floor plan interest rate was 0.74% in 2021, down from 1.72% in 2020, the effect of which resulted in a decrease in new vehicle floor plan interest expense of approximately \$10.5 million. The average new vehicle floor plan notes payable balance decreased approximately \$172.3 million, the effect of which decreased new vehicle floor plan interest expense by approximately \$3.0 million.

Interest expense, floor plan for used vehicles increased approximately \$3.0 million, or 50.1%. The average used vehicle floor plan interest rate was 1.75% in 2021, down from 2.02% in 2020, the effect of which resulted in a decrease in used vehicle floor plan interest expense of approximately \$1.4 million. The average used vehicle floor plan notes payable balance increased approximately \$215.7 million, the effect of which increased used vehicle floor plan interest expense by approximately \$4.4 million, partially offsetting the impact of lower interest rates.

***Interest Expense, Other, Net - Consolidated***

Interest expense, other, net is summarized in the table below:

	Year Ended December 31,		Better / (Worse)	
	2021	2020	Change	% Change
	(In millions)			
Stated/coupon interest	\$ 37.0	\$ 33.7	\$ (3.3)	(9.8)%
Deferred loan cost amortization	3.3	2.9	(0.4)	(13.8)%
Interest rate hedge expense (benefit)	1.5	(0.3)	(1.8)	(600.0)%
Capitalized interest	(1.8)	(0.7)	1.1	157.1 %
Interest on finance lease liabilities	7.4	5.4	(2.0)	(37.0)%
Other interest	0.6	0.6	—	— %
Total interest expense, other, net	<u>\$ 48.0</u>	<u>\$ 41.6</u>	<u>\$ (6.4)</u>	<u>(15.4)%</u>

Interest expense, other, net increased approximately \$6.4 million, or 15.4%, primarily due an increase in principal borrowings related to the issuance of the 4.625% Notes and the 4.875% Notes in October 2021, an increase in interest rate hedge expense, and an increase in interest on finance lease liabilities, offset partially by an increase in capitalized interest.

***Provision for Income Taxes - Consolidated***

The overall effective tax rate from continuing operations was 23.9% and (45.7)% for 2021 and 2020, respectively. Income tax expense for 2021 includes a \$5.3 million discrete benefit related to vested or exercised stock compensation awards, a \$0.1 million discrete benefit related to tax credits, a \$1.0 million discrete benefit related to the reduction of the valuation allowance for state net operating loss carryforwards, offset partially by a \$2.9 million discrete charge related to non-deductible executive compensation and a \$1.2 million discrete charge related to changes in uncertain tax positions. Our effective tax rate varies from year to year based on the level of taxable income, the distribution of taxable income between states in which the Company operates and other tax adjustments.

***Use of Estimates and Critical Accounting Policies***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Critical accounting policies are those that management has determined are most important to the portrayal of our financial position and results of operations and require the most subjective judgments or estimates. See Note 1, "Description of

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Business and Summary of Significant Accounting Policies,” to the accompanying consolidated financial statements for additional discussion regarding our critical accounting policies and estimates.

***Goodwill and Other Intangible Assets***

In accordance with ASC Topic 350, “Intangibles - Goodwill and Other,” we test goodwill for impairment at least annually (as of October 1 of each year) or more frequently if indications of impairment exist. The ASC also states that if an entity determines, based on an assessment of certain qualitative factors, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a quantitative goodwill impairment test is unnecessary.

For purposes of goodwill impairment testing, we have two reporting units, which consist of (1) our traditional franchised dealerships and (2) our EchoPark stores (these reporting units also represent our reportable segments). The carrying value of our goodwill totaled approximately \$416.4 million at December 31, 2021, \$251.2 million of which was related to our franchised dealership reporting unit and \$165.2 million of which was related to our EchoPark reporting unit. In evaluating goodwill for impairment, if the fair value of a reporting unit is less than its carrying value, the difference would represent the amount of the required goodwill impairment. In conjunction with our October 1, 2021 annual test, we determined it was appropriate to evaluate goodwill for impairment qualitatively as it was determined that it was more likely than not the fair value of the reporting units exceeded the carrying values for both reporting units. Based on this qualitative assessment, we determined no impairment existed for either reporting unit as of October 1, 2021. See Note 1, “Description of Business and Summary of Significant Accounting Policies,” to the accompanying consolidated financial statements for further discussion.

Pursuant to the applicable accounting pronouncements, we were required to evaluate the recoverability of our indefinite lived intangible assets during the first quarter of 2020 as a result of the effects of the COVID-19 pandemic on our operations and market value. Based on this evaluation, we determined the carrying value of the goodwill related to our franchised dealership reporting unit was greater than the fair value of the reporting unit. Accordingly, we recorded a non-cash goodwill impairment charge of \$268.0 million and a corresponding income tax benefit of \$51.3 million to reduce the carrying value to fair value as of March 31, 2020. We utilized the discounted (“DCF”) method, using unobservable inputs (Level 3) to estimate Sonic’s enterprise value as of March 31, 2020 and reconciled the discounted cash flows to Sonic’s market capitalization, using quoted market price inputs (Level 1). The significant assumptions in our DCF model include projected earnings, a discount rate (and estimates in the discount rate inputs), control premium factors and residual growth rates. Based on the improvement in our business operations and market value during the second, third and fourth quarters of 2020, our future forecast expectations, and the results of our qualitative test, it was determined to be more likely than not that the fair value of our reporting units exceeded the carrying value.

In accordance with ASC Topic 350, “Intangibles - Goodwill and Other,” we evaluate franchise assets for impairment annually (as of October 1 of each year) or more frequently if indicators of impairment exist. We estimate the fair value of our franchise assets using a DCF model. The DCF model used contains inherent uncertainties, including significant estimates and assumptions related to projected revenue, projected operating margins, a discount rate (and estimates in the discount rate inputs) and residual growth rates. We are subject to financial risk to the extent that our franchise assets become impaired due to deterioration of the underlying businesses. The risk of a franchise asset impairment charge may increase to the extent the underlying businesses’ actual earnings or projected earnings experience a significant decline. As a result of our impairment testing as of October 1, 2021, each of our franchise assets’ fair values exceeded its carrying value and no franchise asset impairment charges were recorded in the accompanying consolidated statements of operations. The carrying value of our franchise assets totaled approximately \$480.2 million at December 31, 2021, and is included in other intangible assets, net in the accompanying consolidated balance sheet as of such date.

***Finance, Insurance and Service Contracts***

We arrange financing for our guests through various financial institutions and receive a commission from the financial institution either in a flat fee amount or in an amount equal to the difference between the interest rates charged to our guests and the predetermined interest rates set by the financial institution. We also receive commissions from the sale of various insurance contracts and non-recourse third-party extended service contracts. Under these contracts, the applicable manufacturer or third-party warranty company is directly liable for all warranties provided within the contract. Retrospective finance and insurance revenues (“F&I retro revenues”) are recognized when the product contract has been executed with the end customer and the transaction is estimated each reporting period based on the expected value method using historical and projected data. F&I retro revenues can vary based on a variety of factors, including numbers of contracts and history of cancellations and claims. Accordingly, we utilize this historical and projected data to constrain the consideration to the extent that it is probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable

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consideration is subsequently resolved. Receivables, net in the accompanying consolidated balance sheets as of December 31, 2021 and 2020 include approximately \$34.9 million and \$21.7 million, respectively, related to contract assets from F&I retro revenue recognition. Changes in contract assets from December 31, 2020 to December 31, 2021 were primarily due to ordinary business activity, including the receipt of cash for amounts earned and recognized in prior periods. Historically, our actual F&I retro revenue amounts earned have not been materially different from our recorded estimates.

In the event a customer terminates a financing, insurance or extended service contract prior to the scheduled maturity date, we may be required to return a portion of the commission revenue originally recorded as income by Sonic to the third-party provider (known as a "chargeback"). The commission revenue for the sale of these products and services is recorded net of estimated chargebacks at the time of sale. Our estimate of future chargebacks is established based on our historical chargeback rates, termination provisions of the applicable contracts and data provided by the third-party underwriter of the contracts. While expected chargeback rates vary depending on the type of contract sold, a 100-basis point change in the estimated chargeback rates used in determining our estimates of future chargebacks would have changed our estimated reserve for chargebacks at December 31, 2021 by approximately \$3.5 million. Our estimate of chargebacks was approximately \$60.5 million as of December 31, 2021, compared to approximately \$34.2 million as of December 31, 2020, primarily driven by higher F&I revenues and the RFJ Acquisition included beginning in December 2021. Our chargeback reserve estimate is influenced by the level of F&I revenues and the timing and number of early contract termination events, such as vehicle repossessions, loan refinancing, and early pay-offs. If these events become more or less common, or if there is a shift in the timing of these cancellations, the resulting impact could affect our estimated reserve for chargebacks and could have a material adverse impact on our operating results, financial position and cash flows. Historically, our actual chargeback experience has not been materially different from our recorded estimates.

### *Income Taxes*

As a matter of course, we are regularly audited by various taxing authorities and, from time to time, these audits result in proposed assessments where the ultimate resolution may result in us owing additional taxes. We believe that our tax positions comply, in all material respects, with applicable tax law and that we have adequately provided for any reasonably foreseeable outcome related to these matters. From time to time, we engage in transactions in which the tax consequences may be subject to uncertainty. Examples of such transactions include business acquisitions and disposals, including consideration paid or received in connection with such transactions. Significant judgment is required in assessing and estimating the tax consequences of these transactions. We determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. A tax position that does not meet the more-likely-than-not recognition threshold is measured to determine the amount of benefit to be recognized in the consolidated financial statements. The tax position is measured at the largest amount of benefit that is likely to be realized upon ultimate settlement. We adjust our estimates periodically because of ongoing examinations by and settlements with the various taxing authorities, as well as changes in tax laws, regulations and precedent.

At December 31, 2021, there were approximately \$5.8 million in reserves that we had provided for these matters (including estimates related to possible interest and penalties) with approximately \$0.5 million included in other accrued liabilities and approximately \$5.3 million recorded in other long-term liabilities in the accompanying consolidated balance sheet as of such date. The effects on our consolidated financial statements of income tax uncertainties are discussed in Note 7, "Income Taxes," to the accompanying consolidated financial statements.

We periodically review all deferred tax asset positions (including state net operating loss carryforwards) to determine whether it is more likely than not that the deferred tax assets will be realized. Certain factors considered in evaluating the potential for realization of deferred tax assets include the time remaining until expiration (related to state net operating loss carryforwards) and various sources of taxable income that may be available under the tax law to realize a tax benefit related to a deferred tax asset. This evaluation requires management to make certain assumptions about future profitability, the execution of tax strategies that may be available to us and the likelihood that these assumptions or execution of tax strategies would occur. This evaluation is highly judgmental. The results of future operations, regulatory framework of these taxing authorities and other related matters cannot be predicted with certainty. Therefore, actual realization of these deferred tax assets may be materially different from management's estimate.

As of December 31, 2021 and 2020, we had recorded a valuation allowance amount of approximately \$4.1 million and \$5.2 million, respectively, related to certain state net operating loss carryforward deferred tax assets as we determined that we



would not be able to generate sufficient state taxable income in the related entities to realize the accumulated net operating loss carryforward balances.

We make certain estimates, judgments and assumptions in the calculation of our provision for income taxes, in the resulting tax liabilities and in the recoverability of deferred tax assets. These estimates, judgments and assumptions are updated quarterly by our management based on available information and take into consideration estimated income taxes based on prior year income tax returns, changes in income tax law, our income tax strategies and other factors. If our management receives information which causes us to change our estimate of the year-end liability, the amount of expense or expense reduction required to be recorded in any particular quarter could be material to our operating results, financial position and cash flows.

#### **Recent Accounting Pronouncements**

In March 2020, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2020-04, "Reference Rate Reform (ASC Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." ASU 2020-04 provides optional guidance for a limited period of time to ease potential accounting impact associated with transitioning away from reference rates that are expected to be discontinued, such as LIBOR. The amendments in this ASU apply only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued. The amendments in ASU 2020-04 could be adopted beginning January 1, 2020 and are effective through December 31, 2022. In January 2021, the FASB issued ASU 2021-01 which clarifies that certain optional expedients and exceptions in ASC Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. We do not currently have any contracts that have been modified, amended or renegotiated to accommodate a transition to a new reference rate, but we will continue to evaluate any such modifications or amendments to our contracts to determine the applicability of this standard on our consolidated financial statements and related financial statement disclosures.

#### **Liquidity and Capital Resources**

We require cash to fund debt service, lease obligations, working capital requirements, facility improvements and other capital improvements, and dividends on our common stock and to finance acquisitions and otherwise invest in our business. We rely on cash flows from operations, borrowings under our revolving credit and floor plan borrowing arrangements, real estate mortgage financing, asset sales and offerings of debt and equity securities to meet these requirements. We were in compliance with all restrictive covenants under our debt agreements as of December 31, 2021 and expect to be in compliance for at least the next 12 months. We closely monitor our available liquidity and projected future operating results in order to remain in compliance with the restrictive covenants under the 2021 Credit Facilities, the 2019 Mortgage Facility, the indentures governing the 4.625% Notes and the 4.875% Notes, and our other debt obligations and lease arrangements. However, our liquidity could be negatively affected if we fail to comply with the financial covenants in our existing debt or lease arrangements. After giving effect to the applicable restrictions on the payment of dividends under our debt agreements, as of December 31, 2021, we had approximately \$399.8 million of net income and retained earnings free of such restrictions. Cash flows provided by our dealerships are derived from various sources. The primary sources include individual consumers, automobile manufacturers, automobile manufacturers' captive finance subsidiaries and other financial institutions. Disruptions in these cash flows could have a material adverse impact on our operations and overall liquidity.

Because the majority of our consolidated assets are held by our dealership subsidiaries, the majority of our cash flows from operations are generated by these subsidiaries. As a result, our cash flows and ability to service our obligations depend to a substantial degree on the results of operations of these subsidiaries and their ability to provide us with cash.

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We had the following liquidity resources available as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
	(In millions)	
Cash and cash equivalents	\$ 299.4	\$ 170.3
Availability under the 2021 Revolving Credit Facility (1)	281.4	214.7
Availability under the 2019 Mortgage Facility	22.2	11.2
Availability under the 2020 Line of Credit Facility (2)	—	57.0
Floor plan deposit balance	99.8	73.2
Total available liquidity resources	<u>\$ 702.8</u>	<u>\$ 526.4</u>

- (1) The balance as of December 31, 2020 was under the Company's prior revolving credit facility, which was replaced by the 2021 Revolving Credit Facility on April 14, 2021.
- (2) The 2020 Line of Credit Facility was terminated on October 1, 2021.

We participate in a program with two of our lender partners wherein we maintain a floor plan deposit balance (as shown in the table above) with the lender that earns interest based on the agreed upon rate, effectively reducing the net floor plan interest expense with the lender. This deposit balance is not designated as a prepayment of notes payable - floor plan, nor is it our intent to use this amount to offset principal amounts owed under notes payable - floor plan in the future, although we have the right and ability to do so. The deposit balances of approximately \$99.8 million as of December 31, 2021 and approximately \$73.2 million as of December 31, 2020 are classified as other current assets in the accompanying consolidated balance sheets as of December 31, 2021 and 2020.

**Long-Term Debt and Credit Facilities**

*2021 Credit Facilities*

On April 14, 2021, we entered into an amended and restated syndicated revolving credit facility (the "2021 Revolving Credit Facility") and amended and restated syndicated new and used vehicle floor plan credit facilities (the "2021 Floor Plan Facilities" and, together with the 2021 Revolving Credit Facility, the "2021 Credit Facilities"). The amendment and restatement of the 2021 Credit Facilities extended the scheduled maturity dates to April 14, 2025. On October 8, 2021, we entered into an amendment to the 2021 Credit Facilities (the "Credit Facility Amendment") to, among other things: (1) increase the aggregate commitments under the 2021 Revolving Credit Facility to the lesser of \$350.0 million (which may be increased at the Company's option up to \$400.0 million upon satisfaction of certain conditions) and the applicable revolving borrowing base, and the 2021 Floor Plan Facilities to \$2.6 billion (which, under certain conditions, may be increased at the Company's option up to \$2.85 billion that may be allocated between the 2021 New Vehicle Floor Plan Facility (as defined below) and the 2021 Used Vehicle Floor Plan Facility (as defined below) as the Company requests); and (2) permit the issuance of the 4.625% Notes and the 4.875% Notes.

As amended, availability under the 2021 Revolving Credit Facility is calculated as the lesser of \$350.0 million or a borrowing base calculated based on certain eligible assets, less the aggregate face amount of any outstanding letters of credit under the 2021 Revolving Credit Facility (the "2021 Revolving Borrowing Base"). The 2021 Revolving Credit Facility may be increased at our option up to \$400.0 million upon satisfaction of certain conditions. As of December 31, 2021, the 2021 Revolving Borrowing Base was approximately \$293.7 million based on balances as of such date. As of December 31, 2021, we had no outstanding borrowings and approximately \$12.3 million in outstanding letters of credit under the 2021 Revolving Credit Facility, resulting in \$281.4 million remaining borrowing availability under the 2021 Revolving Credit Facility.

The 2021 Floor Plan Facilities are composed of a new vehicle revolving floor plan facility (as amended, the "2021 New Vehicle Floor Plan Facility") and a used vehicle revolving floor plan facility (as amended, the "2021 Used Vehicle Floor Plan Facility"), in a combined amount of up to \$2.6 billion. We may, under certain conditions, request an increase in the 2021 Floor Plan Facilities to a maximum borrowing limit of up to \$2.85 billion, which shall be allocated between the 2021 New Vehicle Floor Plan Facility and the 2021 Used Vehicle Floor Plan Facility as we request, with no more than 40% of the aggregate commitments allocated to the commitments under the 2021 Used Vehicle Floor Plan Facility.

Our obligations under the 2021 Credit Facilities are guaranteed by us and certain of our subsidiaries and are secured by a pledge of substantially all of our and our subsidiaries' assets. As of the dates presented in the accompanying consolidated financial statements, the amounts outstanding under the 2021 Credit Facilities bear interest at variable rates based on specified

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percentages above LIBOR. We have agreed under the 2021 Credit Facilities not to pledge any assets to any third parties (other than those explicitly allowed to be pledged by the amended terms of the 2021 Credit Facilities), including other lenders, subject to certain stated exceptions, including floor plan financing arrangements. In addition, the 2021 Credit Facilities contain certain negative covenants, including covenants which could restrict or prohibit indebtedness, liens, the payment of dividends, capital expenditures and material dispositions and acquisitions of assets, as well as other customary covenants and default provisions. Specifically, the 2021 Credit Facilities permit quarterly cash dividends on our Class A and Class B Common Stock up to \$0.25 per share so long as no Event of Default (as defined in the 2021 Credit Facilities) has occurred and is continuing and provided that we remain in compliance with all financial covenants under the 2021 Credit Facilities.

*6.125% Notes*

On March 10, 2017, we issued \$250.0 million in aggregate principal amount of unsecured 6.125% Senior Subordinated Notes, which were scheduled to mature on March 15, 2027 (the "6.125% Notes"). On October 28, 2021, Sonic redeemed all of the outstanding 6.125% Notes using a portion of the net proceeds from the issuance and sale of the 4.625% Notes and the 4.875% Notes (as described below). Sonic paid approximately \$263.2 million in cash, including an early redemption premium and accrued and unpaid interest, to extinguish the 6.125% Notes and recognized a loss of approximately \$15.6 million on the repurchase of the 6.125% Notes, recorded in other income (expense), net in the accompanying consolidated statements of operations.

*4.625% Notes*

On October 28, 2021, we issued \$650.0 million in aggregate principal amount of 4.625% Notes, which will mature on November 15, 2029. The 4.625% Notes were issued at a price of 100% of the principal amount thereof. Sonic used the net proceeds from the issuance of the 4.625% Notes, along with the net proceeds of the 4.875% Notes, to fund the RFJ Acquisition and repay existing debt.

The 4.625% Notes were issued under an Indenture, dated as of October 28, 2021 (the "2029 Indenture"), by and among the Company, certain subsidiary guarantors named therein (collectively, the "Guarantors") and U.S. Bank National Association, as trustee (the "trustee"). The 4.625% Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis initially by all of the Company's operating domestic subsidiaries. The 2029 Indenture provides that interest on the 4.625% Notes will be payable semi-annually in arrears on May 15 and November 15 of each year beginning May 15, 2022. The 2029 Indenture also contains other restrictive covenants and default provisions common for an issue of senior notes of this nature.

The 4.625% Notes will be redeemable at the Company's option, in whole or in part, at any time on or after November 15, 2024 at the redemption prices (expressed as percentages of the principal amount thereof) set forth below, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date, if redeemed during the 12-month period beginning on November 15 of the years set forth below:

	<b>Redemption Price</b>	
2024	102.313	%
2025	101.156	%
2026	100.000	%

Before November 15, 2024, the Company may redeem all or a part of the 4.625% Notes, subject to payment of a make-whole premium. In addition, the Company may redeem on or before November 15, 2024 up to an aggregate of 35% of the aggregate principal of the 4.625% Notes at a price equal to 104.625% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption, with the net cash proceeds from certain equity offerings.

*4.875% Notes*

On October 28, 2021, we issued \$500.0 million in aggregate principal amount of 4.875% Notes, which will mature on November 15, 2031. The 4.875% Notes were issued at a price of 100% of the principal amount thereof. Sonic used the net proceeds from the issuance of the 4.875% Notes, along with the net proceeds of the 4.625% Notes to fund the RFJ Acquisition and repay existing debt.

The 4.875% Notes were issued under an Indenture, dated as of October 28, 2021 (the "2031 Indenture"), by and among the Company, the Guarantors and the trustee. The 4.875% Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis initially by all of the Company's operating domestic subsidiaries. The 2031 Indenture provides that

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interest on the 4.875% Notes will be payable semi-annually in arrears on May 15 and November 15 of each year beginning May 15, 2022. The 2031 Indenture also contains other restrictive covenants and default provisions common for an issue of senior notes of this nature.

The 4.875% Notes will be redeemable at the Company's option, in whole or in part, at any time on or after November 15, 2026 at the redemption prices (expressed as percentages of the principal amount thereof) set forth below, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date, if redeemed during the 12-month period beginning on November 15 of the years set forth below:

Year	Redemption Price	
2026	102.438	%
2027	101.625	%
2028	100.813	%
2029	100.000	%

Before November 15, 2026, the Company may redeem all or a part of the 4.875% Notes, subject to payment of a make-whole premium. In addition, the Company may redeem on or before November 15, 2024 up to an aggregate of 35% of the aggregate principal of the 4.875% Notes at a price equal to 104.875% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption, with the net cash proceeds from certain equity offerings.

#### *2019 Mortgage Facility*

On November 22, 2019, we entered into a delayed draw-term loan credit agreement, which is scheduled to mature on November 22, 2024 (the "2019 Mortgage Facility"). On October 11, 2021, we entered into an amendment of the 2019 Mortgage Facility to permit the consummation of the RFJ Acquisition and the issuance of the 4.625% Notes and the 4.875% Notes.

Under the 2019 Mortgage Facility, Sonic has a maximum borrowing limit of \$112.2 million, which varies based on the appraised value of the collateral underlying the 2019 Mortgage Facility. The amount available for borrowing under the 2019 Mortgage Facility is subject to compliance with a borrowing base. The borrowing base is calculated based on 75% of the appraised value of certain eligible real estate designated by Sonic and owned by certain of our subsidiaries. Based on balances as of December 31, 2021, we had approximately \$90.0 million of outstanding borrowings under the 2019 Mortgage Facility, resulting in total remaining borrowing availability of approximately \$22.2 million under the 2019 Mortgage Facility.

Amounts outstanding under the 2019 Mortgage Facility bear interest at (1) a specified rate above LIBOR (as defined in the 2019 Mortgage Facility), ranging from 1.50% to 2.75% per annum according to a performance-based pricing grid determined by the Company's Consolidated Total Lease Adjusted Leverage Ratio (as defined in the 2019 Mortgage Facility) as of the last day of the immediately preceding fiscal quarter (the "Performance Grid"); or (2) a specified rate above the Base Rate (as defined in the 2019 Mortgage Facility), ranging from 0.50% to 1.75% per annum according to the Performance Grid. Interest on the 2019 Mortgage Facility is paid monthly in arrears calculated using the Base Rate plus the Applicable Rate (as defined in the 2019 Mortgage Facility) according to the Performance Grid. Repayment of principal is paid quarterly commencing on March 31, 2020 through September 30, 2024 at a rate of 2.50% of the aggregate initial principal amount. A balloon payment of the remaining balance will be due at the November 22, 2024 maturity date. Prior to the November 22, 2024 maturity date, the Company reserves the right to prepay the principal amount outstanding at any time without premium or penalty provided the prepayment amount exceeds \$0.5 million.

The 2019 Mortgage Facility contains usual and customary representations and warranties, and usual and customary affirmative and negative covenants, including covenants which could restrict or prohibit indebtedness, liens, the payment of dividends and other restricted payments, capital expenditures and material dispositions and acquisitions of assets, as well as other customary covenants and default provisions. Specifically, the 2019 Mortgage Facility permits quarterly cash dividends on our Class A and Class B Common Stock up to \$0.25 per share so long as no Event of Default (as defined in the 2019 Mortgage Facility) has occurred and is continuing and provided that we remain in compliance with all financial covenants under the 2019 Mortgage Facility.

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*Mortgage Notes to Finance Companies*

As of December 31, 2021, the weighted-average interest rate of other outstanding mortgage notes (excluding the 2019 Mortgage Facility) was 3.50% and the total outstanding mortgage principal balance of these notes (excluding the 2019 Mortgage Facility) was approximately \$346.2 million. These mortgage notes require monthly payments of principal and interest through their respective maturities, are secured by the underlying properties and contain certain cross-default provisions. Maturity dates for these mortgage notes range from 2022 to 2033.

*2020 Line of Credit Facility*

On June 23, 2020, we entered into a line of credit agreement with Ally Bank (the "2020 Line of Credit Facility"), which was scheduled to mature on June 19, 2022. On October 1, 2021, Sonic terminated the 2020 Line of Credit Facility.

*Floor Plan Facilities*

We finance all of our new and certain of our used vehicle inventory through standardized floor plan facilities with manufacturer captive finance companies and a syndicate of manufacturer-affiliated finance companies and commercial banks. These floor plan facilities are due on demand and bear interest at variable rates based on LIBOR or prime plus an additional spread, as applicable. The weighted-average interest rate for our new and used vehicle floor plan facilities was 1.06% and 1.78% for 2021 and 2020, respectively. We receive floor plan assistance in the form of direct payments or credits from certain manufacturers. Floor plan assistance received is capitalized in inventory and recorded as a reduction of cost of sales when the associated inventory is sold. We received approximately \$43.5 million and \$40.0 million in manufacturer assistance in 2021 and 2020, respectively, and recognized in cost of sales approximately \$46.5 million and \$40.6 million in manufacturer assistance in 2021 and 2020, respectively. Interest payments under each of our floor plan facilities are due monthly and we are generally not required to make principal repayments prior to the sale of the vehicles. The total notes payable - floor plan balance of approximately \$1.3 billion as of December 31, 2021 is classified as current liabilities in the accompanying consolidated balance sheet as of such date.

*Covenants and Default Provisions*

Non-compliance with covenants, including a failure to make any payment when due, under the 2021 Credit Facilities, the 2019 Mortgage Facility, our floor plan agreements with various manufacturer-affiliated finance companies, operating lease agreements, mortgage notes to finance companies and the 2029 Indenture and the 2031 Indenture (collectively, the "Significant Debt Agreements") could result in a default and an acceleration of our repayment obligation under the 2021 Credit Facilities. A default under the 2021 Credit Facilities or the 2019 Mortgage Facility would constitute a default under the floor plan facilities we have in place with affiliates of Ford Motor Company (collectively, the "Ford Floor Plan Facilities") and could entitle these lenders to accelerate our repayment obligations under one or more of the floor plan facilities. Certain defaults under the 2021 Credit Facilities, the 2019 Mortgage Facility and one or more of the Ford Floor Plan Facilities or certain other debt obligations would not result in a default under the 2029 Indenture or the 2031 Indenture, unless our repayment obligations under the 2021 Credit Facilities, the 2019 Mortgage Facility, and/or one or more of the Ford Floor Plan Facilities or such other debt obligations were accelerated. An acceleration of our repayment obligation under any of the Significant Debt Agreements could result in an acceleration of our repayment obligations under our other Significant Debt Agreements. The failure to repay principal amounts of the Significant Debt Agreements when due would create cross-default situations related to other indebtedness. The 2021 Credit Facilities and the 2019 Mortgage Facility include the following financial covenants:

	Covenant		
	Minimum Consolidated Liquidity Ratio	Minimum Consolidated Fixed Charge Coverage Ratio	Maximum Consolidated Total Lease Adjusted Leverage Ratio
Required ratio	1.05	1.20	5.75
December 31, 2021 actual	1.26	2.69	2.46

In addition, many of our facility leases are governed by a guarantee agreement between the landlord and us that contains financial and operating covenants. The financial covenants under the guarantee agreement are identical to those under the 2021 Credit Facilities and the 2019 Mortgage Facility with the exception of one additional financial covenant related to the ratio of EBITDAR to rent (as defined in the guarantee agreement) with a required ratio of no less than 1.50 to 1.00. As of December 31, 2021, the ratio was 12.05 to 1.00.

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We were in compliance with all of the restrictive and financial covenants in all of our floor plan agreements, long-term debt facilities and lease agreements as of December 31, 2021. After giving effect to the applicable restrictions on the payment of dividends and certain other transactions under our debt agreements, as of December 31, 2021, we had at least \$399.8 million of net income and retained earnings free of such restrictions. See Note 6, "Long-Term Debt," to the accompanying consolidated financial statements for further discussion of the 2021 Credit Facilities.

***Acquisitions and Dispositions***

During 2021, we acquired 27 franchised dealership businesses and 14 pre-owned businesses, including the RFJ Acquisition, for approximately \$1,018.9 million, net of floor plan borrowings. We disposed of one luxury franchised dealership and terminated two luxury franchises in 2021, which generated net cash from dispositions of approximately \$6.6 million. See Note 2, "Business Acquisitions and Dispositions," to the accompanying consolidated financial statements for further discussion.

***Capital Expenditures***

Our capital expenditures include the purchase of land and buildings, the construction of new franchised dealerships, EchoPark stores and collision repair centers, building improvements and equipment purchased for use in our franchised dealerships and EchoPark stores. We selectively construct or improve new franchised dealership facilities to maintain compliance with manufacturers' image requirements. We typically finance these projects through cash flows from operations, new mortgages or our credit facilities.

Capital expenditures for 2021 were approximately \$298.2 million, including approximately \$204.6 million related to our Franchised Dealerships Segment and approximately \$93.6 million related to our EchoPark Segment. Of the total capital expenditures, approximately \$112.5 million was related to facility construction projects, approximately \$103.1 million was related to acquisitions of real estate (land and buildings), and approximately \$82.6 million was for other fixed assets utilized in our operations.

Of the \$298.2 million in gross capital expenditures in 2021, approximately \$16.5 million was funded through mortgage financing and approximately \$281.7 million was funded through cash from operations. As of December 31, 2021, commitments for facility construction projects totaled approximately \$19.0 million.

***Share Repurchase Program***

Our Board of Directors has authorized us to repurchase shares of our Class A Common Stock. Historically, we have used our share repurchase authorization to offset dilution caused by the exercise of stock options or the vesting of equity compensation awards and to maintain our desired capital structure. During 2021, we repurchased approximately 2.0 million shares of our Class A Common Stock for approximately \$93.3 million in open-market transactions at prevailing market prices and in connection with tax withholdings on the vesting of equity compensation awards. During 2021, our Board of Directors approved an additional \$250.0 million of share repurchase authorization. As of December 31, 2021, our total remaining repurchase authorization was approximately \$226.2 million. Subsequent to December 31, 2021, we repurchased an additional 500,000 shares of Class A Common Stock for approximately \$24.1 million, resulting in current remaining availability of approximately \$202.0 million. Under the 2021 Credit Facilities, share repurchases are permitted to the extent that no event of default exists and we do not exceed the restrictions set forth in our debt agreements. After giving effect to the applicable restrictions on share repurchases and certain other transactions under our debt agreements, as of December 31, 2021, we had at least \$399.8 million of net income and retained earnings free of such restrictions.

Our share repurchase activity is subject to the business judgment of our Board of Directors and management, taking into consideration our historical and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance, the current economic environment and other factors considered relevant. These factors are considered each quarter and will be scrutinized as our Board of Directors and management determine our share repurchase policy in the future.

***Dividends***

Our Board of Directors approved four quarterly cash dividends on all outstanding shares of Class A and Class B Common Stock totaling \$0.46 per share during 2021. Subsequent to December 31, 2021, our Board of Directors approved a cash dividend on all outstanding shares of Class A and Class B Common Stock of \$0.25 per share for stockholders of record on March 15, 2022 to be paid on April 15, 2022. Under the 2021 Credit Facilities, dividends are permitted to the extent that no event of default exists and we are in compliance with the financial covenants contained therein. The 2029 Indenture and the 2031 Indenture also contain restrictions on our ability to pay dividends. After giving effect to the applicable restrictions on

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share repurchases and certain other transactions under our debt agreements, as of December 31, 2021, we had at least \$399.8 million of net income and retained earnings free of such restrictions. The declaration and payment of any future dividend is subject to the business judgment of our Board of Directors, taking into consideration our historical and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance, share repurchases, the current economic environment and other factors considered by our Board of Directors to be relevant. These factors are considered each quarter and will be scrutinized as our Board of Directors determines our future dividend policy. There is no guarantee that additional dividends will be declared and paid at any time in the future. See Note 6, "Long-Term Debt," to the accompanying consolidated financial statements for a description of restrictions on the payment of dividends.

**Cash Flows**

**Cash Flows from Operating Activities** -Net cash provided by operating activities was approximately \$306.3 million, and \$281.1 million for 2021 and 2020, respectively. The cash provided by operations for 2021, as compared to 2020, consisted primarily of net income (less non-cash items), a decrease in inventories and an increase in trade accounts payable and other liabilities, offset partially by an increase in receivables and a decrease in notes payable - floor plan - trade. The cash provided by operations for 2020 consisted primarily of net income (less non-cash items), a decrease in receivables and a decrease in inventories, offset partially by a decrease in notes payable - floor plan - trade and a decrease in trade accounts payable and other liabilities.

We arrange our inventory floor plan financing through both manufacturer captive finance companies and a syndicate of manufacturer-affiliated finance companies and commercial banks. Our floor plan financed with manufacturer captives is recorded as trade floor plan liabilities (with the resulting change being reflected as operating cash flows). Our dealerships that obtain floor plan financing from a syndicate of manufacturer-affiliated finance companies and commercial banks record their obligation as non-trade floor plan liabilities (with the resulting change being reflected as financing cash flows).

Due to the presentation differences for changes in trade floor plan financing and non-trade floor plan financing in the consolidated statements of cash flows, decisions made by us to move dealership floor plan financing arrangements from one finance source to another may cause significant variations in operating and financing cash flows without affecting our overall liquidity, working capital or cash flows. Upon entering into the 2021 Floor Plan Facilities in April 2021, the majority of our outstanding floor plan liabilities were reclassified from trade floor plan liabilities to non-trade floor plan liabilities, resulting in a significant reclassification of related floor plan liability cash flows from operating activities to financing activities.

Net cash used in combined trade and non-trade floor plan financing was approximately \$55.8 million and \$214.8 million for 2021 and 2020, respectively. Accordingly, if all changes in floor plan notes payable were classified as an operating activity, the result would have been net cash provided by operating activities of approximately \$745.9 million and \$341.9 million for 2021 and 2020, respectively.

**Cash Flows from Investing Activities** - Net cash used in investing activities during 2021 was approximately \$1.3 billion. Net cash used in investing activities during 2020 was approximately \$100.2 million. The use of cash during 2021, as compared to 2020, was comprised primarily of purchases of businesses, net of cash acquired, and purchases of land, property and equipment, offset partially by proceeds from the sale of property and equipment and proceeds from the sale of franchised dealerships. The use of cash during 2020 was comprised primarily of proceeds from the sale of franchised dealerships and proceeds from the sale of property and equipment, offset by purchases of land, property and equipment. See Note 2, "Business Acquisitions and Dispositions," to the accompanying consolidated financial statements for additional discussion.

The significant components of capital expenditures relate primarily to dealership renovations, the purchase of certain existing dealership facilities which had previously been financed under long-term operating leases, and the purchase and development of new real estate parcels for the relocation of existing dealerships and the construction of EchoPark stores. During 2021 and 2020, we generated net proceeds from mortgage financing (excluding the effects of any refinancing with zero net proceeds) in the amount of approximately \$16.5 million and \$53.1 million, respectively, to purchase certain existing dealership facilities and to fund certain capital expenditures.

**Cash Flows from Financing Activities** - Net cash provided by financing activities was approximately \$1.1 billion for 2021. Net cash used in financing activities was approximately \$39.7 million for 2020. For 2021, cash provided by financing activities was comprised primarily of proceeds from the issuance of the 4.625% Notes and the 4.875% Notes, net borrowings on notes payable - floor plan - non-trade and proceeds from mortgage notes, offset partially by the extinguishment of the 6.125% Notes, repurchases of treasury stock and scheduled principal payments of long-term debt. For 2020, cash used in financing activities was comprised primarily of the repurchases of treasury stock, scheduled principal payments and repayments of long-

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term debt and the reduction of finance lease liabilities, offset partially by net borrowings on notes payable - floor plan - non-trade and proceeds from the issuance of long-term debt.

**Cash Flows from Discontinued Operations-** The accompanying consolidated statements of cash flows include both continuing and discontinued operations. Net cash flows from operating activities associated with discontinued operations for 2021 and 2020 were not material to total cash flows.

One metric that management uses to measure operating performance is Adjusted EBITDA (a non-GAAP financial measure) for each of our reportable segments and on a consolidated basis. This non-GAAP financial measure is reconciled to net income (loss) (the nearest comparable GAAP financial measure) in the table below:

	Year Ended December 31, 2021				Year Ended December 31, 2020			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In millions)							
Net income (loss)				\$ 348.9				\$ (51.4)
Provision for income taxes				109.3				15.6
Income (loss) before taxes	\$ 530.3	\$ (72.1)	\$ —	\$ 458.2	\$ (39.4)	\$ 4.1	\$ (0.5)	\$ (35.8)
Non-floor plan interest (1)	43.0	1.7	—	44.7	37.8	0.9	—	38.7
Depreciation & amortization (2)	87.9	16.4	—	104.3	82.7	11.2	—	93.9
Stock-based compensation expense	15.0	—	—	15.0	11.7	—	—	11.7
Asset impairment charges	—	0.1	—	0.1	270.0	—	—	270.0
Loss (gain) on debt extinguishment	15.6	—	—	15.6	—	—	—	—
Long-term compensation-related expenses	—	8.0	—	8.0	—	—	—	—
Acquisition and Disposition-Related (Gain) Loss	—	(0.4)	—	(0.4)	(3.0)	(5.2)	—	(8.2)
Adjusted EBITDA (3)	<u>\$ 691.8</u>	<u>\$ (46.3)</u>	<u>\$ —</u>	<u>\$ 645.5</u>	<u>\$ 359.8</u>	<u>\$ 11.0</u>	<u>\$ (0.5)</u>	<u>\$ 370.3</u>

- (1) Includes interest expense, other, net in the accompanying consolidated statements of operations, net of any amortization of debt issuance costs or net debt discount/premium included in (2) below.
- (2) Includes the following line items from the accompanying consolidated statements of cash flows: depreciation and amortization of property and equipment; debt issuance cost amortization; and debt discount amortization, net of premium amortization.
- (3) Adjusted EBITDA is a non-GAAP financial measure.



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**Future Liquidity Outlook**

Our future contractual obligations are as follows, based on the earlier of stated contractual obligation or possible expected payment date:

	2022	Thereafter
	(In millions)	
Notes payable - floor plan	\$ 1,268.4	\$ —
Long-term debt (1)	50.6	1,535.5
Letters of credit	12.3	—
Estimated interest payments on floor plan facilities (2)	2.1	—
Estimated interest payments on long-term debt	12.9	30.0
Operating leases (net of sublease proceeds)	49.0	341.0
Construction contracts	19.0	—
Other purchase obligations (3)	4.2	0.7
Liability for uncertain tax positions (4)	0.5	5.3
Total	<u>\$ 1,419.0</u>	<u>\$ 1,912.5</u>

- (1) Long-term debt amounts consist only of principal obligations, excluding debt issuance costs.
- (2) Floor plan facility balances are correlated with the amount of vehicle inventory and are generally due at the time that a vehicle is sold. Estimated interest payments were calculated using the December 31, 2021 floor plan facility balance, the weighted-average interest rate for the three months ended December 31, 2021 of 0.74% and the assumption that floor plan balances at December 31, 2021 would be relieved within 60 days in connection with the sale of the associated vehicle inventory.
- (3) Other purchase obligations include contracts for real estate purchases, office supplies, utilities, acquisition-related obligations and various other items or other services.
- (4) Amount represents recorded liability, including interest and penalties, related to "Accounting for Uncertain Income Tax Positions" in the ASC. See Note 1, "Description of Business and Summary of Significant Accounting Policies," and Note 7, "Income Taxes," to the accompanying consolidated financial statements.

We believe our best sources of liquidity for operations and debt service remain cash flows generated from operations combined with the availability of borrowings under our floor plan facilities, the 2021 Credit Facilities, the 2019 Mortgage Facility and real estate mortgage financing (or any replacements thereof), selected dealership and other asset sales and our ability to raise funds in the capital markets through offerings of debt or equity securities. Because the majority of our consolidated assets are held by our dealership subsidiaries, the majority of our cash flows from operations are generated by these subsidiaries. As a result, our cash flows and ability to service our obligations depend to a substantial degree on the results of operations of these subsidiaries and their ability to provide us with cash.

**Seasonality**

Our operations are subject to seasonal variations. The first quarter historically has contributed less operating profit than the second and third quarters, while the fourth quarter historically has contributed the highest operating profit of any quarter. Due to the abnormal effects of the COVID-19 pandemic on the automotive supply chain and inventory levels, this historical seasonality did not play out in 2021 and may not hold true in 2022. Weather conditions and the timing of manufacturer incentive programs and model changeovers cause seasonality and may adversely affect vehicle demand and, consequently, our profitability. Comparatively, parts and service demand remains stable throughout the year.

**Guarantees and Indemnification Obligations**

In connection with the operation and disposition of our dealerships, we have entered into various guarantees and indemnification obligations. When we sell dealerships, we attempt to assign any related lease to the buyer of the dealership to eliminate any future liability. However, if we are unable to assign the related leases to the buyer, we will attempt to sublease the leased properties to the buyer at a rate equal to the terms of the original leases. In the event we are unable to sublease the properties to the buyer with terms at least equal to our leases, we may be required to record lease exit accruals. As of December 31, 2021, our future gross minimum lease payments related to properties subleased to buyers of sold dealerships totaled

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approximately \$15.5 million. Future sublease payments expected to be received related to these lease payments were approximately \$15.4 million at December 31, 2021.

In accordance with the terms of agreements entered into for the sale of our dealerships, we generally agree to indemnify the buyer from certain liabilities and costs arising subsequent to the date of sale, including environmental exposure and exposure resulting from the breach of representations or warranties made in accordance with the agreements. While our exposure with respect to environmental remediation and repairs is difficult to quantify, our maximum exposure associated with these general indemnifications was approximately \$4.0 million at December 31, 2021. These indemnifications typically expire within a period of one to three years following the date of sale. The estimated fair value of these indemnifications was not material and the amount recorded for this contingency was not significant at December 31, 2021.

We also guarantee the floor plan commitments of our 50%-owned joint venture, and the amount of such guarantee was approximately \$4.3 million at December 31, 2021. We expect the aggregate amount of the obligations we guarantee to fluctuate based on dealership disposition activity. Although we seek to mitigate our exposure in connection with these matters, these guarantees and indemnification obligations, including environmental exposures and the financial performance of lease assignees and sublessees, cannot be predicted with certainty. An unfavorable resolution of one or more of these matters could have a material adverse effect on our liquidity and capital resources. See Note 12, "Commitments and Contingencies," to the accompanying consolidated financial statements for further discussion regarding these guarantees and indemnification obligations.

***Legal Proceedings***

We are involved, and expect to continue to be involved, in various legal and administrative proceedings arising out of the conduct of our business, including regulatory investigations and private civil actions brought by plaintiffs purporting to represent a potential class or for which a class has been certified. Although we vigorously defend ourselves in all legal and administrative proceedings, the outcomes of pending and future proceedings arising out of the conduct of our business, including litigation with customers, employment-related lawsuits, contractual disputes, class actions, purported class actions and actions brought by governmental authorities, cannot be predicted with certainty. An unfavorable resolution of one or more of these matters could have a material adverse effect on our business, financial condition, results of operations, cash flows or prospects.

Included in other accrued liabilities and other long-term liabilities in the accompanying consolidated balance sheet as of December 31, 2021 were approximately \$1.5 million and \$0.3 million, respectively, in reserves that we were holding for pending proceedings. Included in other accrued liabilities and other long-term liabilities in the accompanying consolidated balance sheet as of December 31, 2020 were approximately \$0.3 million and \$0.2 million, respectively, for such reserves. Except as reflected in such reserves, we are currently unable to estimate a range of reasonably possible loss, or a range of reasonably possible loss in excess of the amount accrued, for pending proceedings. See Note 12, "Commitments and Contingencies," to the accompanying consolidated financial statements for further discussion regarding these legal matters.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.****Interest Rate Risk**

Our variable rate floor plan facilities, the 2019 Mortgage Facility, the 2021 Revolving Credit Facility and our other variable rate notes expose us to risks caused by fluctuations in the applicable interest rates. The total outstanding balance of such variable instruments, after considering the effect of outstanding cash flow hedge instruments, was approximately \$1.2 billion at both December 31, 2021 and 2020. A change of 100 basis points in the underlying interest rate would have caused a change in interest expense of approximately \$20.6 million in 2021 and approximately \$19.8 million in 2020. Of the total change in interest expense, approximately \$18.1 million and \$16.6 million in 2021 and 2020, respectively, would have resulted from our floor plan facilities.

In addition to our variable rate debt, as of both December 31, 2021 and 2020, certain of our dealership lease facilities had monthly lease payments that fluctuated based on LIBOR interest rates. An increase in interest rates of 100 basis points would not have had a significant impact on rent expense in 2021 and 2020 due to the leases containing LIBOR floors which were above the LIBOR rate during 2021 and 2020.

As of both December 31, 2021 and 2020, we had interest rate cap agreements to limit our exposure to increases in LIBOR rates above certain levels. Under the terms of the interest rate cap agreements, interest rates reset monthly. The fair values of the outstanding interest rate cap positions at December 31, 2021 and 2020 were not material to the accompanying consolidated balance sheets as of such dates. Under the terms of these agreements, we will receive and pay interest based on the following:

	<u>Notional Amount</u>	<u>Cap Rate (1)</u>	<u>Receive Rate (1) (2)</u>	<u>Start Date</u>	<u>Maturing Date</u>
	<u>(In millions)</u>				
\$	225.0	3.000%	one-month LIBOR	July 1, 2020	June 30, 2021
\$	150.0	2.000%	one-month LIBOR	July 1, 2020	July 1, 2021
\$	250.0	3.000%	one-month LIBOR	July 1, 2021	July 1, 2022

- (1) Under these interest rate caps, no payment from the counterparty will occur unless the stated receive rate exceeds the stated cap rate, in which case a net payment to us from the counterparty, based on the spread between the receive rate and the cap rate, will be recognized as a reduction of interest expense, other, net in the accompanying consolidated statements of operations.
- (2) The one-month LIBOR rate was approximately 0.101% at December 31, 2021. These interest rate caps have been designated and qualify as cash flow hedges and, as a result, changes in the fair value of these interest rate caps are recorded in total other comprehensive income (loss) before taxes in the accompanying consolidated statements of comprehensive operations.

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Absent the acceleration of payments of principal that may result from non-compliance with financial and operational covenants under our various indebtedness, future principal maturities of variable and fixed rate debt and related interest rate caps are as follows:

	2022		2023		2024		2025		2026		Thereafter	Total	Asset (Liability) Fair Value	
(In millions)														
<b>Long-term debt:</b>														
Fixed rate maturities	\$	26.6	\$	23.6	\$	34.1	\$	72.8	\$	26.1	\$	1,180.2	\$	1,363.4
Fixed rate outstanding (1)	\$	1,363.4	\$	1,336.8	\$	1,313.2	\$	1,279.1	\$	1,206.3	\$	1,180.2	\$	1,377.2
Average rate on fixed outstanding debt (1)		4.67	%	4.67	%	4.67	%	4.67	%	4.71	%	4.73	%	
Variable rate maturities	\$	24.0	\$	52.5	\$	84.1	\$	15.8	\$	4.1	\$	42.2	\$	222.7
Variable rate outstanding (1)	\$	222.7	\$	198.7	\$	146.2	\$	62.2	\$	46.4	\$	42.3	\$	223.1
Average rate on variable outstanding debt (1)		1.96	%	1.96	%	1.91	%	2.26	%	2.29	%	2.29	%	
<b>Cash flow hedge instruments:</b>														
Interest rate cap notional maturities	\$	250.0	\$	—	\$	—	\$	—	\$	—	\$	—		
Interest rate cap notional outstanding (1)	\$	250.0	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Average interest income rate on interest rate cap notional outstanding (1)		—	%	—	%	—	%	—	%	—	%	N/A		

(1) Based on amounts outstanding at January 1 of each respective period.

**Foreign Currency Risk**

We purchase certain of our new vehicle and parts inventories from foreign manufacturers. Although we purchase our inventories in U.S. Dollars, our business is subject to foreign exchange rate risk that may influence automobile manufacturers' ability to provide their products at competitive prices in the U.S. To the extent that we cannot recapture this exchange rate volatility in prices charged to customers or if this volatility negatively impacts consumer demand for our products, this volatility could adversely affect our future operating results.

**Item 8. Financial Statements and Supplementary Data.**

Our consolidated financial statements and the related notes thereto begin on page F-4 herein.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

*Disclosure Controls and Procedures.* Under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), we evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2021. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2021.

Our CEO and CFO have each concluded that the consolidated financial statements included in this Annual Report on Form 10-K present fairly, in all material respects, the financial position, results of operations and cash flows of the Company and its subsidiaries in conformity with GAAP.

*Management’s Report on Internal Control Over Financial Reporting.* Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021 based on the framework in *Internal Control - Integrated Framework* published in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2021. The attestation report of our independent registered public accounting firm on the Company’s internal control over financial reporting is set forth in “Item 8. Financial Statements and Supplementary Data” in this Annual Report on Form 10-K.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. In addition, any evaluation of the effectiveness of internal control over financial reporting in future periods is subject to risk that those internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

During 2021, we acquired RFJ Auto and its subsidiaries which collectively have 33 automotive retail locations in seven states and a portfolio of 16 automotive brands. As permitted by the SEC, the scope of our Section 404 evaluation for the fiscal year ended December 31, 2021 does not include an evaluation of the internal control over financial reporting of these acquired operations. The results for these acquisitions are included in our consolidated financial statements from the date of acquisition and represented approximately \$1,131.5 million of consolidated assets as of December 31, 2021, and approximately \$215.7 million of consolidated revenues for the year then ended.

From the acquisition dates to December 31, 2021, the processes and systems of the acquired operations did not significantly impact the internal control over financial reporting of the Company and our other consolidated subsidiaries.

*Changes in Internal Control Over Financial Reporting.* There has been no change during the fourth quarter ended December 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this item with respect to our executive officers appears in Part I of this Annual Report on Form 10-K under the heading “Information About Our Executive Officers” and is incorporated herein by reference. The other information required by this item is furnished by incorporation by reference to the information under the headings “Election of Directors,” “Corporate Governance and Board of Directors,” “Delinquent Section 16(a) Reports” and “Additional Corporate Governance and Other Information - Corporate Governance Guidelines, Code of Business Conduct and Ethics and Committee Charters” in the definitive proxy statement (to be filed hereafter) for our 2022 Annual Meeting of Stockholders (the “Proxy Statement”).

**Item 11. Executive Compensation.**

The information required by this item is furnished by incorporation by reference to the information under the headings “Executive Compensation” and “Director Compensation” in the Proxy Statement.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this item is furnished by incorporation by reference to the information under the headings “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in the Proxy Statement.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this item is furnished by incorporation by reference to the information under the headings “Corporate Governance and Board of Directors - Director Independence,” “Corporate Governance and Board of Directors - Policies and Procedures for Review, Approval or Ratification of Transactions with Affiliates” and “Corporate Governance and Board of Directors - Transactions with Affiliates” in the Proxy Statement.

**Item 14. Principal Accountant Fees and Services.**

Our independent registered public accounting firm is KPMG LLP, Charlotte, North Carolina, Auditor Firm ID: 185.

The information required by this item is furnished by incorporation by reference to the information under the heading “Ratification of the Appointment of Independent Registered Public Accounting Firm” in the Proxy Statement.

## PART IV

**Item 15. Exhibits and Financial Statement Schedules.**

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

1. Financial Statements: Consolidated balance sheets as of December 31, 2021 and 2020; consolidated statements of operations for the years ended December 31, 2021, 2020 and 2019; consolidated statements of comprehensive operations for the years ended December 31, 2021, 2020 and 2019; consolidated statements of stockholders' equity for the years ended December 31, 2021, 2020 and 2019; and consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019.
2. Financial Statement Schedules: No financial statement schedules are required to be filed (no respective financial statement captions) 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 are hereby incorporated by reference to other documents on file with the SEC with which they are physically filed, to be a part hereof as of their respective dates.

EXHIBIT NO.	DESCRIPTION
2.1***	<a href="#"><u>Agreement and Plan of Merger, dated as of September 17, 2021, by and among Sonic Automotive, Inc., RFJMS, Inc., RFJ Auto Partners, Inc. and The Resolute Fund III, L.P., as the equityholder representative (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed September 22, 2021 (File No. 001-13395)).</u></a>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of Sonic Automotive, Inc., dated August 7, 1997 (incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K for the year ended December 31, 2020 (File No. 001-13395)).</u></a>
3.2	<a href="#"><u>Certificate of Designation, Preferences and Rights of Class A Convertible Preferred Stock, dated March 20, 1998 (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)).</u></a>
3.3	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Sonic Automotive, Inc., dated June 16, 1999 (incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)).</u></a>
3.4	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Sonic Automotive, Inc., dated April 18, 2017 (incorporated by reference to Exhibit 3.4 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)).</u></a>
3.5	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Sonic Automotive, Inc., dated May 3, 2021 (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-8 filed June 8, 2021 (File No. 333-256891)).</u></a>
3.6	<a href="#"><u>Amended and Restated Bylaws of Sonic Automotive, Inc., dated February 10, 2021 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed February 12, 2021 (File No. 001-13395)).</u></a>
4.1	<a href="#"><u>Description of Securities of Sonic Automotive, Inc. (incorporated by reference to Exhibit 4.1 to the Annual Report on Form 10-K for the year ended December 31, 2020 (File No. 001-13395)).</u></a>
4.2	<a href="#"><u>Specimen Class A Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1/A filed October 17, 1997 (File No. 333-33295)).</u></a>
4.3	<a href="#"><u>Indenture, dated as of October 27, 2021, by and among Sonic Automotive, Inc., the guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed October 27, 2021 (File No. 001-13395)).</u></a>
4.4	<a href="#"><u>Form of 4.625% Senior Note due 2029 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed October 27, 2021 (File No. 001-13395)).</u></a>
4.5	<a href="#"><u>Indenture, dated as of October 27, 2021, by and among Sonic Automotive, Inc., the guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed October 27, 2021 (File No. 001-13395)).</u></a>
4.6	<a href="#"><u>Form of 4.875% Senior Note due 2031 (included in Exhibit 4.5) (incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K filed October 27, 2021 (File No. 001-13395)).</u></a>
10.1	<a href="#"><u>Fifth Amended, Restated and Consolidated Credit Agreement, dated as of April 14, 2021, among Sonic Automotive, Inc.; the subsidiaries of Sonic Automotive, Inc. named therein; each lender a party thereto; and Bank of America, N.A., as administrative agent, revolving swing line lender, new vehicle swing line lender, used vehicle swing line lender and an l/c issuer (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed April 20, 2021 (File No. 001-13395)).</u></a>

## SONIC AUTOMOTIVE, INC.

EXHIBIT NO.	DESCRIPTION
10.2	<a href="#">Amendment No. 1 to Fifth Amended, Restated and Consolidated Credit Agreement, dated as of October 8, 2021, among Sonic Automotive, Inc.; the subsidiaries of Sonic Automotive, Inc. named therein; each lender a party thereto; and Bank of America, N.A., as administrative agent, revolving swing line lender, new vehicle swing line lender, used vehicle swing line lender and an l/c issuer (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed October 13, 2021 (File No. 001-13395)).</a>
10.3	<a href="#">Form of Promissory Note, dated April 14, 2021, executed by Sonic Automotive, Inc., as borrower, in favor of each of the lenders to the Fifth Amended, Restated and Consolidated Credit Agreement, (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed April 20, 2021 (File No. 001-13395)).</a>
10.4	<a href="#">Fourth Amended and Restated Company Guaranty Agreement, dated as of April 14, 2021, by Sonic Automotive, Inc. to Bank of America, N.A., as administrative agent for each of the lenders (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed April 20, 2021 (File No. 001-13395)).</a>
10.5	<a href="#">Fifth Amended, Restated and Consolidated Subsidiary Guaranty Agreement, dated as of April 14, 2021, by the subsidiaries of Sonic Automotive, Inc. named therein, as guarantors, to Bank of America, N.A., as administrative agent for each of the lenders (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed April 20, 2021 (File No. 001-13395)).</a>
10.6	<a href="#">Fifth Amended and Restated Securities Pledge Agreement, dated as of April 14, 2021, among Sonic Automotive, Inc., the subsidiaries of Sonic Automotive, Inc. named therein and Bank of America, N.A., as administrative agent for the lenders (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed April 20, 2021 (File No. 001-13395)).</a>
10.7	<a href="#">Fifth Amended and Restated Escrow and Security Agreement, dated as of April 14, 2021, among Sonic Automotive, Inc., the subsidiaries of Sonic Automotive, Inc. named therein and Bank of America, N.A., as administrative agent for each of the lenders (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed April 20, 2021 (File No. 001-13395)).</a>
10.8	<a href="#">Fifth Amended and Restated Security Agreement, dated as of April 14, 2021, among Sonic Automotive, Inc., the subsidiaries of Sonic Automotive, Inc. named therein and Bank of America, N.A., as administrative agent for each of the lenders (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed April 20, 2021 (File No. 001-13395)).</a>
10.9	<a href="#">Credit Agreement, dated as of November 22, 2019, among Sonic Automotive, Inc.; each lender a party thereto; and PNC Bank, National Association, as administrative agent, (incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-13395)).</a>
10.10*	<a href="#">First Amendment to Credit Agreement, dated as of March 26 2020, among Sonic Automotive, Inc.; each lender a party thereto; and PNC Bank, National Association, as administrative agent.</a>
10.11*	<a href="#">Second Amendment to Credit Agreement, dated as of June 17, 2021, among Sonic Automotive, Inc.; each lender a party thereto; and PNC Bank, National Association, as administrative agent.</a>
10.12	<a href="#">Third Amendment to Credit Agreement, dated as of October 11, 2021, among Sonic Automotive, Inc.; each lender a party thereto; and PNC Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed October 13, 2021 (File No. 001-13395)).</a>
10.13	<a href="#">Subsidiary Guaranty Agreement, dated as of November 22, 2019, by the subsidiaries of Sonic Automotive, Inc. named therein, as guarantors, to PNC Bank, National Association, as administrative agent for the lenders. (incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-13395)).</a>
10.14	<a href="#">Form of Promissory Note, dated November 22, 2019, executed by Sonic Automotive, Inc., as borrower, in favor of each of the lenders to the Credit Agreement (incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-13395)).</a>
10.15	<a href="#">Standard Form of Lease executed with Capital Automotive L.P. or its affiliates (incorporated by reference to Exhibit 10.38 to the Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13395)).</a>
10.16	<a href="#">Standard Form of Lease Guaranty executed with Capital Automotive L.P. or its affiliates (incorporated by reference to Exhibit 10.39 to the Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13395)).</a>
10.17	<a href="#">Amendment to Guaranty and Subordination Agreements, dated as of January 1, 2005, by and between Sonic Automotive, Inc., as guarantor, and Capital Automotive L.P. and its affiliates named therein, as landlord (incorporated by reference to Exhibit 10.40 to the Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13395)).</a>
10.18	<a href="#">Second Amendment to Guaranty and Subordination Agreements, dated as of March 12, 2009, by and between Sonic Automotive, Inc., as guarantor, and Capital Automotive L.P. and its affiliates named therein, as landlord (incorporated by reference to Exhibit 10.41 to the Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13395)).</a>



SONIC AUTOMOTIVE, INC.

EXHIBIT NO.	DESCRIPTION
10.19	<a href="#"><u>Side Letter to Second Amendment to Guaranty and Subordination Agreements, dated as of March 12, 2009, by and between Sonic Automotive, Inc., as guarantor, and Capital Automotive L.P. and its affiliates named therein, as landlord (incorporated by reference to Exhibit 10.42 to the Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-13395)). (1)</u></a>
10.20	<a href="#"><u>Sonic Automotive, Inc. Employee Stock Purchase Plan, amended and restated as of May 8, 2002 (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-13395)). (1)</u></a>
10.21	<a href="#"><u>Sonic Automotive, Inc. Nonqualified Employee Stock Purchase Plan, amended and restated as of October 23, 2002 (incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 001-13395)). (1)</u></a>
10.22	<a href="#"><u>Sonic Automotive, Inc. Supplemental Executive Retirement Plan, effective January 1, 2010 (incorporated by reference to Exhibit 10.46 to the Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-13395)). (1)</u></a>
10.23	<a href="#"><u>First Amendment to Sonic Automotive, Inc. Supplemental Executive Retirement Plan, effective January 1, 2010 (incorporated by reference to Exhibit 10.47 to the Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-13395)). (1)</u></a>
10.24	<a href="#"><u>Second Amendment to Sonic Automotive, Inc. Supplemental Executive Retirement Plan, effective January 1, 2010 (incorporated by reference to Exhibit 10.59 to the Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 001-13395)). (1)</u></a>
10.25	<a href="#"><u>Third Amendment to Sonic Automotive, Inc. Supplemental Executive Retirement Plan, effective February 12, 2015 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed February 13, 2015 (File No. 001-13395)). (1)</u></a>
10.26	<a href="#"><u>Fourth Amendment to Sonic Automotive, Inc. Supplemental Executive Retirement Plan, effective April 1, 2018 (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 001-13395)). (1)</u></a>
10.27	<a href="#"><u>Sonic Automotive, Inc. 2012 Stock Incentive Plan, amended and restated as of February 10, 2021 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed May 3, 2021 (File No. 001-13395)). (1)</u></a>
10.28	<a href="#"><u>Sonic Automotive, Inc. 2012 Stock Incentive Plan Form of Incentive Stock Option Award Agreement (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (File No. 001-13395)). (1)</u></a>
10.29	<a href="#"><u>Sonic Automotive, Inc. 2012 Stock Incentive Plan Form of Nonstatutory Stock Option Award Agreement (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (File No. 001-13395)). (1)</u></a>
10.30	<a href="#"><u>Sonic Automotive, Inc. 2012 Stock Incentive Plan Form of Performance-Based Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (File No. 001-13395)). (1)</u></a>
10.31	<a href="#"><u>Sonic Automotive, Inc. 2012 Stock Incentive Plan Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (File No. 001-13395)). (1)</u></a>
10.32	<a href="#"><u>Sonic Automotive, Inc. 2012 Stock Incentive Plan Performance-Based Restricted Stock Unit Award Agreement for Retention Grant, dated May 6, 2015, between Sonic Automotive, Inc. and Jeff Dyke (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed May 8, 2015 (File No. 001-13395)). (1)</u></a>
10.33	<a href="#"><u>Sonic Automotive, Inc. 2012 Stock Incentive Plan Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (File No. 001-13395)). (1)</u></a>
10.34	<a href="#"><u>Sonic Automotive, Inc. 2012 Stock Incentive Plan Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (File No. 001-13395)). (1)</u></a>
10.35	<a href="#"><u>Sonic Automotive, Inc. 2012 Stock Incentive Plan Form of Stock Appreciation Rights Award Agreement (incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (File No. 001-13395)). (1)</u></a>
10.36	<a href="#"><u>Sonic Automotive, Inc. 2012 Formula Restricted Stock and Deferral Plan for Non-Employee Directors, amended and restated effective as of April 29, 2020 (incorporated by reference to Appendix A to the Definitive Proxy Statement on Schedule 14A filed March 18, 2020 (File No. 001-13395)). (1)</u></a>
10.37	<a href="#"><u>Sonic Automotive, Inc. 2012 Formula Restricted Stock and Deferral Plan for Non-Employee Directors Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)). (1)</u></a>

SONIC AUTOMOTIVE, INC.

EXHIBIT NO.	DESCRIPTION
10.38	<a href="#">Sonic Automotive, Inc. 2012 Formula Restricted Stock and Deferral Plan for Non-Employee Directors Form of Deferred Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)). (1)</a>
10.39	<a href="#">Sonic Automotive, Inc. Director Compensation Policy, effective prior to April 29, 2020 (incorporated by reference to Exhibit 10.39 to the Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 001-13395)). (1)</a>
10.40	<a href="#">Sonic Automotive, Inc. Director Compensation Policy, effective April 29, 2020 (incorporated by reference to Exhibit 10.11 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 (File No. 001-13395)). (1)</a>
10.41	<a href="#">Employment Agreement of Heath R. Byrd, dated October 18, 2007, as amended December 19, 2008 (incorporated by reference to Exhibit 10.54 to the Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 001-13395)). (1)</a>
10.42	<a href="#">Form of Change in Control Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed May 8, 2015 (File No. 001-13395)). (1)</a>
21.1*	<a href="#">Subsidiaries of Sonic Automotive, Inc.</a>
23.1*	<a href="#">Consent of KPMG LLP.</a>
31.1*	<a href="#">Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2**	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

\*\* Furnished herewith.

\*\*\* Schedules (or similar attachments) have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Sonic agrees to furnish supplementally copies of any of the omitted schedules (or similar attachments) to the SEC or the SEC staff upon request.

(1) Indicates a management contract or compensatory plan or arrangement.

**Item 16. Form 10-K Summary.**

None.



## Report of Independent Registered Public Accounting Firm

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

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Sonic Automotive, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Preliminary acquisition-date fair value of franchise assets acquired*

As discussed in Notes 1 and 2 to the consolidated financial statements, the Company completed the acquisition of RFJ Auto Partners, Inc. during the year ended December 31, 2021 for a total purchase price of \$950.2 million. The acquisition was accounted for as a business combination using the acquisition method of accounting. As a result of the transaction, the Company acquired certain intangible assets, including the franchise assets of RFJ Auto Partners, Inc. The Company determined the preliminary fair value of the franchise assets of \$398.2 million on the date of the acquisition using the multi-period excess earnings method.

We identified the assessment of the preliminary acquisition-date fair value of the franchise assets as a critical audit matter. Specifically, subjective and complex auditor judgment was required to evaluate the projected revenue growth rates, operating margins, and discount rates used to value the franchise assets. Changes in these assumptions could have a significant impact on the preliminary fair value of the franchise assets acquired. Valuation professionals with specialized skills and knowledge were also required to assess the discount rates.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's acquisition-date valuation process. This included controls related to the development of projected revenue growth rates, operating margins, and the discount

rates used in determining the preliminary fair value of the franchise assets. We evaluated the reasonableness of the Company's projected revenue growth rates by comparing them to publicly available market data for the industry and historical results for similar franchises operated by the Company. We evaluated the reasonableness of the Company's projected operating margins by comparing them to publicly available market data for the industry, certain comparable companies, and historical results for similar franchises operated by the Company. We performed sensitivity analyses over the projected revenue growth rate, operating margin, and discount rate assumptions to assess the impact of changes in those assumptions on the Company's determination of fair value. We also involved valuation professionals with specialized skills and knowledge who assisted in evaluating the Company's discount rates by comparing them to discount rates that were independently developed using publicly available market data for comparable entities.

/s/ KPMG LLP

We have served as the Company's auditor since 2014.

Charlotte, North Carolina  
February 25, 2022

## Report of Independent Registered Public Accounting Firm

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

### *Opinion on Internal Control Over Financial Reporting*

We have audited Sonic Automotive, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated February 25, 2022 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired RFJ Auto Partners, Inc. during 2021, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, RFJ Auto Partners, Inc.'s internal control over financial reporting associated with total assets of \$1,131.5 million and total revenues of \$215.7 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2021. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of RFJ Auto Partners, Inc.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Charlotte, North Carolina  
February 25, 2022

**SONIC AUTOMOTIVE, INC.  
CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
(Dollars in millions)		
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 299.4	\$ 170.3
Receivables, net	401.1	371.7
Inventories	1,261.2	1,247.3
Other current assets	122.4	93.3
Total current assets	2,084.1	1,882.6
Property and Equipment, net	1,458.8	1,120.5
Goodwill	416.4	214.0
Other Intangible Assets, net	480.2	64.3
Operating Right-of-Use Lease Assets	293.2	330.3
Finance Right-of-Use Lease Assets	179.9	60.1
Other Assets	62.5	74.2
Total Assets	\$ 4,975.1	\$ 3,746.0
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Notes payable - floor plan - trade	\$ 89.8	\$ 585.2
Notes payable - floor plan - non-trade	1,178.6	739.0
Trade accounts payable	133.3	105.1
Operating short-term lease liabilities	36.2	42.3
Finance short-term lease liabilities	52.7	3.5
Other accrued liabilities	350.5	288.1
Current maturities of long-term debt	50.6	68.2
Total current liabilities	1,891.7	1,831.4
Long-Term Debt	1,510.7	651.8
Other Long-Term Liabilities	96.0	89.1
Operating Long-Term Lease Liabilities	264.8	296.6
Finance Long-Term Lease Liabilities	135.5	62.3
Commitments and Contingencies		
<b>Stockholders' Equity:</b>		
Class A Convertible Preferred Stock, none issued	—	—
Class A Common Stock, \$0.01 par value; 100,000,000 shares authorized; 66,501,072 shares issued and 28,692,532 shares outstanding at December 31, 2021; 65,607,628 shares issued and 29,797,727 shares outstanding at December 31, 2020	0.7	0.7
Class B Common Stock, \$0.01 par value; 30,000,000 shares authorized; 12,029,375 shares issued and outstanding at December 31, 2021 and 2020	0.1	0.1
Paid-in capital	790.2	767.5
Retained earnings	1,051.7	721.8
Accumulated other comprehensive income (loss)	(1.3)	(3.6)
Treasury stock, at cost; 37,808,540 Class A Common Stock shares held at December 31, 2021 and 35,809,901 Class A Common Stock shares held at December 31, 2020	(765.0)	(671.7)
Total Stockholders' Equity	1,076.4	814.8
Total Liabilities and Stockholders' Equity	\$ 4,975.1	\$ 3,746.0

See notes to consolidated financial statements.



**SONIC AUTOMOTIVE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended December 31,		
	2021	2020	2019
	(Dollars and shares in millions, except per share amounts)		
<b>Revenues:</b>			
New vehicles	\$ 5,118.0	\$ 4,281.2	\$ 4,889.2
Used vehicles	4,877.2	3,564.8	3,490.0
Wholesale vehicles	367.2	197.4	202.9
Total vehicles	10,362.4	8,043.4	8,582.1
Parts, service and collision repair	1,396.8	1,233.7	1,395.3
Finance, insurance and other, net	637.2	489.9	476.9
Total revenues	12,396.4	9,767.0	10,454.3
<b>Cost of Sales:</b>			
New vehicles	(4,656.7)	(4,047.1)	(4,656.1)
Used vehicles	(4,745.3)	(3,458.8)	(3,342.6)
Wholesale vehicles	(357.3)	(198.3)	(207.3)
Total vehicles	(9,759.3)	(7,704.2)	(8,206.0)
Parts, service and collision repair	(722.8)	(639.2)	(727.3)
Total cost of sales	(10,482.1)	(8,343.4)	(8,933.3)
Gross profit	1,914.3	1,423.6	1,521.0
Selling, general and administrative expenses	(1,274.7)	(1,028.7)	(1,099.4)
Impairment charges	(0.1)	(270.0)	(20.8)
Depreciation and amortization	(101.1)	(91.0)	(93.1)
Operating income	538.4	33.9	307.7
<b>Other income (expense):</b>			
Interest expense, floor plan	(16.7)	(27.2)	(48.5)
Interest expense, other, net	(48.0)	(41.6)	(53.0)
Other income (expense), net	(15.5)	0.1	(6.6)
Total other income (expense)	(80.2)	(68.7)	(108.1)
Income (loss) from continuing operations before taxes	458.2	(34.8)	199.6
Provision for income taxes for continuing operations - benefit (expense)	(109.3)	(15.9)	(55.1)
Income (loss) from continuing operations	348.9	(50.7)	144.5
<b>Discontinued operations:</b>			
Income (loss) from discontinued operations before taxes	—	(1.0)	(0.6)
Provision for income taxes for discontinued operations - benefit (expense)	—	0.3	0.2
Income (loss) from discontinued operations	—	(0.7)	(0.4)
Net income (loss)	\$ 348.9	\$ (51.4)	\$ 144.1
<b>Basic earnings (loss) per common share:</b>			
Earnings (loss) per share from continuing operations	\$ 8.43	\$ (1.19)	\$ 3.36
Earnings (loss) per share from discontinued operations	—	(0.02)	(0.01)
Earnings (loss) per common share	\$ 8.43	\$ (1.21)	\$ 3.35
Weighted-average common shares outstanding	41,404	42,483	43,016
<b>Diluted earnings (loss) per common share:</b>			
Earnings (loss) per share from continuing operations	\$ 8.06	\$ (1.19)	\$ 3.31
Earnings (loss) per share from discontinued operations	—	(0.02)	(0.01)
Earnings (loss) per common share	\$ 8.06	\$ (1.21)	\$ 3.30
Weighted-average common shares outstanding	43,280	42,483	43,710

See notes to consolidated financial statements.

**SONIC AUTOMOTIVE, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS**

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in millions)		
Net income (loss)	\$ 348.9	\$ (51.4)	\$ 144.1
Other comprehensive income (loss) before taxes:			
Change in fair value and amortization of interest rate cap agreements	1.5	1.5	(3.8)
Amortization of terminated interest rate swap agreements	—	(1.9)	(2.5)
Pension actuarial income (loss)	1.8	(1.9)	(2.7)
Total other comprehensive income (loss) before taxes	3.3	(2.3)	(9.0)
Provision for income tax benefit (expense) related to components of other comprehensive income (loss)	(1.0)	0.8	2.7
Other comprehensive income (loss)	2.3	(1.5)	(6.3)
Comprehensive income (loss)	\$ 351.2	\$ (52.9)	\$ 137.8

See notes to consolidated financial statements.

**SONIC AUTOMOTIVE, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Class A Common Stock		Class A Treasury Stock		Class B Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
(In millions, except per share amounts)										
Balance at December 31, 2018	64.2	\$ 0.6	(33.5)	\$ (597.6)	12.0	\$ 0.1	\$ 745.1	\$ 670.7	\$ 4.2	\$ 823.1
Shares awarded under stock compensation plans	0.5	—	—	—	—	—	0.1	—	—	0.1
Purchases of treasury stock	—	—	(0.2)	(2.4)	—	—	—	—	—	(2.4)
Effect of cash flow hedge instruments, net of tax benefit of \$1.9	—	—	—	—	—	—	—	—	(4.4)	(4.4)
Pension actuarial income, net of tax benefit of \$0.7	—	—	—	—	—	—	—	—	(1.9)	(1.9)
Restricted stock amortization	—	—	—	—	—	—	10.8	—	—	10.8
Net income (loss)	—	—	—	—	—	—	—	144.1	—	144.1
Cumulative effect of change in accounting principle	—	—	—	—	—	—	—	(7.4)	—	(7.4)
Class A dividends declared (\$0.40 per share)	—	—	—	—	—	—	—	(12.4)	—	(12.4)
Class B dividends declared (\$0.40 per share)	—	—	—	—	—	—	—	(4.8)	—	(4.8)
Balance at December 31, 2019	64.7	\$ 0.6	(33.7)	\$ (600.0)	12.0	\$ 0.1	\$ 756.0	\$ 790.2	\$ (2.1)	\$ 944.8
Shares awarded under stock compensation plans	0.9	0.1	—	—	—	—	(0.2)	—	—	(0.1)
Purchases of treasury stock	—	—	(2.1)	(71.7)	—	—	—	—	—	(71.7)
Effect of cash flow hedge instruments, net of tax benefit of \$0.2	—	—	—	—	—	—	—	—	(0.2)	(0.2)
Pension actuarial income, net of tax benefit of \$0.5	—	—	—	—	—	—	—	—	(1.3)	(1.3)
Restricted stock amortization	—	—	—	—	—	—	11.7	—	—	11.7
Net income (loss)	—	—	—	—	—	—	—	(51.4)	—	(51.4)
Class A dividends declared (\$0.40 per share)	—	—	—	—	—	—	—	(12.2)	—	(12.2)
Class B dividends declared (\$0.40 per share)	—	—	—	—	—	—	—	(4.8)	—	(4.8)
Balance at December 31, 2020	65.6	\$ 0.7	(35.8)	\$ (671.7)	12.0	\$ 0.1	\$ 767.5	\$ 721.8	\$ (3.6)	\$ 814.8
Shares awarded under stock compensation plans	0.9	—	—	—	—	—	7.7	—	—	7.7
Purchases of treasury stock	—	—	(2.0)	(93.3)	—	—	—	—	—	(93.3)
Effect of cash flow hedge instruments, net of tax expense of \$0.5	—	—	—	—	—	—	—	—	1.0	1.0
Pension actuarial income, net of tax expense of \$0.5	—	—	—	—	—	—	—	—	1.3	1.3
Restricted stock amortization	—	—	—	—	—	—	15.0	—	—	15.0
Net income (loss)	—	—	—	—	—	—	—	348.9	—	348.9
Class A dividends declared (\$0.46 per share)	—	—	—	—	—	—	—	(14.2)	—	(14.2)
Class B dividends declared (\$0.46 per share)	—	—	—	—	—	—	—	(4.8)	—	(4.8)
Balance at December 31, 2021	66.5	\$ 0.7	(37.8)	\$ (765.0)	12.0	\$ 0.1	\$ 790.2	\$ 1,051.7	\$ (1.3)	\$ 1,076.4

See notes to consolidated financial statements.

**SONIC AUTOMOTIVE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in millions)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 348.9	\$ (51.4)	\$ 144.1
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	93.8	87.6	89.9
Debt issuance cost amortization	3.3	2.9	2.5
Stock-based compensation expense	15.0	11.7	10.8
Deferred income taxes	12.3	(33.7)	(20.8)
Asset impairment charges	0.1	270.0	20.8
Other	12.4	(6.4)	(68.6)
Receivables	0.5	64.8	4.7
Inventories	252.4	278.1	(78.5)
Other assets	55.7	(11.4)	47.5
Notes payable - floor plan - trade	(495.4)	(275.6)	39.8
Trade accounts payable and other liabilities	7.3	(55.5)	(21.4)
Total adjustments	(42.6)	332.5	26.7
Net cash provided by operating activities	306.3	281.1	170.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of businesses, net of cash acquired	(1,018.9)	(19.7)	—
Purchases of land, property and equipment	(298.2)	(127.2)	(125.6)
Proceeds from sales of property and equipment	13.1	37.1	10.9
Proceeds from sales of dealerships	6.6	9.6	250.7
Proceeds from company-owned life insurance	—	—	0.8
Net cash provided by (used in) investing activities	(1,297.4)	(100.2)	136.8
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net (repayments) borrowings on notes payable - floor plan - non-trade	439.6	60.8	(34.7)
Borrowings on revolving credit facilities	4.9	460.9	482.5
Repayments on revolving credit facilities	(4.9)	(460.9)	(482.5)
Proceeds from issuance of long-term debt	1,166.5	57.9	109.1
Debt issuance costs	(23.1)	(2.7)	(1.4)
Principal payments of long-term debt	(58.3)	(44.9)	(40.3)
Repurchase of debt securities	(262.9)	—	(294.1)
Reduction of finance lease liabilities	(37.7)	(21.9)	(5.2)
Purchases of treasury stock	(93.3)	(71.7)	(2.4)
Issuance of shares under stock compensation plans	7.7	(0.1)	0.1
Dividends paid	(18.3)	(17.1)	(15.5)
Net cash provided by (used in) financing activities	1,120.2	(39.7)	(284.4)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>129.1</b>	<b>141.2</b>	<b>23.2</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>170.3</b>	<b>29.1</b>	<b>5.9</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 299.4</b>	<b>\$ 170.3</b>	<b>\$ 29.1</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid during the period for:			
Interest, including amount capitalized	\$ 57.4	\$ 69.3	\$ 104.2
Income taxes	\$ 98.8	\$ 56.8	\$ 72.8

See notes to consolidated financial statements.

## 1. Description of Business and Summary of Significant Accounting Policies

**Organization and Business** - Sonic Automotive, Inc. (“Sonic,” the “Company,” “we,” “us” or “our”) is one of the largest automotive retailers in the United States (“U.S.”) (as measured by total revenue). As a result of the way we manage our business, we had two reportable segments as of December 31, 2021: (1) the Franchised Dealerships Segment and (2) the EchoPark Segment. For management and operational reporting purposes, we group certain businesses together that share management and inventory (principally used vehicles) into “stores.” As of December 31, 2021, we operated 110 stores in the Franchised Dealerships Segment and 46 stores in the EchoPark Segment. The Franchised Dealerships Segment consists of 140 new vehicle franchises (representing 28 different brands of cars and light trucks) and 17 collision repair centers in 17 states.

The Franchised Dealerships Segment provides comprehensive services, including (1) sales of both new and used cars and light trucks; (2) sales of replacement parts and performance of vehicle maintenance, manufacturer warranty repairs, and paint and collision repair services (collectively, “Fixed Operations”); and (3) arrangement of extended warranties, service contracts, financing, insurance and other aftermarket products (collectively, “finance and insurance” or “F&I”) for our guests. The EchoPark Segment sells used cars and light trucks and arranges F&I product sales for our guests in pre-owned vehicle specialty retail locations. Our EchoPark business generally operates independently from our franchised dealerships business (except for certain shared back-office functions and corporate overhead costs).

**COVID 19** - The COVID-19 pandemic negatively impacted the global economy beginning in the first quarter of 2020 and continued to affect the global economy and supply chain through 2021. The impact on the economy initially affected both consumer demand and supply of manufactured goods as many countries around the world and states and municipalities in the U.S. mandated restrictions on citizen movements (i.e., shelter-in-place or stay-at-home orders) or on in-person retail trade or manufacturing activities at physical locations. As a result, many businesses curtailed operations and furloughed or terminated employees. In the U.S., the federal government passed several relief measures, including the Coronavirus Aid, Relief, and Economic Security Act and the Families First Coronavirus Response Act, in an attempt to provide short-term relief to families and businesses as a result of the economic impacts of the COVID-19 pandemic.

This broader economic backdrop resulting from the COVID-19 pandemic continued to impact our business and operations in 2021. As a result of the pandemic and related shelter-in-place or stay-at-home orders, we transitioned many of our teammates to remote work arrangements. In situations where a teammate’s role did not permit remote work (e.g., service repair technicians), we implemented staggered work hours, social distancing and other safety measures to promote the health and safety of our teammates and guests. As a result of the systems and infrastructure we had in place prior to the pandemic, we were largely able to maintain our back-office operations, financial reporting and internal control processes with minimal disruption or changes in the effectiveness of such processes.

All of our store operations were impacted by the COVID-19 pandemic to varying degrees. Due to the critical nature of automotive repair, our Fixed Operations were deemed “essential” by governmental agencies and have largely been able to continue to conduct business while adjusting operations to comply with state and local standards for safety and social distancing to promote the health and safety of our teammates and guests. As of December 31, 2021, our stores remain subject to both external and self-imposed health and safety policies and practices that may affect the way we sell vehicles and interact with our guests in the future. State and local governmental restrictions on consumer and business activity may be tightened again if conditions related to the pandemic worsen as a result of future coronavirus variants.

The global automotive supply chain has been significantly disrupted during the pandemic, primarily related to the production of semiconductors that are used in many components of modern automobiles, in addition to workforce-related production delays and stoppages. As a result, automobile manufacturing is operating at lower than usual production levels, reducing the amount of new vehicle and certain parts inventory available to our dealerships. These inventory constraints, coupled with strong consumer demand and record levels of consumer savings, have led to a low new and used vehicle inventory and a high new and used vehicle pricing environment, which drove lower than expected retail new vehicle unit sales volume in 2021.

**Recent Accounting Pronouncements** - In March 2020, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2020-04, “Reference Rate Reform (Accounting Standards Codification (“ASC”) Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” ASU 2020-04 provides optional guidance for a limited period of time to ease the potential accounting impact associated with transitioning away from reference rates that are expected to be discontinued, such as the London InterBank Offered Rate (“LIBOR”). The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The amendments in ASU 2020-04 could be adopted beginning January 1, 2020 and are effective through December 31, 2022. In January 2021, the FASB issued ASU 2021-01 which clarifies that certain optional expedients and

**SONIC AUTOMOTIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

exceptions in ASC Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. We do not currently have any contracts that have been modified, amended or renegotiated to accommodate a transition to a new reference rate, but we will continue to evaluate any such modifications or amendments to our contracts to determine the applicability of this standard on our consolidated financial statements and related financial statement disclosures.

**Principles of Consolidation** - All of our dealership and non-dealership subsidiaries are wholly owned and consolidated in the accompanying consolidated financial statements except for one 50%-owned dealership that is accounted for under the equity method. All material intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires Sonic's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the accompanying consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, particularly related to intangible asset values, deferred tax asset values and reserves for unrecognized tax benefits, reserves for legal matters, insurance reserves, reserves for future commission revenue to be returned to the third-party provider for early termination of finance and insurance contracts ("chargebacks"), and estimates of certain retrospective finance and insurance revenue.

**Cash and Cash Equivalents** - We classify cash and all highly liquid investments with a maturity of three months or less at the date of purchase, including short-term time deposits and government agency and corporate obligations, as cash and cash equivalents.

**Revenue Recognition** - Revenue is recognized when a customer obtains control of promised goods or services and in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. We do not include the cost of obtaining contracts within the related revenue streams since we elected the practical expedient to expense the costs to obtain a contract when incurred.

Management has evaluated our established business processes, revenue transaction streams and accounting policies, and identified our material revenue streams to be: (1) the sale of new vehicles; (2) the sale of used vehicles to retail customers; (3) the sale of wholesale used vehicles at third-party auctions; (4) the arrangement of vehicle financing and the sale of service, warranty and other insurance contracts; and (5) the performance of vehicle maintenance and repair services and the sale of related parts and accessories. Generally, performance obligations are satisfied when the associated vehicle is either delivered to a customer and customer acceptance has occurred, over time as the maintenance and repair services are performed, or at the time of wholesale and retail parts sales. We do not have any revenue streams with significant financing components as payments are typically received within a short period of time following completion of the performance obligation(s).

Retrospective finance and insurance revenues ("F&I retro revenues") are recognized when the product contract has been executed with the end customer and the transaction price is estimated each reporting period based on the expected value method using historical and projected data. F&I retro revenues can vary based on a variety of factors, including number of contracts and history of cancellations and claims. Accordingly, we utilize this historical and projected data to constrain the consideration to the extent that it is probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

We record revenue when vehicles are delivered to customers, as vehicle service work is performed and when parts are delivered. Conditions for completing a sale include having an agreement with the customer, including pricing, and it being probable that the proceeds from the sale will be collected.

The accompanying consolidated balance sheets as of December 31, 2021 and 2020 include approximately \$34.9 million and \$21.7 million recorded in receivables, net, respectively, related to contract assets from F&I retro revenues recognition. Changes in contract assets from December 31, 2020 to December 31, 2021 were primarily due to ordinary business activity, including the receipt of cash for amounts earned and recognized in prior periods.

**Floor Plan Assistance** - We receive floor plan assistance payments from certain manufacturers. This assistance reduces the carrying value of our new vehicle inventory and is recognized as a reduction of cost of sales at the time the vehicle is sold. Amounts recognized as a reduction of cost of sales were approximately \$46.5 million, \$40.6 million and \$41.5 million for 2021, 2020 and 2019, respectively.

**SONIC AUTOMOTIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Contracts in Transit** - Contracts in transit represent finance contracts evidencing loans or lease agreements between us, as creditor, and the guest, as borrower, to acquire or lease a vehicle in situations where a third-party finance source has given us initial, non-binding approval to assume our position as creditor. Funding and final approval from the finance source is provided upon the finance source's review of the loan or lease agreement and related documentation executed by the guest at the dealership. These finance contracts are typically funded within 10 days of the initial approval of the finance transaction given by the third-party finance source. The finance source is not contractually obligated to make the loan or lease to the guest until it gives its final approval and funds the transaction, and until such final approval is given, the contracts in transit represent amounts due from the guest to us. Contracts in transit are included in receivables, net on the accompanying consolidated balance sheets and totaled approximately \$143.0 million and \$179.7 million at December 31, 2021 and 2020, respectively.

**Accounts Receivable** - In addition to contracts in transit, our accounts receivable primarily consists of amounts due from automobile manufacturers for repair services performed on vehicles with a remaining factory warranty and amounts due from third parties from the sale of parts. We evaluate receivables for collectability based on the age of the receivable, the credit history of the third party, past collection experience, current economic conditions, and reasonable and supportable forecasts of future conditions. The recorded allowance for doubtful accounts receivable was not significant at December 31, 2021 and 2020.

Accounts Receivables, net consist of the following:

	December 31, 2021	December 31, 2020
	(In millions)	
Contracts-in-transit	\$ 143.0	\$ 179.7
Manufacturer receivables	59.9	72.1
Other receivables	198.2	119.9
Receivables, net	\$ 401.1	\$ 371.7

**Inventories** - Inventories of new vehicles, recorded net of manufacturer credits, and used vehicles, including demonstrators, are stated at the lower of specific cost or net realizable value. Inventories of parts and accessories are accounted for using the "first-in, first-out" ("FIFO") method of inventory accounting and are stated at the lower of FIFO cost or net realizable value. Other inventories are primarily service loaner vehicles and, to a lesser extent, vehicle chassis, other supplies and capitalized customer work-in-progress (open customer vehicle repair orders). Other inventories are stated at the lower of specific cost (depreciated cost for service loaner vehicles) or net realizable value.

**Property and Equipment** - Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. We amortize leasehold improvements over the shorter of the estimated useful life or the remaining available lease term. The available lease term includes renewal options if the exercise of a renewal option has been determined to be reasonably assured.

The range of estimated useful lives is as follows:

Buildings, leasehold and land improvements	10-30 years
Furniture, fixtures and equipment	3-10 years

We review the carrying value of property and equipment and other long-lived assets (including related right-of-use assets for leased properties, but excluding goodwill and other intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication is present, we compare the carrying amount of the asset to the estimated undiscounted cash flows related to that asset. We conclude that an asset is impaired if the sum of such expected future cash flows is less than the carrying amount of the related asset. If we determine an asset is impaired, the impairment loss would be the amount by which the carrying amount of the related asset exceeds its fair value. The fair value of the asset would be determined based on the quoted market prices, if available. If quoted market prices are not available, we determine fair value by using a discounted cash flow ("DCF") model. See Note 4, "Property and Equipment," for a discussion of impairment charges.

**Derivative Instruments and Hedging Activities** - We utilize derivative financial instruments for the purpose of hedging the risks of certain identifiable and anticipated transactions. Commonly, the types of risks being hedged are those relating to the variability of cash flows caused by fluctuations in interest rates. We document our risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. As of December 31, 2021, we utilized interest rate cap agreements to limit our exposure to increases in LIBOR rates above certain levels. See Note 6, "Long-Term Debt," for further discussion of derivative instruments and hedging activities.

**SONIC AUTOMOTIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Goodwill** - Goodwill is recognized to the extent that the purchase price of the acquisition exceeds the estimated fair value of the net assets acquired, including other identifiable intangible assets. In accordance with ASC Topic 350, "Intangibles - Goodwill and Other," we test goodwill for impairment at least annually (as of October 1 of each year) or more frequently if indications of impairment exist. The ASC also states that if an entity determines, based on an assessment of certain qualitative factors, that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then a quantitative goodwill impairment test is unnecessary. Pursuant to the applicable accounting pronouncements, we were required to evaluate the recoverability of our indefinite lived intangible assets during the first quarter of 2020 as a result of the effects of the COVID-19 pandemic on our operations and market value. Based on this evaluation, we determined the carrying value of the goodwill related to our franchised dealership reporting unit was greater than the fair value of the reporting unit. Accordingly, we recorded a non-cash goodwill impairment charge of \$268.0 million to reduce the carrying value to fair value as of March 31, 2020. We utilized the DCF method, using unobservable inputs (Level 3) to estimate Sonic's enterprise value as of March 31, 2020 and reconciled the discounted cash flows to Sonic's market capitalization, using quoted market price inputs (Level 1). The significant assumptions in our DCF model include projected earnings, a discount rate (and estimates in the discount rate inputs), control premium factors and residual growth rates. Based on the improvement in our business operations and market value during the second, third and fourth quarters of 2020, our future forecast expectations, and the results of our qualitative test, it was determined to be more likely than not that the fair value of our reporting units exceeded the carrying value.

For purposes of goodwill impairment testing, we have two reporting units, which consist of: (1) our traditional franchised dealerships and (2) our EchoPark stores. The carrying value of our goodwill totaled approximately \$416.4 million at December 31, 2021, \$251.2 million of which was related to our franchised dealership reporting unit and \$165.2 million of which was related to our EchoPark reporting unit. Based on the results of our qualitative goodwill impairment test as of October 1, 2021, we determined that it was more likely than not that the fair value of each of the reporting units was greater than its carrying amount.

**Other Intangible Assets** - The principal identifiable intangible assets other than goodwill acquired in an acquisition are rights under franchise or dealer agreements with manufacturers. As of December 31, 2021, we had 47 stores with franchise rights totaling \$480.2 million. We classify franchise and dealer agreements as indefinite lived intangible assets as it has been our experience that renewals have occurred without substantial cost or material modifications to the underlying agreements. As such, we believe that our franchise and dealer agreements will contribute to cash flows for an indefinite period, therefore the carrying amount of franchise rights is not amortized. Franchise and dealer agreements acquired on or after July 1, 2001 have been included in other intangible assets, net on the accompanying consolidated balance sheets. Prior to July 1, 2001, franchise and dealer agreements were recorded and amortized as part of goodwill and remain as part of goodwill on the accompanying consolidated balance sheets. In accordance with ASC Topic 350, "Intangibles - Goodwill and Other," we evaluate other intangible assets for impairment annually (as of October 1 each year) or more frequently if indications of impairment exist.

We utilized a multi-period excess earnings model to estimate the fair value of the franchise assets for each of our franchises with recorded franchise assets. The significant assumptions in our DCF model include projected revenue, projected operating margins, a discount rate (and estimates in the discount rate inputs) and residual growth rates. Our estimate of future revenue growth is in part driven by our estimates of new vehicle industry sales volume in future periods. While not completely correlated, we believe the historic and projected industry sales volume is a good general indicator of growth or contraction in the retail automotive industry.

Based on the October 1, 2021 annual impairment test, we determined that the fair value of the franchise assets exceeded the carrying value of the franchise assets for all of our franchises, resulting in no franchise asset impairment charges during 2021. See Note 5, "Intangible Assets and Goodwill," for further discussion of franchise and dealer agreements.

**Income Taxes** - Income taxes are provided for the tax effects of transactions reported in the accompanying consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are provided at enacted tax rates for the tax effects of carryforward items and temporary differences between the tax basis of assets and liabilities and their reported amounts. As a matter of course, the Company is regularly audited by various taxing authorities and, from time to time, these audits result in proposed assessments where the ultimate resolution may result in the Company owing additional taxes. Management believes that the Company's tax positions comply, in all material respects, with applicable tax law and that the Company has adequately provided for any reasonably foreseeable outcome related to these matters.

From time to time, we engage in transactions in which the tax consequences may be subject to uncertainty. Significant judgment is required in assessing and estimating the tax consequences of these transactions. We determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that has full



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knowledge of all relevant information. A tax position that does not meet the more-likely-than-not recognition threshold is measured to determine the amount of benefit to be recognized in the consolidated financial statements. The tax position is measured at the largest amount of benefit that is likely to be realized upon ultimate settlement. We adjust our estimates periodically because of ongoing examinations by and settlements with the various taxing authorities, as well as changes in tax laws, regulations and precedent. See Note 7, "Income Taxes," for further discussion of our uncertain tax positions.

**Concentrations of Credit and Business Risk** - Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash on deposit with financial institutions, which may exceed Federal Deposit Insurance Corporation insurance limits. Concentrations of credit risk with respect to receivables are limited primarily to receivables from automobile manufacturers, totaling approximately \$69.6 million and \$80.2 million at December 31, 2021 and 2020, respectively, and receivables from financial institutions (which include manufacturer-affiliated finance companies and commercial banks), totaling approximately \$175.2 million and \$208.8 million at December 31, 2021 and 2020, respectively. Credit risk arising from trade receivables from commercial customers is reduced by the large number of customers comprising the trade receivables balances.

We are subject to a concentration of risk in the event of financial distress or other adverse events related to any of the automobile manufacturers whose franchised dealerships are included in our brand portfolio. We purchase our new vehicle inventory from various automobile manufacturers at the prevailing prices available to all franchised dealerships. In addition, we finance a portion of our new and used vehicle inventory with manufacturer-affiliated finance companies. Our results of operations could be adversely affected by the manufacturers' inability to supply our dealerships with an adequate supply of new vehicle inventory and related floor plan financing. We also have concentrations of risk related to the geographic markets in which our dealerships operate. Changes in overall economic, retail automotive or regulatory environments in one or more of these markets could adversely impact the results of our operations.

**Financial Instruments and Market Risks** - As of December 31, 2021 and 2020, the fair values of our financial instruments including receivables, notes receivable from finance contracts, notes payable - floor plan, trade accounts payable, borrowings under the revolving credit facilities and certain mortgage notes approximated their carrying values due either to length of maturity or existence of variable interest rates that approximate prevailing market rates. See Note 11, "Fair Value Measurements," for further discussion of the fair value and carrying value of our fixed rate long-term debt and other financial instruments.

We have variable rate notes payable - floor plan, revolving credit facilities, a mortgage facility and other variable rate notes that expose us to risks caused by fluctuations in the underlying interest rates. The counterparties to our interest rate cap agreements are large financial institutions, however, we could be exposed to loss in the event of non-performance by any of these counterparties. See further discussion in Note 6, "Long-Term Debt."

**Advertising** - We expense advertising costs in the period incurred, net of earned cooperative manufacturer credits that represent reimbursements for specific, identifiable and incremental advertising costs. Advertising expense amounted to approximately \$61.6 million, \$42.2 million and \$60.8 million for 2021, 2020 and 2019, respectively, and is classified in selling, general and administrative expenses in the accompanying consolidated statements of operations.

We have cooperative advertising reimbursement agreements with certain automobile manufacturers we represent. These agreements require us to provide the manufacturer with support for qualified, actual advertising expenditures in order to receive reimbursement under the agreements. It is uncertain whether or not we would maintain the same level of advertising expenditures if these manufacturers discontinued their cooperative programs. Cooperative manufacturer credits classified as an offset to advertising expenses were approximately \$22.1 million, \$19.2 million and \$25.3 million for 2021, 2020 and 2019, respectively.

**Segment Information** - We have determined we have two reportable segments: (1) the Franchised Dealerships Segment and (2) the EchoPark Segment, for purposes of reporting financial condition and results of operations. The Franchised Dealerships Segment is comprised of retail automotive franchises that sell new vehicles and buy and sell used vehicles, sell replacement parts, perform vehicle maintenance, warranty and repair services, and arrange finance and insurance products. The EchoPark Segment is comprised of pre-owned vehicle specialty retail locations that provide guests an opportunity to search our nationwide inventory, purchase a pre-owned vehicle, select finance and insurance products and sell their current vehicle to us.

**Earnings Per Share** - The calculation of diluted earnings per share considers the potential dilutive effect of restricted stock units, restricted stock awards and stock options granted under Sonic's stock compensation plans (and any non-forfeitable dividends paid on such awards), in addition to Class A Common Stock purchase warrants.

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**2. Business Acquisitions and Dispositions**

**Acquisitions**

We acquired 27 franchised dealership businesses and 14 pre-owned businesses for approximately \$1,018.9 million during 2021. We acquired two pre-owned businesses for approximately \$19.7 million during 2020. We did not acquire any businesses during 2019. Acquisitions are included in the consolidated financial statements from the date of acquisition.

Results of acquired dealerships are included in our accompanying consolidated statements of operations commencing on the date of acquisition. Our acquisitions are accounted for such that the assets acquired and liabilities assumed are recognized at their acquisition date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired recorded as goodwill. Goodwill is an asset representing operational synergies and future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The fair value of our manufacturer franchise rights is determined as of the acquisition date, by discounting the projected cash flows specific to each franchise. This analysis includes projected revenue, projected operating margins, a discount rate (and estimates in the discount rate inputs) and residual growth rates.

*RFJ Acquisition*

On December 6, 2021 (the “Closing Date”), Sonic completed the acquisition of RFJ Auto Partners, Inc. and its subsidiaries (collectively, “RFJ Auto”). On the Closing Date, RFJ Auto merged with and into a wholly owned subsidiary of Sonic, with RFJ Auto surviving the merger and becoming a direct, wholly owned subsidiary of Sonic (the “RFJ Acquisition”). In connection with the RFJ Acquisition, Sonic acquired RFJ Auto, which collectively have 33 automotive retail locations in seven states and a portfolio of 16 automotive brands. Beginning on the Closing Date, the results of 22 stores acquired in the RFJ Acquisition were included in our Franchised Dealerships Segment and 11 Northwest Motorsport pre-owned vehicle stores acquired in the RFJ Acquisition were included in our EchoPark Segment. The aggregate consideration for the RFJ Acquisition was approximately \$950.2 million, of which approximately \$222.4 million was funded from borrowings under Sonic’s syndicated new and used vehicle floor plan credit facilities. The consideration for the RFJ Acquisition is subject to customary post-close adjustments.

Under the acquisition method of accounting, the purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on information currently available. Amounts recognized as of December 31, 2021 associated with the RFJ Acquisition are preliminary as we continue to gather information related to the identification and valuation of acquired assets and liabilities, including but not limited to, the valuation of property and equipment and related useful lives, valuation of franchise assets, and final net working capital adjustments. The following table summarizes the allocation of the purchase price based on preliminary estimates of fair value:

<b>Summary of Assets Acquired and Liabilities Assumed</b>	<b>(In millions)</b>
Cash	\$ 9.4
Receivables	31.4
Inventories	249.2
Other current assets	4.4
Property and equipment	129.7
Goodwill	176.0
Franchise assets	398.2
Total assets acquired	\$ 998.3
Trade accounts payable	(11.2)
Other accrued liabilities	(36.9)
Total liabilities assumed	\$ (48.1)
Net assets acquired	\$ 950.2

Goodwill and manufacturer franchise rights associated with the RFJ Acquisition are not deductible for federal and state income tax purposes.

We recorded approximately \$3.0 million of acquisition related costs during the year ended December 31, 2021, which are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

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The accompanying consolidated statements of operations include revenue and net income attributable to RFJ Auto from December 6, 2021 through December 31, 2021 of approximately \$215.7 million and \$7.5 million, respectively.

The following unaudited pro forma summary presents consolidated information as if the acquisition of RFJ Auto had occurred on January 1, 2020:

	Year Ended December 31,	
	2021	2020
(In millions)		
Revenue	\$ 15,408.7	\$ 12,526.0
Net income	\$ 393.4	\$ (42.9)

**Dispositions**

We disposed of one luxury franchised dealership and terminated two mid-line import franchises in 2021, which generated net cash from dispositions of approximately \$6.6 million. We disposed of one mid-line import franchised dealership and terminated two luxury franchises in 2020, which generated net cash from dispositions of approximately \$9.6 million. We disposed of one luxury franchised dealership and nine mid-line import franchised dealerships in 2019, which generated net cash from dispositions of approximately \$250.7 million. In conjunction with dealership dispositions, we have agreed to indemnify the buyers from certain liabilities and costs arising from operations or events that occurred prior to sale but which may or may not have been known at the time of sale, including environmental liabilities and liabilities resulting from the breach of representations or warranties made under the agreements. See Note 12, "Commitments and Contingencies," for further discussion.

Revenues and other operating results associated with disposed dealerships that remain in continuing operations were as follows:

	Year Ended December 31,		
	2021	2020	2019
(In millions)			
Income (loss) from operations before taxes and items below	\$ (2.2)	\$ (2.6)	\$ 2.7
Gain (loss) on disposal of dealerships (1)	2.3	3.1	74.8
Lease exit accrual adjustments and charges	0.4	—	0.2
Income (loss) before taxes	\$ 0.5	\$ 0.5	\$ 77.7
Total revenues	\$ 25.5	\$ 52.1	\$ 419.5

(1) Included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

In the ordinary course of business, we evaluate our dealership franchises for possible disposition based on various strategic and performance criteria. As of December 31, 2021, we did not have any franchises classified as held for sale; however, in the future we may sell franchises that are not currently held for sale.

**3. Inventories and Related Notes Payable - Floor Plan**

Inventories consist of the following:

	December 31, 2021	December 31, 2020
	(In millions)	
New vehicles	\$ 273.1	\$ 648.4
Used vehicles	807.2	413.2
Service loaners	106.3	128.5
Parts, accessories and other	74.6	57.2
Net inventories	\$ 1,261.2	\$ 1,247.3

We finance all of our new and certain of our used vehicle inventory through standardized floor plan facilities with either a syndicate of financial institutions and manufacturer-affiliated finance companies, directly with individual manufacturer-affiliated finance companies, or other lending institutions. We also use these floor plan facilities to finance the acquisition of

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new and certain used vehicle inventory as part of acquisitions of dealerships. These floor plan facilities are due on demand and bear interest at variable rates based on either LIBOR or prime rates, depending on the lender arrangement. The weighted-average interest rate for our new vehicle floor plan facilities was 0.74%, 1.72% and 3.03% for 2021, 2020 and 2019, respectively. Our floor plan interest expense related to the new vehicle floor plan arrangements is partially offset by amounts received from manufacturers in the form of floor plan assistance capitalized in inventory and charged against cost of sales when the associated inventory is sold. For 2021, 2020 and 2019, we recognized a reduction in cost of sales of approximately \$46.5 million, \$40.6 million and \$41.5 million, respectively, related to manufacturer floor plan assistance.

The weighted-average interest rate for our used vehicle floor plan facilities was 1.75%, 2.02% and 3.10% for 2021, 2020 and 2019, respectively.

The new and used vehicle floor plan facilities are collateralized by vehicle inventory and other assets, excluding goodwill and other intangible assets, of the relevant dealership subsidiary. The new and used vehicle 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. We were in compliance with all of these restrictive covenants as of December 31, 2021.

#### 4. Property and Equipment

Property and equipment, net consists of the following:

	December 31, 2021	December 31, 2020
	(In millions)	
Land	\$ 447.4	\$ 375.3
Buildings and improvements	1,240.5	1,028.0
Furniture, fixtures and equipment	451.2	365.2
Construction in progress	68.1	34.8
Total, at cost	2,207.2	1,803.3
Less accumulated depreciation	(746.2)	(673.1)
Subtotal	1,461.0	1,130.2
Less assets held for sale (1)	(2.2)	(9.7)
Property and equipment, net	\$ 1,458.8	\$ 1,120.5

(1) Classified in other current assets in the accompanying consolidated balance sheets.

Interest capitalized in conjunction with construction projects and software development was approximately \$0.8 million, \$0.8 million and \$1.6 million for 2021, 2020 and 2019, respectively. As of December 31, 2021, commitments for facility construction projects totaled approximately \$19.0 million.

Impairment charges were not material for 2021 and 2020. In 2019, impairment charges were approximately \$20.8 million, including approximately \$1.1 million related to our Franchised Dealerships Segment and approximately \$19.7 million related to our EchoPark Segment. Impairment charges in 2019 were due to the fair value adjustments of long-lived assets held for sale related to real estate at former EchoPark locations, the abandonment of certain internally developed software applications, the abandonment and disposal of dealership equipment or our estimate that based on historical and projected operating losses for certain dealerships, these dealerships would not be able to recover recorded property and equipment asset balances.

#### 5. Intangible Assets and Goodwill

Pursuant to the applicable accounting pronouncements, we were required to evaluate the recoverability of our indefinite lived intangible assets during the first quarter of 2020 as a result of the effects of the COVID-19 pandemic on our operations and market value. Based on this evaluation, we determined the carrying value of the goodwill related to our franchised dealership reporting unit was greater than the fair value of the reporting unit. Accordingly, we recorded a non-cash goodwill impairment charge of \$268.0 million and a corresponding income tax benefit of \$51.3 million to reduce the carrying value to fair value as of March 31, 2020. We utilized the DCF method, using unobservable inputs (Level 3) to estimate Sonic's enterprise value as of March 31, 2020 and reconciled the discounted cash flows to Sonic's market capitalization, using quoted market price inputs (Level 1). The significant assumptions in our DCF model include projected earnings, a discount rate (and estimates in the discount rate inputs), control premium factors and residual growth rates. Based on the improvement in our business operations and market value during the second, third and fourth quarters of 2020, our future forecast expectations, and

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the results of our qualitative test, it was determined to be more likely than not that the fair value of our reporting units exceeded the carrying value.

The changes in the carrying amount of franchise assets and goodwill for 2021 and 2020 were as follows:

	Franchise Assets	Net Goodwill	
	(In millions)		
Balance at December 31, 2019	\$ 64.3	\$ 475.8	(1)
Additions through current year acquisitions	—	6.7	
Reductions from dispositions	—	(0.5)	
Reductions from impairment	—	(268.0)	
Balance at December 31, 2020	\$ 64.3	\$ 214.0	(2)
Additions through current year acquisitions	415.9	204.0	(3)
Reductions from dispositions	—	(0.2)	
Prior year acquisition allocations	—	(1.4)	
Balance at December 31, 2021	<u>\$ 480.2</u>	<u>\$ 416.4</u>	(2)

(1) Net of accumulated impairment losses of \$796.7 million.

(2) Net of accumulated impairment losses of \$1.1 billion.

(3) Net Goodwill includes goodwill in connection with the RFJ acquisition of approximately \$120.6 million and \$55.4 million, allocated to our EchoPark Segment and Franchised Dealership Segment, respectively.

## 6. Long-Term Debt

Long-term debt consists of the following:

	December 31, 2021	December 31, 2020
	(In millions)	
2021 Revolving Credit Facility (1)	\$ —	\$ —
6.125% Senior Subordinated Notes due 2027 (the “6.125% Notes”)	—	250.0
4.625% Senior Notes due 2029 (the “4.625% Notes”)	650.0	—
4.875% Senior Notes due 2031 (the “4.875% Notes”)	500.0	—
2019 Mortgage Facility (2)	90.0	100.9
Mortgage notes to finance companies - fixed rate, bearing interest from 2.05% to 7.03%	213.4	212.1
Mortgage notes to finance companies - variable rate, bearing interest at 1.50 to 2.90 percentage points above one-month or three-month LIBOR	132.8	164.9
Subtotal	\$ 1,586.2	\$ 727.9
Debt issuance costs	(24.9)	(7.9)
Total debt	1,561.3	720.0
Less current maturities	(50.6)	(68.2)
Long-term debt	<u>\$ 1,510.7</u>	<u>\$ 651.8</u>

(1) The interest rate on the 2021 Revolving Credit Facility (as defined below) was 100 and 150 basis points above LIBOR at both December 31, 2021 and 2020. The balance as of December 31, 2020 was under the Company’s prior revolving credit facility, which was replaced by the 2021 Revolving Credit Facility.

(2) The interest rate on the 2019 Mortgage Facility (as defined below) was 150 basis points above LIBOR at both December 31, 2021 and 2020.

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Future maturities of long-term debt are as follows:

Year Ending December 31,	Principal (In millions)
2022	\$ 50.6
2023	76.1
2024	118.2
2025	88.6
2026	30.2
Thereafter	1,222.4
<b>Total</b>	<b>\$ 1,586.1</b>

**2021 Credit Facilities**

On April 14, 2021, we entered into an amended and restated syndicated revolving credit facility (the “2021 Revolving Credit Facility”) and amended and restated syndicated new and used vehicle floor plan credit facilities (the “2021 Floor Plan Facilities” and, together with the 2021 Revolving Credit Facility, the “2021 Credit Facilities”). The amendment and restatement of the 2021 Credit Facilities extended the scheduled maturity dates to April 14, 2025. On October 8, 2021, we entered into an amendment to the 2021 Credit Facilities (the “Credit Facility Amendment”) to, among other things: (1) increase the aggregate commitments under the 2021 Revolving Credit Facility to the lesser of \$350.0 million (which may be increased at the Company’s option up to \$400.0 million upon satisfaction of certain conditions) and the applicable revolving borrowing base, and the 2021 Floor Plan Facilities to \$2.6 billion (which, under certain conditions, may be increased at the Company’s option up to \$2.85 billion that may be allocated between the new vehicle revolving floor plan facility and the used vehicle revolving floor plan facility the comprise the 2021 Floor Plan Facilities as the Company requests, with no more than 40% of the aggregate commitments allocated to the commitments under the used vehicle floor plan facility); and (2) permit the issuance of the 4.625% Notes and the 4.875% Notes.

Our obligations under the 2021 Credit Facilities are guaranteed by us and certain of our subsidiaries and are secured by a pledge of substantially all of our and our subsidiaries’ assets. As of the dates presented in the accompanying consolidated financial statements, the amounts outstanding under the 2021 Credit Facilities bear interest at variable rates based on specified percentages above LIBOR. We have agreed under the 2021 Credit Facilities not to pledge any assets to any third parties (other than those explicitly allowed to be pledged by the amended terms of the 2021 Credit Facilities), including other lenders, subject to certain stated exceptions, including floor plan financing arrangements. In addition, the 2021 Credit Facilities contain certain negative covenants, including covenants which could restrict or prohibit indebtedness, liens, the payment of dividends, capital expenditures and material dispositions and acquisitions of assets, as well as other customary covenants and default provisions. Specifically, the 2021 Credit Facilities permit quarterly cash dividends on our Class A and Class B Common Stock up to \$0.25 per share so long as no Event of Default (as defined in the 2021 Credit Facilities) has occurred and is continuing and provided that we remain in compliance with all financial covenants under the 2021 Credit Facilities.

**6.125% Notes**

On March 10, 2017, we issued \$250.0 million in aggregate principal amount of unsecured senior subordinated 6.125% Notes, which were scheduled to mature on March 15, 2027. On October 28, 2021, Sonic redeemed all of the outstanding 6.125% Notes using a portion of the net proceeds from the issuance and sale of the 4.625% Notes and the 4.875% Notes (as described below). Sonic paid approximately \$263.2 million in cash, including an early redemption premium and accrued and unpaid interest, to extinguish the 6.125% Notes and recognized a loss of approximately \$15.6 million on the repurchase of the 6.125% Notes, recorded in other income (expense), net in the accompanying consolidated statements of operations.

**4.625% Notes**

On October 27, 2021, we issued \$650.0 million in aggregate principal amount of 4.625% Notes, which will mature on November 15, 2029. Sonic used the net proceeds from the issuance of the 4.625% Notes to fund the RFJ Acquisition and repay existing debt.

The 4.625% Notes were issued under an Indenture, dated as of October 28, 2021 (the “2021 Indenture”), by and among the Company, certain subsidiary guarantors named therein (collectively, the “Guarantors”) and U.S. Bank National Association, as trustee (the “trustee”). The 4.625% Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis initially by all of the Company’s operating domestic subsidiaries. The parent company has no independent

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assets or operations. The non-domestic operating subsidiary that is not a guarantor is considered minor. The 2029 Indenture provides that interest on the 4.625% Notes will be payable semi-annually in arrears on May 15 and November 15 of each year beginning May 15, 2022. The 2029 Indenture also contains other restrictive covenants and default provisions common for an issue of senior notes of this nature.

The 4.625% Notes will be redeemable at the Company's option, in whole or in part, at any time on or after November 15, 2024 at the redemption prices (expressed as percentages of the principal amount thereof) set forth below, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date, if redeemed during the 12-month period beginning on November 15 of the years set forth below:

	Redemption Price
2024	102.313 %
2025	101.156 %
2026	100.000 %

Before November 15, 2024, the Company may redeem all or a part of the 4.625% Notes, subject to payment of a make-whole premium. In addition, the Company may redeem on or before November 15, 2024 up to an aggregate of 35% of the aggregate principal of the 4.625% Notes at a price equal to 104.625% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption, with the net cash proceeds from certain equity offerings.

**4.875% Notes**

On October 27, 2021, we issued \$500.0 million in aggregate principal amount of 4.875% Notes, which will mature on November 15, 2031. The 4.875% Notes were issued at a price of 100% of the principal amount thereof. Sonic used the net proceeds from the issuance of the 4.875% Notes to fund the purchase price for the RFJ Acquisition and repay existing debt.

The 4.875% Notes were issued under an Indenture, dated as of October 28, 2021 (the "2031 Indenture"), by and among the Company, the Guarantors and the trustee. The 4.875% Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis initially by all of the Company's operating domestic subsidiaries. The parent company has no independent assets or operations. The non-domestic operating subsidiary that is not a guarantor is considered minor. The 2031 Indenture provides that interest on the 4.875% Notes will be payable semi-annually in arrears on May 15 and November 15 of each year beginning May 15, 2022. The 2031 Indenture also contains other restrictive covenants and default provisions common for an issue of senior notes of this nature.

The 4.875% Notes will be redeemable at the Company's option, in whole or in part, at any time on or after November 15, 2026 at the redemption prices (expressed as percentages of the principal amount thereof) set forth below, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date, if redeemed during the 12-month period beginning on November 15 of the years set forth below:

Year	Redemption Price
2026	102.438 %
2027	101.625 %
2028	100.813 %
2029	100.000 %

Before November 15, 2026, the Company may redeem all or a part of the 4.875% Notes, subject to payment of a make-whole premium. In addition, the Company may redeem on or before November 15, 2024 up to an aggregate of 35% of the aggregate principal of the 4.875% Notes at a price equal to 104.875% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption, with the net cash proceeds from certain equity offerings.

**2019 Mortgage Facility**

On November 22, 2019, we entered into a delayed draw-term loan credit agreement, which is scheduled to mature on November 22, 2024 (the "2019 Mortgage Facility"). On October 11, 2021, we entered into an amendment of the 2019 Mortgage Facility to permit the issuance of the 4.625% Notes and the 4.875% Notes.

Under the 2019 Mortgage Facility, Sonic has a maximum borrowing limit of \$112.2 million, which varies based on the appraised value of the collateral underlying the 2019 Mortgage Facility. The amount available for borrowing under the 2019

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Mortgage Facility is subject to compliance with a borrowing base. The borrowing base is calculated based on 75% of the appraised value of certain eligible real estate designated by Sonic and owned by certain of our subsidiaries. Based on balances as of December 31, 2021, we had approximately \$90.0 million of outstanding borrowings under the 2019 Mortgage Facility, resulting in total remaining borrowing availability of approximately \$22.2 million under the 2019 Mortgage Facility.

Amounts outstanding under the 2019 Mortgage Facility bear interest at (1) a specified rate above LIBOR (as defined in the 2019 Mortgage Facility), ranging from 1.50% to 2.75% per annum according to a performance-based pricing grid determined by the Company's Consolidated Total Lease Adjusted Leverage Ratio (as defined in the 2019 Mortgage Facility) as of the last day of the immediately preceding fiscal quarter (the "Performance Grid"); or (2) a specified rate above the Base Rate (as defined in the 2019 Mortgage Facility), ranging from 0.50% to 1.75% per annum according to the Performance Grid. Interest on the 2019 Mortgage Facility is paid monthly in arrears calculated using the Base Rate plus the Applicable Rate (as defined in the 2019 Mortgage Facility) according to the Performance Grid. Repayment of principal is paid quarterly commencing on March 31, 2020 through September 30, 2024 at a rate of 2.50% of the aggregate initial principal amount. A balloon payment of the remaining balance will be due at the November 22, 2024 maturity date. Prior to the November 22, 2024 maturity date, the Company reserves the right to prepay the principal amount outstanding at any time without premium or penalty provided the prepayment amount exceeds \$0.5 million.

The 2019 Mortgage Facility contains usual and customary representations and warranties, and usual and customary affirmative and negative covenants, including covenants which could restrict or prohibit indebtedness, liens, the payment of dividends and other restricted payments, capital expenditures and material dispositions and acquisitions of assets, as well as other customary covenants and default provisions. Specifically, the 2019 Mortgage Facility permits quarterly cash dividends on our Class A and Class B Common Stock up to \$0.25 per share so long as no Event of Default (as defined in the 2019 Mortgage Facility) has occurred and is continuing and provided that we remain in compliance with all financial covenants under the 2019 Mortgage Facility.

**Mortgage Notes to Finance Companies**

As of December 31, 2021, the weighted-average interest rate of other outstanding mortgage notes (excluding the 2019 Mortgage Facility) was 3.50% and the total outstanding mortgage principal balance of these notes (excluding the 2019 Mortgage Facility) was approximately \$346.2 million. These mortgage notes require monthly payments of principal and interest through their respective maturities, are secured by the underlying properties and contain certain cross-default provisions. Maturity dates for these mortgage notes range between 2022 to 2033.

**2020 Line of Credit Facility**

On June 23, 2020, we entered into a line of credit agreement with Ally Bank (the "2020 Line of Credit Facility"), which was scheduled to mature on June 19, 2022. On October 1, 2021, Sonic terminated the 2020 Line of Credit Facility.

**Covenants**

We have agreed under the 2021 Credit Facilities and the 2019 Mortgage Facility not to pledge any assets to any third parties (other than those explicitly allowed to be pledged by the amended terms of the 2021 Credit Facilities and the 2019 Mortgage Facility), including other lenders, subject to certain stated exceptions, including floor plan financing arrangements. In addition, the 2021 Credit Facilities and the 2019 Mortgage Facility contain certain negative covenants, including covenants which could restrict or prohibit indebtedness, liens, the payment of dividends and other restricted payments, capital expenditures and material dispositions and acquisitions of assets, as well as other customary covenants and default provisions.

We were in compliance with the financial covenants under the 2021 Credit Facilities and the 2019 Mortgage Facility as of December 31, 2021. Financial covenants include required specified ratios (as each is defined in the 2021 Credit Facilities and the 2019 Mortgage Facility) of:

	<b>Covenant</b>		
	<b>Minimum Consolidated Liquidity Ratio</b>	<b>Minimum Consolidated Fixed Charge Coverage Ratio</b>	<b>Maximum Consolidated Total Lease Adjusted Leverage Ratio</b>
Required ratio	1.05	1.20	5.75
December 31, 2021 actual	1.26	2.69	2.46



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The 2021 Credit Facilities and the 2019 Mortgage Facility contain events of default, including cross defaults to other material indebtedness, change of control events and other events of default customary for syndicated commercial credit facilities. Upon the future occurrence of an event of default, we could be required to immediately repay all outstanding amounts under the 2021 Credit Facilities and the 2019 Mortgage Facility.

After giving effect to the applicable restrictions on the payment of dividends under our debt agreements, as of December 31, 2021, we had approximately \$99.8 million of net income and retained earnings free of such restrictions. We were in compliance with all restrictive covenants as of December 31, 2021.

In addition, many of our facility leases are governed by a guarantee agreement between the landlord and us that contains financial and operating covenants. The financial covenants under the guarantee agreement are identical to those under the 2021 Credit Facilities and the 2019 Mortgage Facility with the exception of one additional financial covenant related to the ratio of EBT DAR to Rent (as defined in the guarantee agreement) with a required ratio of no less than 1.50 to 1.00. As of December 31, 2021, the ratio was 12.05 to 1.00.

**Derivative Instruments and Hedging Activities**

As of both December 31, 2021 and 2020, we had interest rate cap agreements designated as hedging instruments to limit our exposure to increases in LIBOR rates above certain levels. Under the terms of these interest rate cap agreements, interest rates reset monthly. The total unamortized premium amounts related to the outstanding interest rate caps were approximately \$0.7 million and \$2.2 million as of December 31, 2021 and 2020, respectively, and will be amortized into income as a reduction of interest expense, other, net in the accompanying consolidated statements of operations over the remaining term of the interest rate cap agreements. The fair value of the outstanding interest rate cap positions at December 31, 2021 and 2020 were not material to the accompanying consolidated balance sheets as of such dates.

Notional Amount (In millions)	Cap Rate (1)	Receive Rate (1) (2)	Start Date	Maturing Date
\$ 225.0	3.000%	one-month LIBOR	July 1, 2020	June 30, 2021
\$ 150.0	2.000%	one-month LIBOR	July 1, 2020	July 1, 2021
\$ 250.0	3.000%	one-month LIBOR	July 1, 2021	July 1, 2022

- (1) Under these interest rate caps, no payment from the counterparty will occur unless the stated receive rate exceeds the stated cap rate, in which case a net payment to us from the counterparty, based on the spread between the receive rate and the cap rate, will be recognized as a reduction of interest expense, other, net in the accompanying consolidated statements of operations.
- (2) The one-month LIBOR rate was approximately 0.101% at December 31, 2021.

The interest rate caps are designated as cash flow hedges, and the changes in the fair value of these instruments are recorded in total other comprehensive income (loss) before taxes in the accompanying consolidated statements of comprehensive operations and are disclosed in the supplemental schedule of non-cash financing activities in the accompanying consolidated statements of cash flows. There was no incremental interest income (the excess of interest received over interest paid) related to the interest rate caps for 2021. There was no incremental interest income related to the interest rate caps for 2020 and approximately \$1.2 million for 2019, and is included as a reduction of interest expense, other, net in the accompanying consolidated statements of operations, and the interest amount is disclosed in the supplemental disclosures of cash flow information in the accompanying consolidated statements of cash flows. There is no estimated net benefit expected to be reclassified out of accumulated other comprehensive income (loss) into results of operations during the next 12 months related to previously terminated interest rate swap financial instruments.

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**7. Income Taxes**

The provision for income taxes for continuing operations - benefit (expense) consists of the following:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
<b>Current:</b>			
Federal	\$ (80.4)	\$ (33.8)	\$ (62.0)
State	(16.6)	(16.6)	(12.6)
Total current	(97.0)	(50.4)	(74.6)
<b>Deferred</b>	(12.3)	34.5	19.5
Total provision for income taxes for continuing operations - benefit (expense)	<u>\$ (109.3)</u>	<u>\$ (15.9)</u>	<u>\$ (55.1)</u>

The reconciliation of the U.S. statutory federal income tax rate with our federal and state overall effective income tax rate from continuing operations is as follows:

	Year Ended December 31,		
	2021	2020	2019
U.S. statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Effective state income tax rate	2.6 %	(8.5)%	4.1 %
Valuation allowance adjustments	0.2 %	7.5 %	(0.2)%
Uncertain tax positions	0.2 %	(0.6)%	(0.5)%
Effect of goodwill impairment	0.0 %	(60.2)%	0.0 %
Non-deductible compensation	0.6 %	(7.1)%	1.5 %
Tax credits	0.0 %	7.4 %	0.0 %
Other	(0.7)%	(5.2)%	1.7 %
Effective income tax rate	<u>23.9 %</u>	<u>(45.7)%</u>	<u>27.6 %</u>

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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 our deferred tax assets and liabilities were as follows:

	December 31, 2021	December 31, 2020
	(In millions)	
<b>Deferred tax assets:</b>		
Accruals and reserves	\$ 39.5	\$ 32.9
State net operating loss carryforwards	6.5	9.0
Basis difference in property and equipment	—	9.9
Basis difference in liabilities related to right-of-use assets	119.1	98.4
Other	5.8	4.7
<b>Total deferred tax assets</b>	<b>170.9</b>	<b>154.9</b>
<b>Deferred tax liabilities:</b>		
Basis difference in property and equipment	(11.8)	—
Basis difference in goodwill	(27.3)	(24.5)
Basis difference in right-of-use assets	(115.4)	(95.0)
Other	(1.4)	(1.6)
<b>Total deferred tax liabilities</b>	<b>(155.9)</b>	<b>(121.1)</b>
Valuation allowance	(4.1)	(5.2)
<b>Net deferred tax asset (liability)</b>	<b>\$ 10.9</b>	<b>\$ 28.6</b>

Net long-term deferred tax asset balances were approximately \$10.9 million and \$28.6 million at December 31, 2021 and 2020, respectively, and are recorded in other assets on the accompanying consolidated balance sheets.

We have approximately \$165.2 million in gross state net operating loss carryforwards that will expire between 2022 and 2040. Management reviews these carryforward positions, the time remaining until expiration and other opportunities to realize these carryforwards in making an assessment as to whether it is more likely than not that these carryforwards will be realized. The results of future operations, regulatory framework of the taxing authorities and other related matters cannot be predicted with certainty and, therefore, differences from the assumptions used in the development of management's judgment could occur. As of December 31, 2021, we had recorded a valuation allowance amount of approximately \$4.1 million related to certain state net operating loss carryforward deferred tax assets as we determined that we would not be able to generate sufficient state taxable income in the related entities to realize the accumulated net operating loss carryforward balances.

Sonic and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. Sonic's 2018 through 2021 U.S. federal income tax returns remain open to examination by the U.S. Internal Revenue Service. Sonic and its subsidiaries' state income tax returns remain open to examination by state taxing authorities for years ranging from 2016 to 2021.

#### **8. Related Parties**

Certain of our dealerships purchase the zMAX micro-lubricant from Oil-Chem Research Corporation ("Oil-Chem"), a subsidiary of Speedway Motorsports, LLC ("Speedway Motorsports"), for resale to Fixed Operations guests of our dealerships in the ordinary course of business. Sonic's Executive Chairman, Mr. O. Bruton Smith, is also the Executive Chairman of Speedway Motorsports, Mr. Smith's son, Mr. Marcus G. Smith, a director and a greater than 10% beneficial owner of Sonic, is the Chief Executive Officer and President of Speedway Motorsports, a director of Speedway Motorsports, and an Executive Vice President of Sonic Financial Corporation ("SFC"), which is the largest stockholder of Sonic, and Mr. Michael Hodge, a director of Sonic, is Executive Vice President, Finance and Chief Accounting Officer of Speedway Motorsports. Total purchases from Oil-Chem by our dealerships were approximately \$1.2 million, \$1.4 million, and \$1.6 million in 2021, 2020 and 2019, respectively. We also engaged in other transactions with various Speedway Motorsports subsidiaries, consisting primarily of (1) merchandise and apparel purchases from SMISC Holdings, LLC. (d/b/a SMI Properties) for approximately \$1.5 million, \$0.6 million and \$0.9 million in 2021, 2020 and 2019, respectively; and (2) vehicle sales to various Speedway Motorsports subsidiaries for approximately \$0.1 million, \$0.1 million and \$0.2 million in 2021, 2020 and 2019, respectively.

In February 2021, we entered into a Sponsorship Agreement between EchoPark Automotive, Inc., a subsidiary of Sonic ("EchoPark Automotive"), and SMISC pursuant to which EchoPark Automotive agreed to be an official sponsor of a NASCAR

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Cup Series race and related events scheduled to be held in May 2021 in Austin, Texas (the “NASCAR Event”). In exchange for the right to sponsor the NASCAR Event, EchoPark Automotive agreed to pay a sponsor fee of \$2.5 million to SMISC.

We participate in various aircraft-related transactions with SFC, a privately held company controlled by Mr. O. Bruton Smith and his family and of which Mr. Hodge, a director of Sonic, is an officer. Such transactions include, but are not limited to, the use of aircraft owned by SFC for business-related travel by our executives, a management agreement with SFC for storage and maintenance of aircraft leased by us from unrelated third parties and the use of our aircraft for business-related travel by certain affiliates of SFC. We incurred net expenses of \$3.1 million, \$0.6 million and \$0.3 million in 2021, 2020 and 2019, respectively, for transactions with SFC.

In October 2019, the Company and Lincoln Harris, LLC (“Lincoln Harris”) entered into a Facility Management Services Agreement, pursuant to which Lincoln Harris agreed to provide maintenance, repair and other facility management services to Sonic’s Charlotte area franchised dealerships. Mr. John W. Harris III, a director of Sonic, serves as President and as a director of Lincoln Harris. Fees paid to Lincoln Harris by Sonic pursuant to the Facility Management Services Agreement were approximately \$0.3 million in 2021. The Facility Management Service Agreement with Lincoln Harris was terminated by Sonic in February 2021.

#### **9. Capital Structure and Per Share Data**

*Preferred Stock* - We have 3,000,000 shares of “blank check” preferred stock authorized with such designations, rights and preferences as may be determined from time to time by our Board of Directors. Our Board of Directors has designated 300,000 shares of preferred stock as Class A Convertible Preferred Stock, par value \$0.10 per share (the “Preferred Stock”), which is 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. There were no shares of Preferred Stock issued or outstanding at December 31, 2021 or 2020.

*Common Stock* - We have two classes of common stock. We have authorized 100,000,000 shares of Class A Common Stock at a par value of \$0.01 per share. Class A Common Stock entitles its holder to one vote per share. We have also authorized 30,000,000 shares of Class B Common Stock at a par value of \$0.01 per share. Class B Common Stock entitles its holder to 10 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 our Amended and Restated Certificate of Incorporation. The two classes of common stock share equally in dividends and in the event of liquidation.

*Share Repurchases* - Prior to December 31, 2020, our Board of Directors had authorized us to expend up to \$75.0 million to repurchase shares of our Class A Common Stock. In 2021, our Board of Directors approved an additional \$250.0 million of share repurchase authorization. As of December 31, 2021, we had repurchased a total of approximately 37.8 million shares of Class A Common Stock at an average price per share of approximately \$20.23 and had redeemed and retired 13,801.5 shares of the Preferred Stock at an average price of \$1,000 per share. As of December 31, 2021, we had approximately \$226.2 million remaining under our Board’s share repurchase authorization.

*Per Share Data* - The calculation of diluted earnings per share considers the potential dilutive effect of restricted stock units, restricted stock awards and stock options granted under Sonic’s stock compensation plans (and any non-forfeitable dividends paid on such awards), in addition to Class A Common Stock purchase warrants.

#### **10. Employee Benefit Plans**

Substantially all of our employees are eligible to participate in a 401(k) plan. Matching contributions by us to our 401(k) plans were approximately \$0.4 million, \$8.4 million and \$8.9 million in 2021, 2020 and 2019, respectively.

##### *Stock Compensation Plans*

We currently have two active stock compensation plans: the Sonic Automotive, Inc. 2012 Stock Incentive Plan (the “2012 Plan”) and the Sonic Automotive, Inc. 2012 Formula Restricted Stock and Deferral Plan for Non-Employee Directors (the “2012 Formula Plan”). Collectively, these plans are referred to as the “Stock Plans.” During the second quarter of 2012, our stockholders voted to approve the 2012 Plan and the 2012 Formula Plan, with authorization for issuance of 2,000,000 shares of Class A Common Stock and 300,000 shares of Class A Common Stock, respectively. During the second quarter of 2015, our stockholders voted to increase the number of shares of Class A Common Stock authorized for issuance under the 2012 Plan from 2,000,000 shares to 4,000,000 shares. During the second quarter of 2017, our stockholders voted to increase the number of shares of Class A Common Stock authorized for issuance under the 2012 Formula Plan from 300,000 shares to 500,000 shares. During the second quarter of 2019, our stockholders voted to increase the number of shares of Class A

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Common Stock authorized for issuance under the 2012 Plan from 4,000,000 shares to 6,000,000 shares. During the second quarter of 2021, our stockholders voted to increase the number of shares of Class A Common Stock authorized for issuance under the 2012 Plan from 6,000,000 shares to 8,000,000 shares.

The Stock Plans were adopted by our Board of Directors in order to attract and retain key personnel. Under the 2012 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 us. The options are granted at the fair market value of our Class A Common Stock at the date of grant, typically vest over a period of three years, are exercisable upon vesting and typically expire 10 years from the date of grant. The 2012 Plan also authorizes the issuance of restricted stock awards and restricted stock units. Restricted stock award and restricted stock unit grants under the 2012 Plan typically vest over a period ranging from one to three years, but may be longer in certain cases. The 2012 Formula Plan provides for grants of restricted stock awards or deferred restricted stock units to non-employee directors and restrictions on those shares expire on the earlier of the first anniversary of the grant date or the day before the next annual meeting of our stockholders, except to the extent that such grant is considered an interim grant for a newly elected non-employee director, in which case, restrictions on those shares expire on the first anniversary of the grant date. Individuals holding non-vested restricted stock awards granted under the 2012 Plan and the 2012 Formula Plan have voting rights and certain grants may receive dividends on non-vested shares. Individuals holding restricted stock units or options granted under the 2012 Plan do not have voting or dividend rights. We issue new shares of Class A Common Stock to employees and directors to satisfy our option exercise and stock grant obligations. To offset the effects of these transactions, we have historically repurchased shares of our Class A Common Stock after considering cash flow, market conditions and other factors; however, there is no guarantee that this will occur in future periods.

A summary of the status of the stock options related to the Stock Plans is presented below:

	Options Outstanding	Exercise Price Per Share (Low - High)	Weighted-Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
(In millions, except per share data, term in years)					
Balance at December 31, 2020	2.3	\$ 16.76 - 16.76	\$ 16.76	9.3	\$ 49.4
Exercised	(0.5)	\$ 16.76 - 16.76	\$ 16.76		
Balance at December 31, 2021	1.8	\$ 16.76 - 16.76	\$ 16.76	8.3	\$ 57.9
Exercisable	1.8	\$ 16.76 - 16.76	\$ 16.76	8.3	\$ 57.9

	Year Ended December 31,					
	2021		2020		2019	
(In millions, except per option amounts)						
Weighted-average grant date fair value per option granted	\$	4.17	\$	4.17	\$	—
Intrinsic value of stock options exercised	\$	0.5	\$	—	\$	0.4

A summary of the status of the non-vested restricted stock award and restricted stock unit grants related to the Stock Plans is presented below:

	Non-Vested Restricted Stock Awards and Restricted Stock Units	Weighted- Average Grant Date Fair Value per Share
(In millions, except per share data)		
Balance at December 31, 2020	1.6	\$ 18.31
Granted	0.4	\$ 44.83
Forfeited	—	\$ 25.40
Vested	(0.5)	\$ 16.36
Balance at December 31, 2021	1.5	\$ 26.35

During 2021, approximately 389,000 restricted stock units were awarded to our executive officers and other key associates under the 2012 Plan. Awards vest over three years. The majority of the restricted stock units awarded to executive officers and other key associates are subject to forfeiture, in whole or in part, based upon continuation of employment and

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compliance with any restrictive covenants contained in an agreement between us and the respective executive officer or other key associate. Also in 2021, approximately 23,000 restricted stock awards were granted to our Board of Directors pursuant to the 2012 Formula Plan and vest on the earlier of the first anniversary of the grant date or the day before the next annual meeting of our stockholders, except to the extent that such grant is considered an interim grant for a newly elected non-employee director, in which case, restrictions on those shares vest on the first anniversary of the grant date. We recognized compensation expense within selling, general and administrative expenses related to stock options, restricted stock units and restricted stock awards of approximately \$15.0 million, \$11.7 million and \$10.8 million in 2021, 2020 and 2019, respectively.

Tax benefits recognized related to restricted stock unit and restricted stock award compensation expense were approximately \$0.0 million, \$2.5 million and \$2.9 million for 2021, 2020 and 2019, respectively. Total compensation cost related to non-vested restricted stock units and restricted stock awards not yet recognized at December 31, 2021 was approximately \$31.3 million and is expected to be recognized over a weighted-average period of approximately 4.5 years.

*Supplemental Executive Retirement Plan*

On December 7, 2009, the Compensation Committee of our Board of Directors approved and adopted the Sonic Automotive, Inc. Supplemental Executive Retirement Plan (the "SERP") to be effective as of January 1, 2010. The SERP is a non-qualified deferred compensation plan that is unfunded for federal tax purposes. The SERP included 13 active or former members of senior management at December 31, 2021. The purpose of the SERP is to attract and retain key members of management by providing a retirement benefit in addition to the benefits provided by our tax-qualified and other non-qualified deferred compensation plans.

The following table sets forth the status of the SERP:

	Year Ended December 31,	
	2021	2020
<b>Change in projected benefit obligation:</b>	(In millions)	
Obligation at January 1	\$ 22.5	\$ 18.0
Service cost	2.7	2.4
Interest cost	0.5	0.5
Actuarial loss (gain)	(1.8)	1.9
Benefits paid	(0.4)	(0.3)
Obligation at December 31 (1)	\$ 23.5	\$ 22.5
Accumulated benefit obligation	\$ 18.6	\$ 17.5

(1) As of December 31, 2021, approximately \$0.4 million was included in other accrued liabilities and approximately \$23.1 million was included in other long-term liabilities in the accompanying consolidated balance sheet as of such date. As of December 31, 2020, approximately \$0.4 million was included in other accrued liabilities and approximately \$22.1 million was included in other long-term liabilities in the accompanying consolidated balance sheet as of such date.

	Year Ended December 31,	
	2021	2020
<b>Change in fair value of plan assets:</b>	(In millions)	
Plan assets at January 1	\$ —	\$ —
Actual return on plan assets	—	—
Employer contributions	0.4	0.3
Benefits paid	(0.4)	(0.3)
Plan assets at December 31	—	—
Funded status recognized	\$ (23.5)	\$ (22.5)

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The following table provides the cost components of the SERP:

	Year Ended December 31,	
	2021	2020
	(In millions)	
Service cost	\$ 2.7	\$ 2.4
Interest cost	0.5	0.5
Amortization of gain (loss)	0.1	0.0
Net pension expense (benefit)	\$ 3.3	\$ 2.9

The weighted-average assumptions used to determine the benefit obligation and net periodic benefit costs consist of:

	As of December 31,	
	2021	2020
Discount rate	2.60 %	2.25 %
Rate of compensation increase	3.00 %	3.00 %

The estimated future benefit payments expected to be paid for each of the next five years and the sum of the payments expected for the next five years thereafter are:

Year Ending December 31,	Estimated Future Benefit Payments	
	(In millions)	
2022	\$	0.4
2023	\$	0.4
2024	\$	0.4
2025	\$	0.4
2026	\$	0.4
2027 - 2031	\$	4.1

*Multiemployer Benefit Plan*

Three of our dealership subsidiaries in northern California currently make fixed-dollar contributions to the Automotive Industries Pension Plan (the "AI Pension Plan") pursuant to collective bargaining agreements between our subsidiaries and the International Association of Machinists (the "IAM") and the International Brotherhood of Teamsters (the "IBT"). The AI Pension Plan is a "multiemployer plan" as defined under the Employee Retirement Income Security Act of 1974, as amended, and our three dealership subsidiaries are among approximately 140 employers that are obligated to make contributions to the AI Pension Plan pursuant to collective bargaining agreements with the IAM, the IBT and other unions. The risks of participating in this multiemployer pension plan are different from single-employer plans in the following aspects:

- assets contributed to the multiemployer pension plan by one employer may be used to provide benefits to employees of other participating employers;
- if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and
- if we choose to stop participating in the multiemployer pension plan, we may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Our participation in the AI Pension Plan for 2021, 2020 and 2019 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (the "EIN"). Unless otherwise noted, the most recent Pension Protection Act of 2006 (the "PPA") zone status available in the years ended December 31, 2021 and 2020 is for the plan's year-end at December 31, 2020 and 2019, respectively. The zone status is based on information that we received from the AI Pension Plan. Among other factors, plans in the red zone are generally less than 65% funded ("Critical Status"), plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. The "FIP/RP Status - Pending/Implemented" column indicates plans for which a Financial Improvement Plan ("FIP") or a Rehabilitation Plan ("RP") is either

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pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plan is subject. The number of employees covered by the AI Pension Plan decreased 18.6% from December 31, 2019 to December 31, 2020 and decreased 8.5% from December 31, 2020 to December 31, 2021, affecting the period-to-period comparability of the contributions for 2021, 2020 and 2019.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending /Implemented	Sonic Contributions			Surcharge Imposed	Collective Bargaining Agreement Expiration Date
		2021	2020		Year Ended December 31, (In millions)				
					2021	2020	2019		
AI Pension Plan	94-1133245	Red	Red	RP Implemented	\$0.1	\$0.2	\$0.2	Yes	Between November 2024 and January 2025

Our participating dealership subsidiaries were not listed in the AI Pension Plan's Form 5500 as providing more than 5% of the total contributions for the plan years ended December 31, 2021 and 2020. In June 2006, we received information that the AI Pension Plan was substantially underfunded as of December 31, 2005. In July 2007, we received updated information that the AI Pension Plan continued to be substantially underfunded as of December 31, 2006, with the amount of such underfunding increasing versus year end 2005. In March 2008, the Board of Trustees of the AI Pension Plan notified participants, participating employers and local unions that the AI Pension Plan's actuary, in accordance with the requirements of the PPA, had issued a certification that the AI Pension Plan was in Critical Status effective with the plan year commencing January 1, 2008. In conjunction with the AI Pension Plan's Critical Status, the Board of Trustees of the AI Pension Plan adopted a RP that implemented reductions or eliminations of certain adjustable benefits that were previously available under the AI Pension Plan (including some forms of early retirement benefits, and disability and death benefits, among other items), and also implemented a requirement on all participating employers to increase employer contributions to the AI Pension Plan for a seven-year period which commenced in 2013. As of April 2015, the AI Pension Plan's actuary certified that the AI Pension Plan remained in Critical Status for the plan year commencing January 1, 2015. According to publicly available information, in September 2016, the AI Pension Plan made a formal application for approval of suspension of benefits with the U.S. Treasury Department, which, if approved by the U.S. Treasury Department, would have implemented a benefit reduction effective July 1, 2017 for participants in the AI Pension Plan. The filing included an Actuarial Certification of Plan Status as of January 1, 2016 that the AI Pension Plan previously filed with the U.S. Internal Revenue Service on March 30, 2016, which reported that the AI Pension Plan was in critical and declining status as of January 1, 2016 and further notified that the AI Pension Plan is making the scheduled progress in meeting the requirements of the plan's previously adopted RP. The September 2016 filing with the U.S. Treasury Department also included an Actuarial Certification of Plan Solvency as of July 1, 2016 with the actuarial firm's projection that the proposed suspensions of benefits are reasonably estimated to enable the AI Pension Plan to avoid insolvency assuming the proposed suspensions of benefits continue indefinitely. In May 2017, the U.S. Treasury Department denied the application to suspend benefits but noted that it remains willing to discuss the issues presented in the September 2016 formal application for suspension of benefits. As of April 2019, the AI Pension Plan's actuary certified that the AI Pension Plan remained in critical status for the plan year commencing January 1, 2019 and is projected to become insolvent in 2031. Under applicable federal law, any employer contributing to a multiemployer pension plan that completely ceases participating in the plan while the plan is underfunded is subject to payment of such employer's assessed share of the aggregate unfunded vested benefits of the plan. In certain circumstances, an employer can be assessed withdrawal liability for a partial withdrawal from a multiemployer pension plan. In addition, if the financial condition of the AI Pension Plan were to continue to deteriorate to the point that the AI Pension Plan is forced to terminate and be administered by the Pension Benefit Guaranty Corporation (the "PBGC"), the participating employers could be subject to assessments by the PBGC to cover the participating employers' assessed share of the unfunded vested benefits. If any of these adverse events were to occur in the future, it could result in a substantial withdrawal liability assessment to us.

#### 11. Fair Value Measurements

In determining fair value, Sonic uses various valuation approaches, including market, income and/or cost approaches. "Fair Value Measurements and Disclosures" in the ASC establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of Sonic. Unobservable inputs are inputs that reflect Sonic's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:



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Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that Sonic has the ability to access. Assets utilizing Level 1 inputs include marketable securities that are actively traded, including Sonic's stock or public bonds.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Assets and liabilities utilizing Level 2 inputs include cash flow swap instruments and deferred compensation plan balances.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Asset and liability measurements utilizing Level 3 inputs include those used in estimating fair value of non-financial assets and non-financial liabilities in purchase acquisitions, those used in assessing impairment of right-of-use assets ("ROU assets"), property, plant and equipment and other intangibles and those used in the reporting unit valuation in the goodwill impairment evaluation.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment required by Sonic in determining fair value is greatest for assets and liabilities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input (Level 3 being the lowest level) that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, Sonic's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. Sonic uses inputs that are current as of the measurement date, including during periods when the market may be abnormally high or abnormally low. Accordingly, fair value measurements can be volatile based on various factors that may or may not be within Sonic's control.

Assets and liabilities recorded at fair value in the accompanying consolidated balance sheets as of December 31, 2021 and 2020 were as follows:

	<b>Fair Value Based on Significant Other Observable Inputs (Level 2)</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
	<b>(In millions)</b>	
<b>Assets:</b>		
Cash surrender value of life insurance policies (1)	\$ 39.5	\$ 35.7
<b>Total assets</b>	<b>\$ 39.5</b>	<b>\$ 35.7</b>
<b>Liabilities:</b>		
Deferred compensation plan (2)	\$ 24.4	\$ 20.7
<b>Total liabilities</b>	<b>\$ 24.4</b>	<b>\$ 20.7</b>

(1) Included in other assets in the accompanying consolidated balance sheets.

(2) Included in other long-term liabilities in the accompanying consolidated balance sheets.

The carrying value of assets and liabilities measured at fair value on a non-recurring basis but not completely adjusted to fair value in the accompanying consolidated balance sheet as of December 31, 2021, are included in the table below. Certain components of long-lived assets held and used have been adjusted to fair value through impairment charges as discussed in Note 4, "Property and Equipment," and Note 5, "Intangible Assets and Goodwill."

As of December 31, 2021 and 2020, the fair values of our financial instruments, including receivables, notes receivable from finance contracts, notes payable - floor plan, trade accounts payable, borrowings under the revolving credit facilities and certain mortgage notes, approximated their carrying values due either to length of maturity or existence of variable interest rates that approximate prevailing market rates.

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At December 31, 2021 and 2020, the fair value and carrying value of Sonic's significant fixed rate long-term debt were as follows:

	December 31, 2021		December 31, 2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	(In millions)			
4.875% Notes (1)	\$ 504.8	\$ 500.0	\$ —	\$ —
4.625% Notes (1)	\$ 655.9	\$ 650.0	\$ —	\$ —
6.125% Notes (1)	\$ —	\$ —	\$ 263.4	\$ 250.0
Mortgage Notes (2)	\$ 216.6	\$ 213.4	\$ 215.9	\$ 212.1

(1) As determined by market quotations as of December 31, 2021 and 2020, respectively (Level 2).

(2) As determined by the DCF method (Level 2).

## 12. Commitments and Contingencies

### *Guarantees and Indemnifications*

In accordance with the terms of our operating lease agreements, our dealership subsidiaries, acting as lessees, generally agree to indemnify the lessor from certain exposure arising as a result of the use of the leased premises, including environmental exposure and repairs to leased property upon termination of the lease. In addition, we have generally agreed to indemnify the lessor in the event of a breach of the lease by the lessee.

In connection with dealership dispositions and facility relocations, certain of our subsidiaries have assigned or sublet to the buyer their interests in real property leases associated with such dealerships. In general, the subsidiaries retain responsibility for the performance of certain obligations under such leases, including rent payments and repairs to leased property upon termination of the lease, to the extent that the assignee or the sublessee does not perform. In the event an assignee or a sublessee does not perform its obligations, Sonic remains liable for such obligations.

In accordance with the terms of agreements entered into for the sale of our dealerships, we generally agree to indemnify the buyer from certain liabilities and costs arising subsequent to the date of sale, including environmental exposure and exposure resulting from the breach of representations or warranties made in accordance with the agreements. While our exposure with respect to environmental remediation and repairs is difficult to quantify, our maximum exposure associated with these general indemnifications was approximately \$4.0 million at December 31, 2021. These indemnifications typically expire within a period of one to three years following the date of sale. The estimated fair value of these indemnifications was not material and the amount recorded for this contingency was not significant at December 31, 2021.

We also guarantee the floor plan commitments of our 50%-owned joint venture, and the amount of such guarantee was approximately \$4.3 million at December 31, 2021.

### *Legal Matters*

Sonic is involved, and expects to continue to be involved, in various legal and administrative proceedings arising out of the conduct of its business, including regulatory investigations and private civil actions brought by plaintiffs purporting to represent a potential class or for which a class has been certified. Although Sonic vigorously defends itself in all legal and administrative proceedings, the outcomes of pending and future proceedings arising out of the conduct of Sonic's business, including litigation with customers, employment-related lawsuits, contractual disputes, class actions, purported class actions and actions brought by governmental authorities, cannot be predicted with certainty. An unfavorable resolution of one or more of these matters could have a material adverse effect on Sonic's business, financial condition, results of operations, cash flows or prospects.

Included in other accrued liabilities and other long-term liabilities in the accompanying consolidated balance sheet as of December 31, 2021 were approximately \$1.5 million and \$0.3 million, respectively, in reserves that Sonic was holding for pending proceedings. Included in other accrued liabilities and other long-term liabilities in the accompanying consolidated balance sheet as of December 31, 2020 were approximately \$0.3 million and \$0.2 million, respectively, for such reserves. Except as reflected in such reserves, Sonic is currently unable to estimate a range of reasonably possible loss, or a range of reasonably possible loss in excess of the amount accrued, for pending proceedings.

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**13. Accumulated Other Comprehensive Income (Loss)**

The changes in accumulated other comprehensive income (loss) are as follows:

	Gains and (Losses) on Cash Flow Hedges	Defined Benefit Pension Plan	Total Accumulated Other Comprehensive Income (Loss)
	(In millions)		
Balance at December 31, 2018	\$ 3.0	\$ 1.2	\$ 4.2
Other comprehensive income (loss) before reclassifications (1)	(1.7)	(1.9)	(3.6)
Amounts reclassified out of accumulated other comprehensive income (loss) (2)	(2.7)	—	(2.7)
Net current-period other comprehensive income (loss)	(4.4)	(1.9)	(6.3)
Balance at December 31, 2019	\$ (1.4)	\$ (0.7)	\$ (2.1)
Other comprehensive income (loss) before reclassifications (3)	1.3	(1.4)	(0.1)
Amounts reclassified out of accumulated other comprehensive income (loss) (4)	(1.4)	—	(1.4)
Net current-period other comprehensive income (loss)	(0.1)	(1.4)	(1.5)
Balance at December 31, 2020	\$ (1.5)	\$ (2.1)	\$ (3.6)
Other comprehensive income (loss) before reclassifications (5)	1.0	1.3	2.3
Amounts reclassified out of accumulated other comprehensive income (loss)	—	—	—
Net current-period other comprehensive income (loss)	1.0	1.3	2.3
Balance at December 31, 2021	\$ (0.5)	\$ (0.8)	\$ (1.3)

(1) Net of tax benefit of \$0.8 related to gains on cash flow hedges and tax benefit of \$0.7 related to the defined benefit pension plan.

(2) Net of tax benefit of \$1.1 related to gains on cash flow hedges.

(3) Net of tax expense of \$0.3 related to cash flow hedges and tax benefit of \$0.5 related to the defined benefit pension plan.

(4) Net of tax benefit of \$0.6 related to gains on cash flow hedges.

(5) Net of tax expense of \$0.5 related to cash flow hedges and tax expense of \$0.5 related to the defined benefit pension plan.

See the heading “Derivative Instruments and Hedging Activities” in Note 6, “Long-Term Debt,” for further discussion of our cash flow hedges. For further discussion of our defined benefit pension plan, see Note 10, “Employee Benefit Plans.”

**14. Segment Information**

As of December 31, 2021, Sonic had two operating segments: (1) retail automotive franchises that sell new vehicles and buy and sell used vehicles, sell replacement parts, perform vehicle maintenance, warranty and repair services, and arrange finance and insurance products (the “Franchised Dealerships Segment”); and (2) pre-owned vehicle specialty retail locations that provide guests an opportunity to search our nationwide inventory, purchase a pre-owned vehicle, select finance and insurance products and sell their current vehicle to us (the “EchoPark Segment”). Sonic has determined that its operating segments also represent its reportable segments.

The reportable segments identified above are the business activities of Sonic for which discrete financial information is available and for which operating results are regularly reviewed by Sonic’s chief operating decision maker to assess operating performance and allocate resources. Sonic’s chief operating decision maker is a group of three individuals consisting of: (1) the Company’s Chief Executive Officer; (2) the Company’s President; and (3) the Company’s Chief Financial Officer.

**SONIC AUTOMOTIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Reportable segment financial information for the three years ended December 31, 2021 are as follows:

	Year Ended December 31,		
	2021	2020	2019
<b>Segment Revenues:</b>	<b>(In millions)</b>		
<b>Franchised Dealerships Segment Revenues:</b>			
New vehicles	\$ 5,109.0	\$ 4,281.2	\$ 4,889.2
Used vehicles	2,901.0	2,345.9	2,493.5
Wholesale vehicles	257.2	168.7	180.0
Parts, service and collision repair	1,340.4	1,194.4	1,366.5
Finance, insurance and other, net	443.5	357.8	363.1
Franchised Dealerships Segment revenues	<u>\$ 10,051.1</u>	<u>\$ 8,348.0</u>	<u>\$ 9,292.3</u>
<b>EchoPark Segment Revenues:</b>			
New vehicles	\$ 9.0	\$ —	\$ —
Used vehicles	2,032.6	1,258.2	1,025.3
Wholesale vehicles	110.0	28.7	22.9
Finance, insurance and other, net	193.7	132.1	113.8
EchoPark Segment revenues	<u>\$ 2,345.3</u>	<u>\$ 1,419.0</u>	<u>\$ 1,162.0</u>
Total consolidated revenues	<u>\$ 12,396.4</u>	<u>\$ 9,767.0</u>	<u>\$ 10,454.3</u>
	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Segment Income (Loss) (1):</b>	<b>(In millions)</b>		
Franchised Dealerships Segment (2)	\$ 530.3	\$ 231.2	\$ 211.3
EchoPark Segment (3)	(72.0)	4.0	9.1
Total segment income (loss)	<u>\$ 458.3</u>	<u>\$ 235.2</u>	<u>\$ 220.4</u>
Impairment charges (4)	(0.1)	(270.0)	(20.8)
Income (loss) from continuing operations before taxes	<u>\$ 458.2</u>	<u>\$ (34.8)</u>	<u>\$ 199.6</u>

(1) Segment income (loss) for each segment is defined as income (loss) from continuing operations before taxes and impairment charges.

(2) For the year ended December 31, 2021, the above amount includes approximately \$5.5 million of pre-tax net loss on the extinguishment of debt, \$3.0 million of pre-tax net loss on the acquisition of franchised dealerships, partially offset by a \$1.8 million pre-tax net gain on the disposal of franchised dealerships. For the year ended December 31, 2020, the above amount includes approximately \$4.0 million of pre-tax net gain on the disposal of franchised dealerships. For the year ended December 31, 2019, the above amount includes approximately \$76.0 million of pre-tax net gain on the disposal of franchised dealerships, offset partially by approximately \$7.2 million of pre-tax net loss on the extinguishment of debt and approximately \$6.3 million of pre-tax executive transition costs.

(3) For the year ended December 31, 2021, the above amount includes approximately \$0.5 million of long-term compensation-related expenses. For the year ended December 31, 2020, the above amount includes approximately \$5.2 million of pre-tax net gain on the disposal of land and buildings at former EchoPark locations.

(4) For the year ended December 31, 2021, the above amount includes approximately \$0.1 million of pre-tax impairment charges for the EchoPark Segment. For the year ended December 31, 2020, the above amount includes approximately \$270.0 million of pre-tax impairment charges for the Franchised Dealerships Segment. For the year ended December 31, 2019, the above amount includes approximately \$1.1 million of pre-tax impairment charges for the Franchised Dealerships Segment and approximately \$19.7 million of pre-tax impairment charges for the EchoPark Segment.

**SONIC AUTOMOTIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
<b>Impairment charges:</b>			
Franchised Dealerships Segment	\$ —	\$ 270.0	\$ 1.1
EchoPark Segment	0.1	—	19.7
Total impairment charges	<u>\$ 0.1</u>	<u>\$ 270.0</u>	<u>\$ 20.8</u>

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
<b>Depreciation and amortization:</b>			
Franchised Dealerships Segment	\$ 84.8	\$ 79.9	\$ 82.6
EchoPark Segment	16.3	11.1	10.5
Total depreciation and amortization	<u>\$ 101.1</u>	<u>\$ 91.0</u>	<u>\$ 93.1</u>

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
<b>Floor plan interest expense:</b>			
Franchised Dealerships Segment	\$ 11.8	\$ 24.0	\$ 45.0
EchoPark Segment	4.9	3.2	3.5
Total floor plan interest expense	<u>\$ 16.7</u>	<u>\$ 27.2</u>	<u>\$ 48.5</u>

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
<b>Interest expense, other, net:</b>			
Franchised Dealerships Segment	\$ 46.3	\$ 40.7	\$ 51.2
EchoPark Segment	1.7	0.9	1.8
Total interest expense, other, net	<u>\$ 48.0</u>	<u>\$ 41.6</u>	<u>\$ 53.0</u>

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
<b>Capital expenditures:</b>			
Franchised Dealerships Segment	\$ 204.6	\$ 92.3	\$ 89.3
EchoPark Segment	93.6	34.9	36.3
Total capital expenditures	<u>\$ 298.2</u>	<u>\$ 127.2</u>	<u>\$ 125.6</u>

**SONIC AUTOMOTIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	December 31,	
	2021	2020
	(In millions)	
Assets:		
Franchised Dealerships Segment	\$ 3,934.9	\$ 3,096.8
EchoPark Segment	740.6	478.9
Corporate and other:		
Cash and cash equivalents	299.4	170.3
Other corporate assets	0.2	—
Total assets	\$ 4,975.1	\$ 3,746.0

**15. Leases**

The majority of our leases are related to dealership properties that are subject to long-term lease arrangements. In addition, we have certain equipment leases and contracts containing embedded leased assets that have been evaluated and included in the recorded ROU asset and lease liabilities as appropriate.

As a result of the adoption of ASC Topic 842, “Leases,” on January 1, 2019, we are required to recognize a ROU asset and a lease liability in the accompanying consolidated balance sheets at the lease commencement date. For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at reduced cost using the effective interest method.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred or previously recognized favorable lease assets, less any lease incentives received or previously recognized lease exit accruals. For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For finance leases, the ROU asset is reduced using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to us or we are reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is reduced over the expected useful life of the underlying asset. Expense related to the reduction of the ROU asset is recognized and presented separately from interest expense on the lease liability.

Variable lease payments associated with our leases are recognized when the event, activity or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expense in our consolidated statements of operations in the same line item as expense arising from fixed lease payments (operating leases) or expense related to the reduction of the ROU asset (finance leases).

ROU assets for operating and finance leases are periodically reduced by impairment losses. We use the long-lived assets impairment guidance in ASC Topic 360, “Property, Plant, and Equipment,” to determine whether the ROU asset is impaired and, if so, the amount of the impairment loss to recognize.

We regularly monitor events or changes in circumstances that may require a reassessment of one of our leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

Key estimates and judgments related to the measurement and recording of ROU assets and lease liabilities include how we determine: (1) the discount rate used to discount the unpaid lease payments to present value; and (2) the expected lease term, including any extension options.

ASC Topic 842, “Leases,” requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, we cannot determine the interest rate implicit in the lease because we do not have access to the lessor’s estimated residual value or the amount of the lessor’s deferred initial direct costs. Therefore, we generally use our incremental borrowing rate as the discount rate for the lease. We

**SONIC AUTOMOTIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

determined the discount rate for our leases based on the risk-free rate as of the measurement date for varying maturities corresponding to the remaining lease term, adjusted for the risk-premium attributed to Sonic's corporate credit rating for a secured or collateralized instrument.

Many of our lease arrangements have one or more existing renewal options to extend the lease term (typically in five- to 10-year increments), which were considered in the calculation of the ROU assets and lease liabilities if we determined that it was reasonably certain that an extension option would be exercised. The lease term for all of the Company's leases includes the non-cancelable period of the lease plus any additional periods covered by our option to extend the lease that we are reasonably certain to exercise. We determine the probability of the exercise of a lease extension option based on our long-term strategic business outlook and the condition and remaining useful life of the fixed assets at the location subject to the lease agreement, among other factors.

The majority of our lease agreements require fixed monthly payments (subject to either specific or index-based escalations in future periods) while other agreements require variable lease payments based on changes in LIBOR or any replacement thereof. Lease payments included in the measurement of the lease liability comprise the: (1) fixed lease payments, including in-substance fixed payments, owed over the lease term, which include termination penalties we would owe if the estimated lease term assumes that we would be likely to exercise a termination option prior to the earliest expiration date; (2) variable lease payments that depend on an index or rate, initially measured using the index or rate at the lease commencement date; and (3) the exercise price of our option to purchase the underlying asset if we are reasonably certain to exercise the option. Our leases do not typically contain residual value guarantees.

In certain situations, we have entered into sublease agreements whereby we sublease all or a portion of a leased real estate asset to a third party. To the extent that we have a sublease related to a lease agreement for an asset that we are no longer using in operations, we have reduced the ROU asset by any applicable net deficiency in expected cash flows from that sublease (either due to partial monthly sublease proceeds or a sublease term less than the remaining master lease term). ASC Topic 842 also provides practical expedients for ongoing accounting. We elected the short-term lease recognition exemption for our real estate and equipment leases, which means that for those leases that qualify, we do not recognize ROU assets or lease liabilities and recognize the expense related to the short-term leases on a straight-line basis over the lease term and any variable lease payments in the period in which the obligation for those payments is incurred. We have also elected the practical expedient that allows us not to separate non-lease components of an agreement from lease components (for certain non-real estate assets).

Following is information related to lease expenses and other lease-related information for the years ended December 31, 2021 and 2020:

<b>Lease Expense</b>	<b>Twelve Months Ended December 31, 2021</b>	<b>Twelve Months Ended December 31, 2020</b>
	<b>(In millions)</b>	
Finance lease expense		
Reduction of right-of-use assets	\$ 7.2	\$ 3.4
Interest on lease liabilities	7.4	5.4
Operating lease expense (1)	61.5	65.9
Short-term lease expense (1)	1.7	1.5
Variable lease expense	9.3	5.2
Sublease income	(8.3)	(12.2)
Total	\$ 78.8	\$ 69.2

(1) Included in operating cash flows in the accompanying consolidated statements of cash flows.

**SONIC AUTOMOTIVE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

<b>Other Information</b>	<b>Twelve Months Ended December 31,</b>		<b>Twelve Months Ended December 31,</b>	
	<b>2021</b>		<b>2020</b>	
	<b>(In millions)</b>			
<b>Cash paid for amounts included in the measurement of lease liabilities</b>				
Financing cash flows for finance leases	\$	46.7	\$	21.9
Operating cash flows for finance leases	\$	7.4	\$	5.4
Operating cash flows for operating leases	\$	62.2	\$	65.8
<b>Right-of-use assets obtained in exchange for lease liabilities</b>				
Finance leases	\$	151.6	\$	35.1
Operating leases (1)	\$	15.9	\$	50.0

(1) Includes the impact of reclassification of ROU assets from operating leases to finance leases due to remeasurement.

<b>Other Information</b>	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Weighted-average remaining lease term (in years)</b>			
Finance leases		11.1		11.3
Operating leases		9.4		9.7
<b>Weighted-average discount rate</b>				
Finance leases		7.39 %		13.89 %
Operating leases		6.34 %		6.60 %

<b>Year Ending December 31,</b>	<b>Undiscounted Lease Cash Flows Under ASC Topic 842 as of December 31, 2021</b>				
	<b>Finance Leases</b>		<b>Operating Leases</b>		<b>Receipts from Subleases</b>
	<b>(In millions)</b>				
2022	\$	62.6	\$	53.4	\$ (4.4)
2023		15.9		51.9	(4.3)
2024		16.2		48.7	(3.3)
2025		16.4		43.8	(1.5)
2026		16.5		37.0	(1.2)
Thereafter		139.7		171.1	(1.2)
Total	\$	267.3	\$	405.9	\$ (15.9)
Less: Present value discount		(79.1)			(104.9)
Lease liabilities		\$ 188.2			\$ 301.0

**16. Subsequent Events**

Subsequent to December 31, 2021, we repurchased an additional 500,000 shares of Class A Common Stock at an average price of \$48.76, resulting in current remaining availability of approximately \$202.0 million.



**FIRST AMENDMENT TO CREDIT AGREEMENT**

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (the "Amendment"), dated as of March 26, 2020 (the "First Amendment Effective Date"), is made by SONIC AUTOMOTIVE, INC., a Delaware corporation (the "Company"), each of the Lenders (as defined in the Credit Agreement), and PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent").

WITNESSETH:

WHEREAS, the Company, the Lenders party thereto and the Administrative Agent are parties to that certain Credit Agreement dated as of November 22, 2019 (as amended, restated modified or supplemented, the "Credit Agreement"; except as set forth in this Amendment, defined terms used herein shall have the meanings given to them in the Credit Agreement);

WHEREAS, the Company has requested that, as of the First Amendment Effective Date, the Lenders amend certain terms of the Credit Agreement as set forth herein; and the Lenders are willing to do so upon and subject to the terms and conditions of this Amendment.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. Amendments to Credit Agreement.

(a) Section 2.07 of the Credit Agreement is hereby amended by deleting 'March 31, 2020' from the third line and replacing it with 'June 30, 2020'.

2. General.

(a) Conditions Precedent. The Company, the Administrative Agent and the Lenders acknowledge and agree that the amendment set forth herein shall only be effective upon the occurrence of all the following conditions precedent:

(i) Amendment. The Company, the Administrative Agent and the Lenders shall have executed and delivered this Amendment to the Administrative Agent.

(ii) USA Patriot Act Diligence. Administrative Agent and each Lender shall have received, in form and substance acceptable to Administrative Agent and each Lender such documentation and other information requested in connection with applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act. If the Company qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, the Company shall have delivered to Administrative Agent and each Lender that so requests, a Beneficial Ownership Certification in relation to the Company.

(iii) Fees and Expenses. The Company shall have paid to the Administrative Agent any costs and expenses of the Administrative Agent, including without

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limitation, reasonable fees of the Administrative Agent's counsel in connection with this Amendment.

(iv) Miscellaneous. The Administrative Agent shall have received such other documents, agreements, instruments, deliverables and items reasonably deemed necessary by the Administrative Agent.

(b) Representations, Warranties and Covenants. The Company covenants and agrees with and represents and warrants to the Administrative Agent and the Lenders as follows:

(i) the Company's obligations under the Credit Agreement are and shall remain secured by the Collateral, pursuant to the terms of the Credit Agreement and the other Loan Documents;

(ii) the Company possesses all of the powers requisite for it to enter into and carry out the transactions of the Company referred to herein and to execute, enter into and perform the terms and conditions of this Amendment, the Credit Agreement and the other Loan Documents to which it is a party and any other documents contemplated herein that are to be performed by the Company; any and all actions required or necessary pursuant to the Company's organizational documents or otherwise have been taken to authorize the due execution, delivery and performance by the Company of the terms and conditions of this Amendment; the officers of the Company executing this Amendment are the duly elected, qualified, acting and incumbent officers of the Company and hold the titles set forth below their names on the signature lines of this Amendment; and such execution, delivery and performance will not conflict with, constitute a default under or result in a breach of any applicable law or any agreement, instrument, order, writ, judgment, injunction or decree to which the Company is a party or by which the Company or any of its properties is bound, and that all consents, authorizations and/or approvals required or necessary from any third parties in connection with the entry into, delivery and performance by the Company of the terms and conditions of this Amendment, the Credit Agreement, the other Loan Documents and the transactions contemplated hereby have been obtained by the Company and are full force and effect;

(iii) this Amendment, the Credit Agreement, and the other Loan Documents constitute the valid and legally binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws and by general equitable principles, whether enforcement is sought by proceedings at law or in equity;

(iv) consummation of the transactions to be effective as of the First Amendment Effective Date will not result in a violation of any applicable legal or regulatory prohibitions or restrictions;

(v) all representations and warranties made by the Company in the Credit Agreement and the other Loan Documents are true and correct in all material respects (other than those representations and warranties that are expressly qualified by a Material

Adverse Effect or other materiality, in which case such representations and warranties are true and correct in all respects), except for representations and warranties which (i) specifically refer to an earlier date which shall have been true and correct in all material respects as of such earlier date referred to therein, and (ii) are qualified by materiality which will be true and correct in all respects and the Company has complied with all covenants and undertakings in the Credit Agreement and the other Loan Documents;

(vi) this Amendment is not a substitution, novation, discharge or release of the Company's obligations under the Credit Agreement or any of the other Loan Documents, all of which shall and are intended to remain in full force and effect;

(vii) no Default or Event of Default has occurred and is continuing under the Credit Agreement or the other Loan Documents; there exist no defenses, offsets, counterclaims or other claims with respect to the Company's obligations and liabilities under the Credit Agreement or any of the other Loan Documents;

(viii) the Company hereby ratifies and confirms in full its duties and obligations under the Credit Agreement and the other Loan Documents applicable to it, each as modified hereby.

(c) Incorporation into the Credit Agreement and other Loan Documents. This Amendment shall be incorporated into the Credit Agreement by this reference and each reference to the Credit Agreement that is made in the Credit Agreement or any other document executed or to be executed in connection therewith shall hereafter be construed as a reference to the Credit Agreement as amended hereby. The term "Loan Documents" as defined in the Credit Agreement shall include this Amendment.

(d) Severability. If any one or more of the provisions contained in this Amendment, the Credit Agreement, or the other Loan Documents shall be held invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained in this Amendment, the Credit Agreement or the other Loan Documents shall not in any way be affected or impaired thereby, and this Amendment shall otherwise remain in full force and effect.

(e) Successors and Assigns. This Amendment shall apply to and be binding upon the Company in all respects and shall inure to the benefit of each of the Administrative Agent and the Lenders and their respective successors and assigns, provided that the Company may not assign, transfer or delegate its duties and obligations hereunder. Nothing expressed or referred to in this Amendment is intended or shall be construed to give any person or entity other than the parties hereto a legal or equitable right, remedy or claim under or with respect to this Amendment, the Credit Agreement or any of the other Loan Documents, it being the intention of the parties hereto that this Amendment and all of its provisions and conditions are for the sole and exclusive benefit of the Company, the Administrative Agent and the Lenders.

(f) Reimbursement of Expenses. The Company unconditionally agrees to pay and reimburse the Administrative Agent and save the Administrative Agent harmless against liability for the payment of reasonable out-of-pocket costs, expenses and disbursements,

including without limitation, fees and expenses of counsel incurred by the Administrative Agent in connection with the development, preparation, execution, administration, interpretation or performance of this Amendment and all other documents or instruments to be delivered in connection herewith.

(g) Counterparts. This Amendment may be executed by different parties hereto in any number of separate counterparts, each of which, when so executed and delivered shall be an original and all such counterparts shall together constitute one and the same instrument.

(h) Entire Agreement. This Amendment sets forth the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersedes all prior understandings and agreements, whether written or oral, between the parties hereto relating to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by any party which is not embodied in this Amendment, and no party shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not set forth herein.

(i) Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof.

(j) No Novation. This Amendment amends the Credit Agreement, but is not intended to constitute, and does not constitute, a novation of the Obligations of the Company under the Credit Agreement or any other Loan Document.

(k) Governing Law. This Amendment shall be deemed to be a contract under the laws of the State of North Carolina and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the State of North Carolina without regard to its conflict of laws principles.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]  
[SIGNATURE PAGES FOLLOW]**

**[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]**

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first above written.

**COMPANY:**

**SONIC AUTOMOTIVE, INC.**  
a Delaware corporation

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Executive Vice President and Chief Financial Officer

**[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]**

**PNC BANK, NATIONAL ASSOCIATION**, individually and as Administrative Agent

By: /s/ Larry Jackson  
Name: Larry Jackson  
Title: Vice President

**[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]**

**BANK OF AMERICA, N.A.**

By: /s/ David T. Smith  
Name: David T. Smith  
Title: Senior Vice President

**[SIGNATURE PAGE TO FIRST AMENDMENT TO CREDIT AGREEMENT]**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: /s/ Jeffrey E. Bullard, Sr.  
Name: Jeffrey E. Bullard, Sr.  
Title: Senior Vice President



SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (the "Amendment"), dated as of June 17, 2021 (the "Second Amendment Effective Date"), is made by SONIC AUTOMOTIVE, INC., a Delaware corporation (the "Company"), each of the Lenders (as defined in the Credit Agreement), each of the Subsidiary Guarantors (as defined in the Credit Agreement), and PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent").

WITNESSETH:

WHEREAS, the Company, the Lenders party thereto and the Administrative Agent are parties to that certain Credit Agreement dated as of November 22, 2019 (as amended, restated modified or supplemented, the "Credit Agreement"; except as set forth in this Amendment, defined terms used herein shall have the meanings given to them in the Credit Agreement);

WHEREAS, the Company has requested that, as of the Second Amendment Effective Date, the Lenders amend certain terms of the Credit Agreement as set forth herein; and the Lenders are willing to do so upon and subject to the terms and conditions of this Amendment.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. Amendments to Credit Agreement. Upon the effectiveness of this Amendment, the Credit Agreement is amended in its entirety to read in the form attached hereto as Exhibit A.

2. General.

(a) Conditions Precedent. The Company, the Subsidiary Guarantors, the Administrative Agent and the Lenders acknowledge and agree that the amendment set forth herein shall only be effective upon the occurrence of all the following conditions precedent:

(i) Amendment. The Company, the Subsidiary Guarantors, the Administrative Agent and the Lenders shall have executed and delivered this Amendment to the Administrative Agent.

(ii) USA Patriot Act Diligence. Administrative Agent and each Lender shall have received, in form and substance acceptable to Administrative Agent and each Lender such documentation and other information requested in connection with applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act. If the Company qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, the Company shall have delivered to Administrative Agent and each Lender (to the extent each so requests), a Beneficial Ownership Certification in relation to the Company.

(iii) Fees and Expenses. The Company shall have paid to the Administrative Agent any costs and expenses of the Administrative Agent, including

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without limitation, reasonable fees of the Administrative Agent's counsel in connection with this Amendment.

(iv) Miscellaneous. The Administrative Agent shall have received such other documents, agreements, instruments, deliverables and items reasonably deemed necessary by the Administrative Agent.

(b) Representations, Warranties and Covenants. The Company and each Subsidiary Guarantor covenants and agrees with and represents and warrants to the Administrative Agent and the Lenders as follows:

(i) the Company's and the Subsidiary Guarantors' obligations under the Credit Agreement are and shall remain secured by the Collateral, pursuant to the terms of the Credit Agreement and the other Loan Documents;

(c) the Company and each Subsidiary Guarantor possesses all of the powers requisite for it to enter into and carry out the transactions of the Company and the Subsidiary Guarantors referred to herein and to execute, enter into and perform the terms and conditions of this Amendment, the Credit Agreement and the other Loan Documents to which it is a party and any other documents contemplated herein that are to be performed by the Company or the Subsidiary Guarantors; any and all actions required or necessary pursuant to the Company's or any Subsidiary Guarantor's organizational documents or otherwise have been taken to authorize the due execution, delivery and performance by the Company and the Subsidiary Guarantors of the terms and conditions of this Amendment; the officers of the Company and the Subsidiary Guarantors executing this Amendment are the duly elected, qualified, acting and incumbent officers of the Company or Subsidiary Guarantor, as applicable, and hold the titles set forth below their names on the signature lines of this Amendment; and such execution, delivery and performance will not conflict with, constitute a default under or result in a breach of any applicable law or any agreement, instrument, order, writ, judgment, injunction or decree to which the Company or a Subsidiary Guarantor is a party or by which the Company or a Subsidiary Guarantor or any of its properties is bound, and that all consents, authorizations and/or approvals required or necessary from any third parties in connection with the entry into, delivery and performance by the Company and the Subsidiary Guarantors of the terms and conditions of this Amendment, the Credit Agreement, the other Loan Documents and the transactions contemplated hereby have been obtained by the Company and the Subsidiary Guarantors and are full force and effect;

(i) this Amendment, the Credit Agreement, and the other Loan Documents constitute the valid and legally binding obligations of the Company and the Subsidiary Guarantors, enforceable against the Company and each Subsidiary Guarantor in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws and by general equitable principles, whether enforcement is sought by proceedings at law or in equity;

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(ii) consummation of the transactions to be effective as of the Second Amendment Effective Date will not result in a violation of any applicable legal or regulatory prohibitions or restrictions;

(iii) all representations and warranties made by the Company and the Subsidiary Guarantors in the Credit Agreement and the other Loan Documents are true and correct in all material respects (other than those representations and warranties that are expressly qualified by a Material Adverse Effect or other materiality, in which case such representations and warranties are true and correct in all respects), except for representations and warranties which (i) specifically refer to an earlier date which shall have been true and correct in all material respects as of such earlier date referred to therein, and (ii) are qualified by materiality which will be true and correct in all respects and the Company and each Subsidiary Guarantor has complied with all covenants and undertakings in the Credit Agreement and the other Loan Documents;

(iv) this Amendment is not a substitution, novation, discharge or release of the Company's or the Subsidiary Guarantors' obligations under the Credit Agreement or any of the other Loan Documents, all of which shall and are intended to remain in full force and effect;

(v) no Default or Event of Default has occurred and is continuing under the Credit Agreement or the other Loan Documents; there exist no defenses, offsets, counterclaims or other claims with respect to the Company's or any Subsidiary Guarantor's obligations and liabilities under the Credit Agreement or any of the other Loan Documents;

(vi) the Company and each Subsidiary Guarantor hereby ratifies and confirms in full its duties and obligations under the Credit Agreement and the other Loan Documents applicable to it, each as modified hereby.

(d) Incorporation into the Credit Agreement and other Loan Documents. This Amendment shall be incorporated into the Credit Agreement by this reference and each reference to the Credit Agreement that is made in the Credit Agreement or any other document executed or to be executed in connection therewith shall hereafter be construed as a reference to the Credit Agreement as amended hereby. The term "Loan Documents" as defined in the Credit Agreement shall include this Amendment.

(e) Severability. If any one or more of the provisions contained in this Amendment, the Credit Agreement, or the other Loan Documents shall be held invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained in this Amendment, the Credit Agreement or the other Loan Documents shall not in any way be affected or impaired thereby, and this Amendment shall otherwise remain in full force and effect.

(f) Successors and Assigns. This Amendment shall apply to and be binding upon the Company and each Subsidiary Guarantor in all respects and shall inure to the benefit of each of the Administrative Agent and the Lenders and their respective successors and assigns, provided that neither the Company nor any Subsidiary Guarantor may assign, transfer or delegate

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its duties and obligations hereunder. Nothing expressed or referred to in this Amendment is intended or shall be construed to give any person or entity other than the parties hereto a legal or equitable right, remedy or claim under or with respect to this Amendment, the Credit Agreement or any of the other Loan Documents, it being the intention of the parties hereto that this Amendment and all of its provisions and conditions are for the sole and exclusive benefit of the Company, the Subsidiary Guarantors, the Administrative Agent and the Lenders.

(g) Reimbursement of Expenses. The Company unconditionally agrees to pay and reimburse the Administrative Agent and save the Administrative Agent harmless against liability for the payment of reasonable out-of-pocket costs, expenses and disbursements, including without limitation, fees and expenses of counsel incurred by the Administrative Agent in connection with the development, preparation, execution, administration, interpretation or performance of this Amendment and all other documents or instruments to be delivered in connection herewith.

(h) Counterparts. This Amendment may be executed by different parties hereto in any number of separate counterparts, each of which, when so executed and delivered shall be an original and all such counterparts shall together constitute one and the same instrument.

(i) Entire Agreement. This Amendment sets forth the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersedes all prior understandings and agreements, whether written or oral, between the parties hereto relating to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by any party which is not embodied in this Amendment, and no party shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not set forth herein.

(j) Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof.

(k) No Novation. This Amendment amends the Credit Agreement, but is not intended to constitute, and does not constitute, a novation of the Obligations of the Company and the Subsidiary Guarantors under the Credit Agreement or any other Loan Document.

(l) Governing Law. This Amendment shall be deemed to be a contract under the laws of the State of North Carolina and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the State of North Carolina without regard to its conflict of laws principles.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]  
[SIGNATURE PAGES FOLLOW]**

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**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Amendment as of the day and year first above written.

**COMPANY:**

**SONIC AUTOMOTIVE, INC.**  
a Delaware corporation

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Executive Vice President and Chief Financial Officer

**SUBSIDIARY GUARANTORS:**

**SRE COLORADO - 1, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SONIC-DENVER T, INC.**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SRE GEORGIA 5, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SAI S. ATLANTA JLR, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

---

**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**SRE VIRGINIA - 1, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SAI ROCKVILLE IMPORTS, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**EP REALTY NC, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**ECHOPARK NC, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SRE TENNESSEE 7, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SONIC - 2185 CHAPMAN RD., CHATTANOOGA, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SRE TENNESSEE - 4, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

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**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**SAI NASHVILLE M, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SRE TEXAS - 1, LLC (formerly SRE TEXAS - 1, L.P.)**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SONIC HOUSTON JLR, LLC (formerly SONIC HOUSTON JLR, LP)**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SRE TEXAS -3, LLC (formerly SRE TEXAS -3, L.P.)**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SONIC MOMENTUM JVP, LLC (formerly SONIC MOMENTUM JVP, L.P.)**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SRE TEXAS 16, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

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**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**SRE ALABAMA 6, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SAI MONTGOMERY B, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SAI MONTGOMERY CH, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

**SONIC – LUTE RILEY, LLC**

By: /s/ Heath R. Byrd  
Name: Heath R. Byrd  
Title: Vice President

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**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**PNC BANK, NATIONAL ASSOCIATION**, individually and as Administrative Agent

By: /s/ Dawn Kondrat

Name: Dawn Kondrat

Title: Senior Vice President

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**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**BANK OF AMERICA, N.A.**

By: /s/ David T. Smith

Name: David T. Smith

Title: Senior Vice President

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**[SIGNATURE PAGE TO SECOND AMENDMENT TO CREDIT AGREEMENT]**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: /s/ Jeffrey E. Bullard, Sr.  
Name: Jeffrey E. Bullard, Sr.  
Title: Senior Vice President

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Published CUSIP Number: 83545FAT1

**CREDIT AGREEMENT**

**Dated as of November 22, 2019**

**among**

**SONIC AUTOMOTIVE, INC.,**

**PNC BANK, NATIONAL ASSOCIATION,  
as Administrative Agent,**

**THE OTHER LENDERS PARTY HERETO**

**and**

**PNC CAPITAL MARKETS LLC,  
as Sole Lead Arranger and Sole Bookrunner**

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## **EXHIBITS Form of:**

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Exhibit K [Reserved]  
Exhibit L [Reserved]  
Exhibit M [Reserved]  
Exhibit N Tax Compliance Certificates  
Exhibit O Form of Notice of Loan Prepayment

## CREDIT AGREEMENT

This CREDIT AGREEMENT (“Agreement”) is entered into as of November 22, 2019, among SONIC AUTOMOTIVE, INC., a Delaware corporation (the “Company”), each lender from time to time party hereto (collectively, the “Lenders” and individually, a “Lender”) and PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent.

The Company has requested that the Lenders provide a \$112,177,500 term loan facility. In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

### ARTICLE I

#### DEFINITIONS AND ACCOUNTING TERMS

**1.01 Defined Terms.** As used in this Agreement, the following terms shall have the meanings set forth below:

“AAA” has the meaning specified in Section 10.15(b)(ii).

“Acquisition” means the acquisition of (i) a controlling equity interest or other controlling ownership interest in another Person (including the purchase of an option, warrant or convertible or similar type security to acquire such a controlling interest at the time it becomes exercisable by the holder thereof), whether by purchase of such equity or other ownership interest or upon the exercise of an option or warrant for, or conversion of securities into, such equity or other ownership interest, (ii) assets of another Person which constitute all or substantially all of the assets of such Person or of a line or lines of business conducted by or a vehicle franchise or vehicle brand licensed or owned by such Person, or (iii) assets constituting a vehicle dealership.

“Acquisition Arrangement” has the meaning specified in Section 7.12.

“Additional Mortgaged Property” has the meaning specified in Section 2.18(a).

“Additional Mortgaged Property Requirements” has the meaning specified in Section 2.18(b).

“Additional Unsecured Indebtedness” means Indebtedness of the Company (which may be guaranteed by the Subsidiaries of the Company on an unsecured basis); provided that, (i) such Indebtedness is (A) not secured by any property of the Company or any Subsidiary, (B) does not have a maturity, and does not require any principal payments (whether by scheduled installment, mandatory prepayment or redemption, or the exercise of any put right), earlier than six (6) months following the Maturity Date, and (C) has terms (including terms of maturity and amortization) that are typical for indebtedness of such type issued at such time and such terms (other than applicable rates of interest) are otherwise no more restrictive, or less advantageous to the Lenders, than the Loan Documents or are otherwise on terms satisfactory to the Administrative Agent, and (ii) after giving effect to the issuance of such Indebtedness, (A) no Event of Default shall have occurred and be continuing or would occur as a result therefrom and (B) such Indebtedness is otherwise permitted under the Revolving and Floorplan Credit Agreement.

“Additional Unsecured Indebtedness Prepayment” means any prepayment, redemption, purchase, defeasance, settlement in cash or other satisfaction prior to the scheduled maturity thereof of any Additional Unsecured Indebtedness, provided, however, that “Additional Unsecured Indebtedness Prepayment” shall not include any amount prepaid with the proceeds of the refinancing of such Additional Unsecured Indebtedness with new or additional, Additional Unsecured Indebtedness.

“Administrative Agent” means PNC Bank, National Association in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

“Administrative Agent’s Office” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify to the Company and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Aggregate Commitments” means the Commitments of all the Lenders. The amount of the Aggregate Commitments in effect on the Closing Date is \$112,177,500.

“Agreement” has the meaning specified in the introductory paragraph hereto.

“Alternate Source” means as is specified in the definition of Eurodollar Rate.

“Applicable Percentage” means with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of (i) at any time during the Availability Period, the sum of the unused Aggregate Commitments and Total Outstandings of all Lenders represented by such Lender’s unused Commitment and Total Outstandings at such time and (ii) thereafter, the Total Outstandings of all Lenders represented by the Total Outstandings of such Lender at such time. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

“Applicable Rate” means, from time to time, the following percentages per annum, based upon the Consolidated Total Lease Adjusted Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.02(a)(i):

#### Applicable Rate

Pricing Level	Consolidated Total Lease Adjusted Leverage Ratio	Eurodollar Rate Loans	Base Rate Loans
I	Less than 3.50:1.00	1.50%	0.50%
II	Less than 4.00:1.00 but greater than or equal to 3.50:1.00	1.75%	0.75%
III	Less than 4.50:1.00 but greater than or equal to 4.00:1.00	2.00%	1.00%
IV	Less than 5.00:1.00 but greater than or equal to 4.50:1.00	2.25%	1.25%
V	Less than 5.50:1.00 but greater than or equal to 5.00:1.00	2.50%	1.50%
VI	Greater than or equal to 5.50:1.00	2.75%	1.75%

Any increase or decrease in the Applicable Rate resulting from a change in the Consolidated Total Lease Adjusted Leverage Ratio shall become effective as of the first Business Day of the calendar month immediately succeeding the date a Compliance Certificate is delivered pursuant to Section 6.02(a)(i); provided, however, that (i) if a Compliance Certificate is not delivered when due in accordance with such Section, then, upon the request of the Required Lenders, Pricing Level 6 shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and shall remain in effect until the date on which such Compliance Certificate is delivered and (ii) the Applicable Rate in effect from the Closing Date through the first Business Day of the calendar month immediately succeeding the date the Compliance Certificate with respect to the fiscal quarter ended December 31, 2019 is delivered pursuant to Section 6.02(a)(i) shall be Pricing Level III.

Notwithstanding anything to the contrary contained in this definition, the determination of the Applicable Rate for any period shall be subject to the provisions of Section 2.10(b).

“Appraised Value” means, with respect to any Substitute Property (or proposed Substitute Property), the appraised value of such Substitute Property (or proposed Substitute Property) as set forth in the appraisal obtained by the Administrative Agent with respect to such Substitute Property (or proposed Substitute Property) in accordance with Section 2.19.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Arbitration Rules” has the meaning specified in Section 10.15(b)(ii).

“Arranger” means PNC Bank Capital Markets LLC, in its capacity as sole lead arranger and sole bookrunner.

“Assignee Group” means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit D or any other form (including electronic documentation generated by use of an electronic platform) approved by the Administrative Agent.

“Attributable Indebtedness” means, on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

“Audited Financial Statements” means the audited consolidated balance sheet of the Company and its Subsidiaries for the fiscal year ended December 31, 2018, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal year of the Company and its Subsidiaries, including the notes thereto.

“Available Tenor” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (x) if the then current Benchmark is a term rate or is based on a term rate, any tenor for such Benchmark that is or may be used for determining the length of an Interest Period pursuant to this Agreement as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period”

pursuant to Section 3.03(c)(v), or (y) if the then current Benchmark is not a term rate nor based on a term rate, any payment period for interest calculated with reference to such Benchmark pursuant to this Agreement as of such date. For the avoidance of doubt, the Available Tenor for the Daily LIBOR Rate is one month.

“Availability Period” means, the period from and including the Closing Date to the earliest of (i) the date that is nine (9) months after the Closing Date, (ii) the date of the final Committed Borrowing permitted hereunder pursuant to Section 2.01, (iii) the date of termination of the Aggregate Commitments pursuant to Section 2.06, and (iv) the date of termination of the Commitment of each Lender to make Loans pursuant to Section 8.02.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“Bail-In Legislation” means, (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, rule, regulation or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“Base Rate” means, for any day, a fluctuating per annum rate of interest equal to the highest of (i) the Overnight Bank Funding Rate, plus 0.5%, (ii) the Prime Rate, and (iii) the Daily LIBOR Rate, plus 1.00%, so long as Daily LIBOR Rate is offered, ascertainable and not unlawful. Any change in the Base Rate (or any component thereof) shall take effect at the opening of business on the day such change occurs.

“Base Rate Committed Loan” means a Committed Loan that is a Base Rate Loan.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Beneficial Ownership Certification” means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Benchmark” means, initially, USD LIBOR; provided that if a Benchmark Transition Event a Term SOFR Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred with respect to USD LIBOR or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 3.03(c)(ii).

“Benchmark Replacement” means, for any Available Tenor, the first alternative set forth in the order below that can be determined by the Administrative Agent for the applicable Benchmark Replacement Date:

- (1) the sum of: (a) Term SOFR and (b) the related Benchmark Replacement Adjustment;

- (2) the sum of: (a) Daily Simple SOFR and (b) the related Benchmark Replacement Adjustment;
- (3) the sum of: (a) the alternate benchmark rate that has been selected by the Administrative Agent and the Company as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for U.S. dollar-denominated syndicated credit facilities at such time and (b) the related Benchmark Replacement Adjustment;

provided that, in the case of clause (1), such Unadjusted Benchmark Replacement is displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; provided, further, that, with respect to a Term SOFR Transition Event, on the applicable Benchmark Replacement Date, the “Benchmark Replacement” shall revert to and shall be determined as set forth in clause (1) of this definition. If the Benchmark Replacement as determined pursuant to clause (1), (2) or (3) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

“**Benchmark Replacement Adjustment**” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement for any applicable Available Tenor for any setting of such Unadjusted Benchmark Replacement:

- (1) for purposes of clauses (1) and (2) of the definition of “Benchmark Replacement,” the applicable amount(s) set forth below:

Available Tenor	Benchmark Replacement Adjustment *
One-Week	0.03839% (3.839 basis points)
One-Month	0.11448% (11.448 basis points)
Two-Months	0.18456% (18.456 basis points)
Three-Months	0.26161% (26.161 basis points)
Six-Months	0.42826% (42.826 basis points)

\* These values represent the ARRC/ISDA recommended spread adjustment values available here: [https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks-LIBOR-Cessation\\_Announcement\\_20210305.pdf](https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks-LIBOR-Cessation_Announcement_20210305.pdf)

and

(2) for purposes of clause (3) of the definition of “Benchmark Replacement,” the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Company for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body on the applicable Benchmark Replacement Date or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such

Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities;

provided that, if the then-current Benchmark is a term rate, more than one tenor of such Benchmark is available as of the applicable Benchmark Replacement Date and the applicable Unadjusted Benchmark Replacement will not be a term rate, the Available Tenor of such Benchmark for purposes of this definition of “Benchmark Replacement Adjustment” shall be deemed to be the Available Tenor that has approximately the same length (disregarding business day adjustments) as the payment period for interest calculated with reference to such Unadjusted Benchmark Replacement.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Business Day,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, length of lookback periods, the applicability of breakage provisions, and other technical, administrative or operational matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of such Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Loan Documents).

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof);

(2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date determined by the Administrative Agent, which date shall promptly follow the date of the public statement or publication of information referenced therein;

(3) in the case of a Term SOFR Transition Event, the date that is set forth in the Term SOFR Notice provided to the Lenders and the Company pursuant to Section 3.03(c), which date shall be at least 30 days from the date of the Term SOFR Notice; or

(4) in the case of an Early Opt-in Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, so long as the Administrative Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, written notice of objection to such Early Opt-in Election from Lenders comprising the Required Lenders.

For the avoidance of doubt, (i) if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination and (ii) the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (1) or (2) with respect to any Benchmark upon the occurrence of the

applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(2) a public statement or publication of information by an Official Body having jurisdiction over the Administrative Agent, the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Federal Reserve Board, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) or an Official Body having jurisdiction over the Administrative Agent announcing that all Available Tenors of such Benchmark (or such component thereof) are no longer representative.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Unavailability Period” means the period (if any) (x) beginning at the time that a Benchmark Replacement Date pursuant to clauses (1) or (2) of that definition has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 3.03(c) and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 3.03(c).

“Benefit Plan” means any of (a) an “employee benefit plan” (as defined in ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in and subject to Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

“Borrower Materials” has the meaning specified in Section 6.02.

“Borrowing” means a Committed Borrowing.

“Builder Basket Amount” means, as of any date of determination, with respect to any Restricted Payment or any Subordinated Indebtedness Prepayment, the sum of:



(A) \$303,300,000; plus

(B) 50% of the aggregate Consolidated Net Income of the Company accrued on a cumulative basis during the period beginning January 1, 2021 and ending on the last day of the Company's last fiscal quarter ending prior to the date of such Restricted Payment or Subordinated Indebtedness Prepayment, or, if such aggregate cumulative Consolidated Net Income shall be a loss, minus 100% of such loss; plus

(C) 100% of the aggregate net cash proceeds and the fair market value of assets other than cash received after December 31, 2020, and on or prior to such date of determination, by the Company either (x) as capital contributions in the form of common equity to the Company or (y) from the issuance or sale (other than to any of its Subsidiaries) of Qualified Capital Stock of the Company or any options, warrants or rights to purchase such Qualified Capital Stock of the Company (except, in each case, to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Subordinated Indebtedness as set forth below) (and excluding the net cash proceeds and the fair market value of assets other than cash received from the issuance of Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Company or any Subsidiary until and to the extent such borrowing is repaid); plus

(D) 100% of the aggregate net cash proceeds and the fair market value of assets other than cash received after December 31, 2020, and on or prior to such date of determination, by the Company (other than from any of its Subsidiaries) upon the exercise of any options, warrants or rights to purchase Qualified Capital Stock of the Company (and excluding the net cash proceeds and the fair market value of assets other than cash received from the exercise of any options, warrants or rights to purchase Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Company or any Subsidiary until and to the extent such borrowing is repaid); plus

(E) 100% of the aggregate net cash proceeds and the fair market value of assets other than cash received after December 31, 2020, and on or prior to such date of determination, by the Company from the conversion or exchange, if any, of debt securities or Redeemable Capital Stock of the Company or its Restricted Subsidiaries into or for qualified Capital Stock of the Company plus, to the extent such debt securities or Redeemable Capital Stock were issued after December 31, 2020, upon the conversion or exchange of such debt securities or Redeemable Capital Stock, the aggregate of net cash proceeds and the fair market value of assets other than cash received from their original issuance (and excluding the net cash proceeds and the fair market value of assets other than cash received from the conversion or exchange of debt securities or Redeemable Capital Stock financed, directly or indirectly, using funds borrowed from the Company or any Subsidiary until and to the extent such borrowing is repaid); plus

(F) in the case of the disposition or repayment of any Specified Investment made after December 31, 2020, and on or prior to such date of determination, an amount (to the extent not included in Consolidated Net Income) equal to (a) the lesser of (i) the (return of capital with respect to such Investment and (ii) the initial amount of such Investment, in either case, less the cost of the disposition of such Investment and net of taxes. "Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day that is also a London Banking Day.

“Buyer Notes” means those promissory notes received by the Company or any Subsidiary as partial or full payment consideration for Dispositions of vehicle dealerships, associated dealership real estate or related businesses, or Dispositions of Subsidiaries, by the Company or such Subsidiary to the obligors of such promissory notes.

“Capital Stock” of any Person means any and all shares, interests, participations, rights in or other equivalents (however designated) of such Person’s capital stock or other equity interests whether now outstanding or issued after the date of this Agreement, including limited liability company interests, partnership interests (whether general or limited), any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of (other than a distribution in respect of Indebtedness), the issuing Person, including any Preferred Stock and any rights (other than debt securities convertible into Capital Stock), warrants or options exchangeable for or convertible into such Capital Stock.

“CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§9601 et seq.

“Cessation Announcements” has the meaning specified in Section 3.03(c).

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith or in the implementation thereof and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted, issued or implemented.

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

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) (other than (i) Sonic Financial; (ii) a Smith Family Member; or (iii) any trust, corporation, partnership, estate, limited liability company or other entity, the beneficiaries, stockholders, partners and owners of which are Smith Family Members, (so long as in the case of clauses (i), (ii) and (iii), a Smith Family Member(s) or a Person(s) comprising all or a portion of the Smith Group retains a majority of the voting rights associated with such ownership) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire (such right, an “option right”), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of equity securities of the Company entitled to vote for members of the board of directors or equivalent governing body of the Company representing 49% or more of the combined voting power of such securities on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right);

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Company cease to be

composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body;

(c) any Person or two or more Persons (excluding Smith Family Members and Family Controlled Entities (so long as Smith Family Member(s), collectively or individually, retain(s) a Controlling influence over the management of such Family Controlled Entities) acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Company, or control over the equity securities of the Company entitled to vote for members of the board of directors or equivalent governing body of the Company on a fully-diluted basis (and taking into account all such securities that such Person or group has the right to acquire pursuant to any option right) representing 49% or more of the combined voting power of such securities; or

(d) the Company fails to own, directly or indirectly, 100% of the Equity Interests of any Subsidiary other than as a result of the sale of all Equity Interests in a Subsidiary pursuant to a Permitted Disposition.

As used in the definition of "Change of Control": (a) the term "Smith Group" means: (i) O. Bruton Smith ("Smith") and his guardian, conservator, committee or attorney in fact; (ii) each lineal descendant of Smith (each, a "Descendant") and their respective guardians, conservators, committees or attorneys in fact; and (iii) each Family Controlled Entity; and (b) the term "Smith Family Member" means, individually and collectively, (i) O. Bruton Smith; (ii) any spouse or immediate family member of O. Bruton Smith (individually, and collectively with O. Bruton Smith); and (c) the term "Family Controlled Entity" means: (i) any not for profit corporation if at least 80% of its Board of Directors is composed of Smith and/or Descendants; (ii) any other corporation if at least 80% of the value of its outstanding equity is owned by members of the Smith Group; (iii) any partnership if at least 80% of the value of the partnership interests are owned by members of the Smith Group; (iv) any limited liability or similar company if at least 80% of the value of the company is owned by members of the Smith Group; and/or (v) any trust if (A) at least 80% of the current beneficiaries of the trust are members of the Smith Group or (B) members of the Smith Group have sole dispositive power and sole voting power with respect to at least 80% of the shares of Class B Common Stock in the Company held by the trust.

"Closing Date" means November 22, 2019.

"Code" means the Internal Revenue Code of 1986.

"Collateral" means the Mortgaged Properties.

"Commitment" means, as to each Lender, its obligation to make Committed Loans to the Company pursuant to Section 2.01, in an aggregate principal amount not to exceed the amount set forth opposite such Lender's name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

“Committed Borrowing” means a borrowing consisting of simultaneous Committed Loans of the same Type made by each of the Lenders pursuant to Section 2.01.

“Committed Loan” has the meaning specified in Section 2.01.

“Committed Loan Cap” means, at any time of determination, the lesser of (a) \$112,177,500 and (b) the Margined Collateral Value at such time.

“Committed Loan Notice” means a notice of (a) a Borrowing or (b) a conversion of Committed Loans from one Type to the other, pursuant to Section 2.02(a), which shall be substantially in the form of Exhibit A or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of the Company.

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), as amended from time to time, and any successor statute.

“Company” has the meaning specified in the introductory paragraph hereto.

“Compliance Certificate” means a certificate substantially in the form of Exhibit E.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Consolidated Current Assets” means, as of any date of determination, the current assets of the Company and its Subsidiaries on a consolidated basis as of such date (but excluding in any event (i) any long-term assets of discontinued operations held for sale, other than such assets which (x) are the subject of an executed non-cancelable purchase and sale agreement between the applicable Revolving and Floorplan Facility Loan Party and a Person which is not an Affiliate of any Revolving and Floorplan Facility Loan Party and (y) the applicable Revolving and Floorplan Facility Loan Party intends, in good faith, to Dispose of within 60 days of such date of determination and (ii) any Investment described in Section 7.02(g)).

“Consolidated Current Liabilities” means, as of any date of determination, the current liabilities of the Company and its Subsidiaries on a consolidated basis as of such date.

“Consolidated EBITDAR” means for any period, on a consolidated basis for the Company and its Subsidiaries, the sum of the amounts for such period, without duplication, of (a) Consolidated Net Income, plus (b) to the extent deducted in computing Consolidated Net Income for such period: (i) Consolidated Interest Expense with respect to non-floorplan Indebtedness (including interest expense not payable in cash), (ii) charges against income for foreign, Federal, state and local income taxes, (iii) depreciation expense, (iv) amortization expense, including, without limitation, amortization of other intangible assets and transaction costs, (v) non-cash charges, (vi) all extraordinary losses, (vii) legal fees, broker fees and other transaction expenses incurred in connection with any Permitted Acquisition (not to exceed \$1,000,000 in the aggregate for each such Acquisition), (viii) Consolidated Rental Expense, and (ix) non-cash lease termination charges, net of any amortization of such charges minus (c) to the extent included in computing Consolidated Net Income for such period, (i) extraordinary gains and (ii) all gains on repurchases of long-term Indebtedness.

“Consolidated Fixed Charge Coverage Ratio” means, as of any date of determination, the ratio of (a) the difference of (i) Consolidated EBITDAR for the four fiscal quarter period ending on such date minus (ii) an amount equal to \$100,000 (representing assumed maintenance capital

expenditures) multiplied by the average daily number of physical dealership locations at which the Subsidiaries operated franchised vehicle dealerships during such period to (b) Consolidated Fixed Charges for such period.

“Consolidated Fixed Charges” means, for any period, the sum of (a) Consolidated Interest Expense with respect to non-floorplan Indebtedness for such period (excluding any interest expense not payable in cash and not payable as a result of any default), plus (b) Consolidated Principal Payments for such period, plus (c) Consolidated Rental Expenses for such period, plus (d) Federal, state, local and foreign income taxes paid in cash by the Company and its Subsidiaries on a consolidated basis during such period, plus (e) dividends and distributions paid in cash by the Company and its Subsidiaries on a consolidated basis during such period, minus (f) cash refunds of Federal, state, local and foreign income taxes received by the Company and its Subsidiaries on a consolidated basis during such period. The calculation of “Consolidated Fixed Charges” is further described in Section 1.03(d).

“Consolidated Funded Indebtedness” means, as of any date of determination, for the Company and its Subsidiaries on a consolidated basis, the sum of (a) the outstanding principal amount of all obligations, whether current or long-term, for borrowed money (including Obligations hereunder) and all obligations evidenced by bonds, debentures, notes, loan agreements or other similar instruments, (b) all purchase money Indebtedness, (c) all direct obligations arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments, (d) all obligations in respect of the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business), (e) Attributable Indebtedness in respect of capital leases and Synthetic Lease Obligations, (f) without duplication, all Guarantees with respect to outstanding Indebtedness of the types specified in clauses (a) through (e) above of Persons other than the Company or any Subsidiary, and (g) all Indebtedness of the types referred to in clauses (a) through (f) above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which the Company or a Subsidiary is a general partner or joint venturer, unless such Indebtedness is expressly made non-recourse to the Company or such Subsidiary.

“Consolidated Interest Expense” means, for any period, for the Company and its Subsidiaries on a consolidated basis, the sum of (a) all interest (before factory assistance or subsidy), premium payments, debt discount, fees, charges and related expenses of the Company and its Subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and (b) the portion of rent expense of the Company and its Subsidiaries with respect to such period under capital leases that is treated as interest in accordance with GAAP.

“Consolidated Liquidity Ratio” means, as of any date of determination, the ratio of (a) the sum of Consolidated Current Assets (excluding Temporary Excess Cash) plus the Revolving Facility Liquidity Amount to (b) the sum of (i) Consolidated Current Liabilities (but excluding, without duplication and only to the extent such amounts would otherwise have been included in this clause (b)(i), (A) such Consolidated Current Liabilities consisting of any holder put right, balloon, bullet or similar final scheduled principal payment that would repay any Indebtedness permitted by Section 7.03 in full, other than any such holder put right, balloon, bullet or final payment which is due within ninety (90) days following such date of determination, and (B) any Temporary Indebtedness) plus (ii) without duplication, Indebtedness (whether or not reflected as a Consolidated Current Liability) under all floorplan financing arrangements.

“Consolidated Net Income” means, for any period, for the Company and its Subsidiaries on a consolidated basis, the net income of the Company and its Subsidiaries for such period.

“Consolidated Principal Payments” means, for any period, for the Company and its Subsidiaries on a consolidated basis, all scheduled payments of principal and amortization of the

Company and its Subsidiaries in connection with Indebtedness for money borrowed (including Permitted Real Estate Indebtedness) or in connection with the deferred purchase price of assets which payments are made or are required to be made during such period, in each case to the extent treated as principal in accordance with GAAP (other than any balloon, bullet or similar final scheduled principal payment that repays such Indebtedness in full). It is acknowledged that payments permitted under Section 7.15 shall not be deemed to be scheduled payments of principal for purposes of determining “Consolidated Principal Payments”.

“Consolidated Rental Expense” means, for any period, on a consolidated basis for the Company and its Subsidiaries, the aggregate amount of fixed and contingent rentals payable in cash by the Company and its Subsidiaries with respect to leases of real and personal property (excluding capital lease obligations) determined in accordance with GAAP for such period (subject to Section 1.03(b)).

“Consolidated Total Lease Adjusted Leverage Ratio” means, as of any date of determination, the ratio of (a) (i) Consolidated Total Outstanding Indebtedness (excluding (v) Indebtedness under the New Vehicle Floorplan Facility, (w) Permitted Silo Indebtedness for New Vehicle or Used Vehicle inventory, (x) Indebtedness under the Used Vehicle Floorplan Facility, (y) Temporary Indebtedness and (z) Permitted Third Party Service Loaner Indebtedness) as of such date minus (ii) the aggregate amount as of the date of determination of unrestricted domestic cash held in (x) accounts on the consolidated balance sheet of the applicable Person and its Restricted Subsidiaries as of such date to the extent the use thereof for application to payment of Indebtedness is not prohibited by law or any contract to which any such Person is a party and such cash is not subject to any Lien, (y) accounts established with Silo Lenders, if any, as an offset to floor plan notes payable that are reflected on the consolidated balance sheet of the applicable Person and its Restricted Subsidiaries as of such date to the extent the use thereof is not prohibited or restricted by law or any contract to which any such Person is a party and is not subject to any Lien, and (z) the New Vehicle Floorplan Offset Amount (as defined as the Revolving and Floorplan Credit Agreement) (if any) or the Used Vehicle Floorplan Offset Amount (as defined as the Revolving and Floorplan Credit Agreement) (if any) as of such date; plus (iii) six (6) times Consolidated Rental Expense for the period of four fiscal quarters most recently ended (excluding Consolidated Rental Expense relating to any real property acquired during the period of four fiscal quarters most recently ended but including as Consolidated Rental Expense the “rental payments” for any real property Disposed of and leased back to the Company or its Subsidiaries during the period of four fiscal quarters most recently ended as if such sale-leaseback transaction had occurred on and such “rental payments” began on the first day of such applicable four fiscal quarter period) to (b) Consolidated EBITDAR for the period of four fiscal quarters most recently ended.

“Consolidated Total Outstanding Indebtedness” means, for any period, for the Company and its Subsidiaries on a consolidated basis, the aggregate outstanding principal amount of Consolidated Funded Indebtedness of the Company and its Subsidiaries for such period.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Corresponding Tenor” with respect to any Available Tenor means, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.

“Cost of Acquisition” means, with respect to any Acquisition, as at the date of entering into any agreement therefor, the sum of the following (without duplication): (i) the value of the Equity Interests of the Company or any Subsidiary to be transferred in connection with such Acquisition, (ii) the amount of any cash and fair market value of other property (excluding property described in clause (i) and the unpaid principal amount of any debt instrument) given as consideration in connection with such Acquisition, (iii) the amount (determined by using the face amount or the amount payable at maturity, whichever is greater) of any Indebtedness incurred, assumed or acquired by the Company or any Subsidiary in connection with such Acquisition, (iv) all additional purchase price amounts in the form of earnouts and other contingent obligations that should be recorded on the financial statements of the Company and its Subsidiaries in accordance with GAAP in connection with such Acquisition, (v) all amounts paid in respect of covenants not to compete, consulting agreements that should be recorded on the financial statements of the Company and its Subsidiaries in accordance with GAAP, and other affiliated contracts in connection with such Acquisition, and (vi) the aggregate fair market value of all other consideration given by the Company or any Subsidiary in connection with such Acquisition; provided that (x) the Cost of Acquisition shall not include the purchase price of floored vehicles acquired in connection with such Acquisition, (y) to the extent such Acquisition (or any other Acquisition or proposed Acquisition included in the calculation of any threshold set forth in Section 6.14 or 7.12) includes the purchase or leasing of any real property, the consideration attributable to such real property shall be excluded from the calculation of Cost of Acquisition, and (z) amounts under clause (iv) above shall be excluded from the calculation of Cost of Acquisition to the extent that such amounts as of the date of entering into any agreement with respect to such Acquisition are not reasonably expected to exceed \$5,000,000 in the aggregate (each such determination for each applicable year of earnouts and other contingent obligations with respect to the applicable Acquisition to be based on the reasonably expected operations and financial condition of the Company and its Subsidiaries during the first year after the date of the applicable Acquisition). For purposes of determining the Cost of Acquisition for any transaction, the Equity Interests of the Company shall be valued in accordance with GAAP.

“Covered Entity” means any of the following: (a) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (b) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (c) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Covered Party” has the meaning specified in Section 10.22.

“Credit Extension” means a Borrowing.

“Daily LIBOR Rate” means, for any day, the rate per annum determined by the Administrative Agent by dividing (x) the Published Rate by (y) a number equal to 1.00 minus the LIBOR Reserve Percentage on such day. The rate of interest will be adjusted automatically as of each Business Day based on changes in the Daily LIBOR Rate without notice to the Company. Notwithstanding the foregoing, if the Daily LIBOR Rate as determined above would be less than zero percent (0.00%), such rate shall be deemed to be zero percent (0.00%) for purposes of this Agreement.

“Daily Simple SOFR” means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Administrative Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for business loans; provided, that if the Administrative Agent decides that any such convention is not administratively feasible for the Administrative Agent, then the Administrative Agent may establish another convention in its reasonable discretion.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium,

rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum.

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“Defaulting Lender” means, subject to Section 2.16(b), any Lender that, as determined by the Administrative Agent, (a) has failed to perform any of its funding obligations hereunder including in respect of its Loans hereunder, or has failed to perform any of its funding obligations under the Revolving and Floorplan Credit Agreement, including in respect of its Used Vehicle Floorplan Committed Loans or New Vehicle Floorplan Committed Loans (each as defined in the Revolving and Floorplan Credit Agreement) thereunder, in each case within three Business Days of the date required to be funded by it hereunder or thereunder unless such Lender notifies the Administrative Agent and the Company in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in writing) has not been satisfied, (b) has notified the Company or the Administrative Agent that it does not intend to comply with any such funding obligations or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied) with respect to its funding obligations hereunder, thereunder or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by the Administrative Agent, to confirm in a manner satisfactory to the Administrative Agent, that it will comply with such funding obligations (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Company), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, a custodian appointed for it, or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in such Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.16(b)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Company and each other Lender promptly following such determination. “Designated”



Jurisdiction” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Descendent” has the meaning specified in the definition of “Change of Control”.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Disputes” has the meaning specified in Section 10.15(b)(i).

“Dividing Person” has the meaning specified in the definition of “Division.”

“Division” means the division of the assets, liabilities and/or obligations of a Person (the “Dividing Person”) among two or more Persons (whether pursuant to a “plan of division” or similar arrangement), which may or may not include the Dividing Person and pursuant to which the Dividing Person may or may not survive.

“Dollar” and “\$” mean lawful money of the United States.

“Early Opt-in Election” means, if the then-current Benchmark is USD LIBOR, the occurrence of:

(1) a notification by the Administrative Agent to (or the request by the Company to the Administrative Agent to notify) each of the other parties hereto that at least five currently outstanding U.S. dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed) a SOFR-based rate (including SOFR, a term SOFR or any other rate based upon SOFR) as a benchmark rate (and such syndicated credit facilities are identified in such notice and are publicly available for review), and

(2) the joint election by the Administrative Agent and the Company to trigger a fallback from USD LIBOR and the provision by the Administrative Agent of written notice of such election to the Lenders.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a Subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Eligible Assignee” means any Person that meets the requirements to be an assignee under Section 10.06(b)(iii), and (v) (subject to such consents, if any, as may be required under Section 10.06(b)(iii)).

“Environmental Indemnity Agreement” has the meaning specified in Section 4.01(a)(xiii).

“Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company, any other Revolving and Floorplan Facility Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Equity Interests” means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) the withdrawal of the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which such entity was a “substantial employer” as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA that has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA in excess of \$1,000,000; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan that has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA in excess of (i) in the case of the Automotive Industries Pension Trust Fund (EIN # 94-1133245), Plan No. 001, \$25,000,000 and (ii) in all other cases, \$1,000,000; (d) the filing of a notice of intent to terminate or the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA; (e) the institution by the PBGC of proceedings to terminate a Pension Plan, Multiemployer Plan or Multiple Employer Plan; (f) any event or condition which is reasonably likely to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan of the Company or any ERISA Affiliate; (g) except as set forth on Schedule 1.01C, the determination that any Pension Plan, Multiemployer Plan or Multiple Employer Plan is considered an at-risk plan or a plan in endangered or critical status within the meaning of Sections 430, 431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; or (h) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate in excess of (i) in the case of the Automotive Industries Pension Trust Fund (EIN # 94-1133245), Plan No. 001, \$25,000,000 and (ii) in all other cases, \$1,000,000.

“Erroneous Payment” has the meaning assigned to it in Section 9.14(a).

“Erroneous Payment Deficiency Assignment” has the meaning assigned to it in Section 9.14(d).

“Erroneous Payment Impacted Class” has the meaning assigned to it in Section 9.14(d).

“Erroneous Payment Return Deficiency” has the meaning assigned to it in Section 9.14(d).

“Erroneous Payment Subrogation Rights” has the meaning assigned to it in Section 9.14(d).

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Eurodollar Rate” means, with respect to any Eurodollar Rate Loans, the interest rate per annum determined by the Administrative Agent by dividing (the resulting quotient rounded upwards, at the Administrative Agent’s discretion, to the nearest 1/100 of 1%), (a) the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which US dollar deposits are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another source selected by the Administrative Agent as an authorized information vendor for the purpose of displaying rates at which US dollar deposits are offered by leading banks in the London interbank deposit market (an “Alternate Source”), at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period as the London interbank offered rate for Dollars for an amount comparable to such Loans and having a borrowing date and a maturity comparable to such Interest Period (or if there shall at any time, for any reason, no longer exist a Bloomberg Page BBAM1 (or any substitute page) or any Alternate Source, a comparable replacement rate determined by the Administrative Agent at such time (which determination shall be conclusive absent manifest error)), by (b) a number equal to 1.00 minus the LIBOR Reserve Percentage. Notwithstanding the foregoing, if the Eurodollar Rate as determined under any method above would be less than zero percent (0.00%), such rate shall be deemed to be zero percent (0.00%) for purposes of this Agreement.

The Eurodollar Rate shall be adjusted with respect to any Eurodollar Rate Loan that is outstanding on the effective date of any change in the LIBOR Reserve Percentage as of such effective date. The Administrative Agent shall give prompt notice to the Company of the Eurodollar Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

“Eurodollar Rate Loan” means a Committed Loan that bears interest at a rate based on the “Eurodollar Rate.”

“Event of Default” has the meaning specified in Section 8.01.

“Excluded Investment” means (i) any Investment in the Company, any Restricted Subsidiary or any Person which, as a result of such Investment, (a) becomes a Restricted Subsidiary or (b) is merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or any Restricted Subsidiary; (ii) Indebtedness of the Company owing to a Restricted Subsidiary, Indebtedness of a Restricted Subsidiary owing to another Restricted Subsidiary, or guarantees by a Restricted Subsidiary of the Indenture Notes; (iii) Investments in any of the Indenture Notes; (iv) Temporary Cash Investments; (v) Investments acquired by the Company or any Restricted Subsidiary in connection with an asset sale permitted by the Indenture to the extent such Investments are non-cash proceeds; (vi) any Investment to the extent the consideration therefor consists of Qualified Capital Stock of the Company or any Restricted Subsidiary; (vii) Investments representing Capital Stock or obligations issued to the

Company or any Restricted Subsidiary in the ordinary course of the good faith settlement of claims against any other Person by reason of a composition or readjustment of debt or a reorganization of any debtor or any Restricted Subsidiary; (viii) prepaid expenses advanced to employees in the ordinary course of business or other loans or advances to employees in the ordinary course of business not to exceed \$1.0 million in the aggregate at any one time outstanding; (ix) Investments in existence on May 9, 2013; (x) deposits, including interest-bearing deposits, maintained in the ordinary course of business in banks or with floor plan lenders; endorsements for collection or deposit in the ordinary course of business by such Person of bank drafts and similar negotiable instruments of such other Person received as payment for ordinary course of business trade receivables; (xi) Investments acquired in exchange for the issuance of Capital Stock (other than Redeemable Capital Stock or Preferred Stock) of the Company or acquired with the net cash proceeds received by the Company after the date of this Agreement from the issuance and sale of Capital Stock (other than Redeemable Capital Stock or Preferred Stock); provided that such net cash proceeds are used to make such Investment within 10 days of the receipt thereof; (xii) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and worker's compensation, performance and other similar deposits provided to third parties in the ordinary course of business; (xiii) consumer loans and leases entered into, purchased or otherwise acquired by the Company or its Subsidiaries, as lender, lessor or assignee, as applicable, in the ordinary course of business consistent with past practices; (xiv) items described in clause (c) of the definition of "Investment"; and (xv) in addition to the Investments described in clauses (i) through (xiv) above, Investments in an amount not to exceed the greater of (a) \$25.0 million and (b) 1% of the Company's consolidated tangible assets in the aggregate at any one time outstanding.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to Recipient or required to be withheld or deducted from payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Company under Section 10.13) or (ii) such Lender changes its Lending Office, except in each such case to the extent that pursuant to Section 3.01(a)(ii), (a)(iii) or (c), amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Lending Office, (c) Taxes attributable to such Recipient's failure to comply with Section 3.01(e) and (d) any U.S. federal withholding Taxes imposed pursuant to FATCA.

"FASB ASC" means the Accounting Standards Codification of the Financial Accounting Standards Board.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities entered into in connection with the implementation of the foregoing.

"Federal Funds Rate" means for any day the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous

trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the “Federal Funds Rate” as of the date of this Agreement; provided that if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the “Federal Funds Rate” for such day shall be the Federal Funds Rate for the last day on which such rate was announced. Notwithstanding the foregoing, if the Federal Funds Rate as determined under any method above would be less than zero percent (0.00%), such rate shall be deemed to be zero percent (0.00%) for purposes of this Agreement.

“Second Amendment Effective Date” means June 17, 2021.

“Flood Hazard Property” means any real property with respect to which the Administrative Agent requests a flood hazard determination in its sole discretion and which is determined to be in an area designated by the Federal Emergency Management Agency as having special flood or mudslide hazards.

“Flood Requirements” means the following, with respect to any Flood Hazard Property, in each case in form and substance satisfactory to the Lenders: (a) the applicable Loan Party’s written acknowledgment of receipt of written notification from the Administrative Agent (i) as to the fact that such real property is a Flood Hazard Property and (ii) as to whether the community in which each such Flood Hazard Property is located is participating in the National Flood Insurance Program and (b) such other flood hazard determination forms, notices and confirmations thereof as requested by the Lenders and naming the Administrative Agent as loss payee on behalf of the Lenders; and (c) property level information sufficient for the Lenders to determine the adequacy of flood insurance.

“Floor” means the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to USD LIBOR or, if no floor is specified, zero.

“Foreign Lender” means (a) if the Company is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Company is not a U.S. Person, a Lender that is resident or organized under laws of a jurisdiction other than that in which the Company is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“Framework Agreement” means a framework agreement, in each case between a Revolving and Floorplan Facility Loan Party and a manufacturer or distributor of New Vehicles.

The term “franchise” when used with respect to any vehicle manufacturer or distributor shall be deemed to include each dealership that is authorized by a Franchise Agreement to sell New Vehicles manufactured or distributed by such manufacturer or distributor, whether or not such dealership is expressly referred to as a franchise in the respective Franchise Agreement or Framework Agreement.

“Franchise Agreement” means a franchise agreement, in each case between a Revolving and Floorplan Facility Loan Party and a manufacturer or distributor of New Vehicles.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“Fund” means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” means, as to any Person, any (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“IBA” has the meaning specified in Section 3.03(c).

“Impacted Loans” has the meaning specified in Section 3.03(a).

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

- (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;
- (b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments;

- (c) net obligations of such Person under any Swap Contract;
- (d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business and, in each case, not past due for more than 60 days after the date on which such trade account payable was created);
- (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;
- (f) capital leases and Synthetic Lease Obligations;
- (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and
- (h) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

“Indemnified Taxes” means (a) Taxes other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

“Indemnitees” has the meaning specified in Section 10.04(b).

“Indenture” means that certain 6.125% Senior Subordinated Notes due 2027 Indenture, dated as of March 10, 2017, by and among the Company, the guarantors named therein and U.S. Bank National Association, as trustee.

“Indenture Notes” means the notes issued pursuant to the Indenture.

“Information” has the meaning specified in Section 10.07.

“Initial Appraised Value” means, with respect to any Mortgaged Property, the appraised value of such Mortgaged Property as set forth in a FIRREA-conforming appraisal obtained by the Administrative Agent with respect to such Mortgaged Property prior to (and within 12 months of) the Closing Date, or if such Mortgaged Property is an Additional Mortgaged Property or a Substitute Property, a FIRREA-conforming appraisal obtained by the Administrative Agent with respect to such Additional Mortgaged Property or Substitute Property immediately prior to (and within 12 months of) such Additional Mortgaged Property or Substitute Property becoming a Mortgaged Property.

“Interest Payment Date” means the fifth day of a calendar month, provided that if such day is not a Business Day, the respective Interest Payment Date shall be the next succeeding Business Day.

“Interest Period” means a period of approximately one month commencing on the first Business Day of each month and ending on the first Business Day of the following month.

“Internal Control Event” means a material weakness in, or fraud that involves management or other employees who have a significant role in, the Company’s internal controls over financial reporting, in each case as described in the Securities Laws.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Guarantees Indebtedness of such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“Involuntary Disposition” means, with respect to any Collateral, any of the following: (a) any loss, destruction or damage of such Collateral or (b) any condemnation, seizure, or taking, by exercise of the power of eminent domain or otherwise, of such Collateral, or confiscation of such Collateral or the requisition of the use of such Collateral.

“IP Rights” has the meaning specified in Section 5.17.

“IRS” means the United States Internal Revenue Service.

“ISDA Definitions” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

“Joinder Agreement” means each Joinder Agreement, substantially in the form of Exhibit G, executed and delivered by a Subsidiary or any other Person to the Administrative Agent, for the benefit of the Secured Parties, pursuant to Section 6.14.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Lease” means a lease or other agreement (whether written or oral) pursuant to which any Person is granted a possessory interest in, or right to use or occupy, all or any portion of one or more of the Mortgaged Properties, together with all amendments thereto and all restatements, supplements, and other modifications thereof.

“Lender” has the meaning specified in the introductory paragraph hereto.



“Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Company and the Administrative Agent, which office may include any Affiliate of such Lender or any domestic or foreign branch of such Lender or such Affiliate. Unless the context otherwise requires each reference to a Lender shall include its applicable Lending Office.

“LIBOR Reserve Percentage” means as of any day the maximum effective percentage in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding or in respect of eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan” means an extension of credit by a Lender to the Company under Article II in the form of a Committed Loan.

“Loan Documents” means, collectively, this Agreement, each Note, each Joinder Agreement, each Security Instrument, the Subsidiary Guaranty, and the PNC Letter.

“Loan Parties” means, collectively, the Company and each Subsidiary Guarantor.

“London Banking Day” means any day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“Margined Collateral Value” means, at any time, the sum of (a) for all Mortgaged Properties on which material improvements have been constructed thereon, the product of (i) 0.75 multiplied by (ii) the Initial Appraised Value of such Mortgaged Properties, plus (b) for all other Mortgaged Properties, the product of (i) 0.65 multiplied by (ii) the Initial Appraised Value of such Mortgaged Properties.

“Material Adverse Effect” means (a) a material adverse effect on (i) the business, assets, properties, liabilities (actual or contingent), operations or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, (ii) the Mortgaged Properties, taken as a whole, or (iii) the ability of the Company and the Subsidiary Guarantors, taken as a whole, to perform their respective obligations under any Loan Document to which any of them is a party or (b) an adverse effect on the rights and remedies of the Administrative Agent or the Lenders under the Loan Documents.

“Maturity Date” means November 22, 2024; provided that if any date determined to be a “Maturity Date” is not a Business Day, such Maturity Date shall be the next preceding Business Day.

“Mortgage” or “Mortgages” means, individually and collectively, as the context requires, each of the fee mortgages, deeds of trust, deeds and other similar security documents executed by a Loan Party that purport to grant a Lien to the Administrative Agent (or a trustee for the benefit of the Administrative Agent) for the benefit of the Secured Parties in any Mortgaged Properties, in form and substance satisfactory to the Administrative Agent.

“Mortgaged Property” means the owned property of the Loan Parties listed on Schedule 5.20(c), as supplemented from time to time in accordance with Section 2.18(b)(iii) and Section 2.19(b)(iii) following the addition of Additional Mortgaged Property or a Substitute Property as a Mortgaged Property, including all “Premises” referred to in the Security Instruments with respect to such Mortgaged Property; provided that a Release Property shall no longer constitute a Mortgaged Property after giving effect to the consummation of a Property Substitution or Prepayment Release with respect to such Release Property in accordance with Section 2.19.

“Mortgaged Property Support Documents” means with respect to the fee interest in any Mortgaged Property:

- (i) a fully executed and notarized Mortgage encumbering the fee interest of the applicable Loan Party in such real property;
- (j) if requested by the Administrative Agent in its sole discretion, maps or plats of an as-built survey of the sites of such real property certified to the Administrative Agent and the title insurance company issuing the policies referred to in clause (c) of this definition in a manner satisfactory to each of the Administrative Agent and such title insurance company, dated a date satisfactory to each of the Administrative Agent and such title insurance company by an independent professional licensed land surveyor, which maps or plats and the surveys on which they are based shall be sufficient to delete any standard printed survey exception contained in the applicable title policy and be made in accordance with the Minimum Standard Detail Requirements for Land Title Surveys jointly established and adopted by the American Land Title Association and the National Society of Professional Surveyors, Inc. in 2016 with items 2, 3, 4, 6(b), 7(a), 7(b)(1), 7(c), 8, 9, 10, 11, 13, 14, 16, 17, 18 and 19 on Table A thereof completed;
- (k) ALTA mortgagee title insurance policies issued by a title insurance company acceptable to the Administrative Agent with respect to such real property, assuring the Administrative Agent that the Mortgage covering such real property creates a valid and enforceable first priority mortgage lien on such real property, free and clear of all defects and encumbrances except Liens permitted under Section 7.01, which title insurance policies shall otherwise be in form and substance satisfactory to the Administrative Agent and shall include such endorsements as are requested by the Administrative Agent;
- (l) (i) a completed “Life-of-Loan” Federal Emergency Management Agency Standard Flood Hazard Determination with respect to such real property (together with a notice about special flood hazard area status and flood disaster assistance duly executed by each Loan Party relating thereto) and (ii) if such real property is a Flood Hazard Property, Flood Requirements;
- (m) if requested by the Administrative Agent or any Lender, in such Person’s sole discretion, an environmental assessment report, as to such real property, in form and substance and from professional firms acceptable to the Administrative Agent and the Lenders;
- (n) if requested by the Administrative Agent in its sole discretion, evidence reasonably satisfactory to the Administrative Agent that such real property, and the uses of such real property, are in compliance in all material respects with all applicable zoning Laws (the evidence submitted as to which should include the zoning designation made for such real property, the permitted uses of such real property under such zoning designation and, if available, zoning requirements as to parking, lot size, ingress, egress and building setbacks);

(o) copies of all Leases with respect to such real property and a fully executed and notarized subordination, non-disturbance and attornment agreement with respect to such real property and such Lease; and

(p) if requested by the Administrative Agent in its sole discretion, an opinion of legal counsel to the applicable Loan Party granting the Mortgage on such real property, addressed to the Administrative Agent and each Lender, in form and substance reasonably acceptable to the Administrative Agent.

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“Multiple Employer Plan” shall mean a Plan which has two or more contributing sponsors (including the Company or any ERISA Affiliate) at least two of whom are not under common control, as such a plan is described in Section 4064 of ERISA.

“Net Cash Proceeds” means the aggregate cash or cash equivalents proceeds received by any Loan Party or any Subsidiary in respect of any Involuntary Disposition, net of (a) direct costs incurred in connection therewith, and (b) taxes paid or payable as a result thereof; it being understood that “Net Cash Proceeds” shall include, without limitation, any cash or cash equivalents received upon the sale or other disposition of any non-cash consideration received by any Loan Party or any Subsidiary in any Involuntary Disposition.

“New Vehicle” means a Vehicle which has never been owned except by a manufacturer, distributor or dealer and (except in the case of Service Loaner Vehicles) has never been registered, and (notwithstanding clause (b) of the definition of “Vehicle”) includes Rental Vehicles and Demonstrators (each as defined in the Revolving and Floorplan Credit Agreement) and Service Loaner Vehicles, in each case whether or not held for sale; provided such Vehicle shall meet the requirements of a “New Vehicle” under (and as defined in) the Revolving and Floorplan Credit Agreement.

“New Vehicle Floorplan Facility” means the new vehicle floorplan facility described in Section 2.05 through 2.09 of the Revolving and Floorplan Credit Agreement providing for revolving loans to certain Subsidiaries of the Company by certain of the Revolving and Floorplan Facility Lenders.

“Non-Consenting Lender” means any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 10.01(a) – (h) and (ii) has been approved by the Required Lenders.

“Note” means a promissory note made by the Company, in favor of a Lender evidencing Loans made by such Lender to the Company, as applicable, substantially in the form of Exhibit C.

“Notice of Loan Prepayment” means a notice of prepayment with respect to a Loan, which shall be substantially in the form of Exhibit O or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after

the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Connection Taxes” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Documents).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 3.05).

“Outstanding Amount” means, with respect to Committed Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Committed Loans, as the case may be, occurring on such date.

“Overnight Bank Funding Rate” means for any day, the rate comprised of both overnight federal funds and overnight eurocurrency borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the Federal Reserve Bank of New York (“NYFRB”), as set forth on its public website from time to time, and as published on the next succeeding Business Day as the overnight bank funding rate by the NYFRB (or by such other recognized electronic source (such as Bloomberg) selected by the Administrative Agent for the purpose of displaying such rate); provided, that if such day is not a Business Day, the Overnight Bank Funding Rate for such day shall be such rate on the immediately preceding Business Day; provided, further, that if such rate shall at any time, for any reason, no longer exist, a comparable replacement rate determined by the Administrative Agent at such time (which determination shall be conclusive absent manifest error). If the Overnight Bank Funding Rate determined as above would be less than zero, then such rate shall be deemed to be zero. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Overnight Bank Funding Rate without notice to the Company.

“Participant” has the meaning specified in Section 10.06(d).

“Participant Register” has the meaning specified in Section 10.06(d).

“PBGC” means the Pension Benefit Guaranty Corporation.

“Pension Act” shall mean the Pension Protection Act of 2006.

“Pension Funding Rules” means the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) to Pension Plans and set forth in, with respect to plan years ending prior to the effective date of the Pension Act, Section 412 of the Code and Section 302 of ERISA, each as in effect prior to the Pension Act and, thereafter, Section 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

“Pension Plan” means any employee pension benefit plan (other than a Multiple Employer Plan or a Multiemployer Plan) that is maintained or is contributed to by the Company and any ERISA Affiliate and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

“Permitted Acquisition” means any Acquisition permitted by Section 7.12.

“Permitted Disposition” means any Disposition permitted by Section 7.05.

“Permitted Real Estate Indebtedness” means Indebtedness of the Company or a Subsidiary owing to non-Affiliated Persons secured solely by Liens on Permitted Real Estate Indebtedness Collateral so long as the amount of such Indebtedness (as measured for any specified real property parcel and improvements (if any) financed thereby) is no greater than eighty-five percent (85%) of the value of such parcel and improvements set forth in an appraisal thereof prepared by a member of the Appraisal Institute and an independent appraisal firm satisfactory to the Administrative Agent and commissioned in connection with such financing, a copy of which such appraisal has been provided to the Administrative Agent upon its request.

“Permitted Real Estate Indebtedness Collateral” means, with respect to any particular Permitted Real Estate Indebtedness, the applicable real property used (at the time of the incurrence of such Permitted Real Estate Indebtedness) by a Subsidiary of the Company for the operation of a vehicle dealership or a business ancillary thereto, together with related real property rights, improvements, fixtures (other than trade fixtures), insurance payments, leases and rents related thereto and proceeds thereof.

“Permitted Silo Guaranty” means, with respect to any Permitted Silo Indebtedness provided by any Silo Lender, the guaranty of such Indebtedness by (a) the Company or (b) any Subsidiary that operates one or more dealerships at which New Vehicle floorplan financing is provided by such Silo Lender.

“Permitted Silo Indebtedness” means Indebtedness (including Permitted Silo Guaranties but excluding Indebtedness provided pursuant to the Revolving and Floorplan Credit Agreement) incurred from time to time by any of the Company’s current or future Subsidiaries consisting of floorplan financing for New Vehicles or Used Vehicles provided by financial institutions or manufacturer-affiliated finance companies (“Silo Lenders”) to such Subsidiaries, provided that (i) such indebtedness is secured solely by Vehicles so financed by the respective Silo Lender and the proceeds of such Vehicles and (ii) such Indebtedness is otherwise permitted under the Revolving and Floorplan Credit Agreement; provided that, Permitted Silo Indebtedness provided by a Silo Lender may be cross-collateralized with other Permitted Silo Indebtedness provided by such Silo Lender.

“Permitted Third Party Service Loaner Indebtedness” means Indebtedness incurred from time to time by any of the Company’s current or future Subsidiaries consisting of financing for Service Loaner Vehicles, which financing is provided by manufacturers, manufacturer affiliated finance companies or other Persons to the Company or such Subsidiary (“Service Loaner Lenders”) so long as (i) such Indebtedness is secured solely by a Lien on said Service Loaner Vehicles so financed by the respective Service Loaner Lenders and the proceeds of such Service

Loaner Vehicles, (ii) such Indebtedness is on terms (including pricing terms) that, taken as a whole, are more favorable to the Company and its Subsidiaries than the terms of the Revolving and Floorplan Credit Agreement, and (iii) such Indebtedness is otherwise permitted under the Revolving and Floorplan Credit Agreement.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” shall mean any employee benefit plan within the meaning of Section 3(3) of ERISA (generally including a Pension Plan, but excluding a Multiemployer Plan and Multiple Employer Plan), maintained by the Company or, in the case of a Pension Plan, by an ERISA Affiliate, for employees of the Company or any ERISA Affiliate.

“Platform” has the meaning specified in Section 6.02.

“PNC Bank” means PNC Bank, National Association

“Preferred Stock” means, with respect to any Person, any Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distributions of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class in such Person.

“Prepayment Release” has the meaning specified in Section 2.19(a).

“Prime Rate” means the interest rate per annum announced from time to time by the Administrative Agent at its Principal Office as its then prime rate, which rate may not be the lowest or most favorable rate then being charged to commercial borrowers or others by the Administrative Agent and may not be tied to any external rate of interest or index. Any change in the Prime Rate shall take effect at the opening of business on the day such change is announced.

“Principal Office” means the main banking office of the Administrative Agent in Pittsburgh, Pennsylvania.

“Pro Forma Compliance” means that the Company and its Subsidiaries are in pro forma compliance with the financial covenants set forth in Section 7.11 calculated as if the event with respect to which Pro Forma Compliance is being tested had occurred on the first day of each relevant period with respect to which current compliance with such financial covenant would be determined (for example, in the case of a financial covenant based on Consolidated EBITDAR, as if such event had occurred on the first day of the four fiscal quarter period ending on the last day of the most recent fiscal quarter in respect of which financial statements have been delivered pursuant to Section 6.01(a) or (b)). Pro forma calculations made pursuant to this definition that require calculations of Consolidated EBITDAR on a pro forma basis will be made in accordance with Section 1.03(d).

“Pro Forma Compliance Certificate” means, with respect to any event, a duly completed Compliance Certificate demonstrating Pro Forma Compliance for such event.

“Property Substitution” has the meaning specified in Section 2.19(a).

“PTE” means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

“Public Lender” has the meaning specified in Section 6.02.

“Published Rate” means the rate of interest published each Business Day in The Wall Street Journal “Money Rates” listing under the caption “London Interbank Offered Rates” for a one month period: provided that if no such rate is published therein for any reason, then the Published Rate shall be the rate at which U.S. dollar deposits are offered by leading banks in the London interbank deposit market for a one month period either (a) as published in another publication selected by the Administrative Agent or (b) in an Alternate Source (or if there shall at any time, for any reason, no longer exist any such reference or any Alternate Source), a comparable replacement rate determined by the Administrative Agent at such time (which determination shall be conclusive absent manifest error).

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

“QFC Credit Support” has the meaning specified in Section 10.22.

“Qualified Capital Stock” of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

“RCRA” means the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§6901 et seq.

“Recipient” means the Administrative Agent, any Lender, or any other recipient of any payment to be made by or on account of any obligation of any Loan Party hereunder.

“Redeemable Capital Stock” means any Capital Stock that, either by its terms or by the terms of any security into which it is convertible or exchangeable (at the option of the holders thereof), is or upon the happening of an event or passage of time would be, required to be redeemed prior to May 20, 2025 or is redeemable at the option of the holder thereof at any time prior to May 20, 2025 (other than upon a change of control of or sale of assets by the Company in circumstances where a holder of any Indenture Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to any such stated maturity at the option of the holder thereof.

“Reference Time” with respect to any setting of the then-current Benchmark means (1) if such Benchmark is USD LIBOR, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such setting, and (2) if such Benchmark is not USD LIBOR, the time determined by the Administrative Agent in its reasonable discretion.

“Register” has the meaning specified in Section 10.06(c).

“Registered Public Accounting Firm” has the meaning specified in the Securities Laws and shall be independent of the Company as prescribed in the Securities Laws.

“Related Acquisition or Related Proposed Acquisition” means, with respect to any specified Acquisition (a “Specified Acquisition”), any other Acquisition, or any proposed Acquisition subject to an Acquisition Arrangement, that in each case (a) is part of a related series of Acquisitions or proposed Acquisitions that includes the Specified Acquisition, (b) involves any seller or transferor that is a seller or transferor (or an Affiliate of a seller or transferor) involved in the Specified Acquisition and (c) occurs or is reasonably expected to occur within six (6) months before or after the date of the Specified Acquisition.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors, consultants, service providers and representatives of such Person and of such Person’s Affiliates.

“Release Price” means, with respect to any Mortgaged Property, an amount equal to 75% of the Initial Appraised Value of such Mortgaged Property.

“Release Property” has the meaning specified in Section 2.19(a).

“Relevant Governmental Body” means the Federal Reserve Board or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board or the Federal Reserve Bank of New York, or any successor thereto.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

“Request for Credit Extension” means with respect to a Borrowing, or conversion of Committed Loans, a Committed Loan Notice.

“Required Financial Information” has the meaning specified in the definition of “Restricted Subsidiary”.

“Required Lenders” means, as of any date of determination, all Lenders as of such date other than any Defaulting Lender.

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“Responsible Officer” means the chief executive officer, president, chief financial officer, chief accounting officer, treasurer, assistant treasurer or controller of a Loan Party and solely for purposes of the delivery of incumbency certificate pursuant to Section 4.01, the secretary or assistant secretary of a Loan Party, and, solely for the purposes of notices given pursuant to Article II, any other officer of the applicable Loan Party so designated by any of the foregoing officers in a notice to the Administrative Agent or any other officer of the applicable Loan Party designated in or pursuant to an agreement between the applicable Loan Party and the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party. To the extent requested by the Administrative Agent, each Responsible Officer will provide an incumbency certificate and to the extent requested by the Administrative Agent, appropriate authorization documentation, in form and substance satisfactory to the Administrative Agent.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to the stockholders, partners or members (or the equivalent Person thereof) of the Company or any Subsidiary.

“Restricted Subsidiary” means each direct or indirect Subsidiary of the Company that (i) has total assets (including Equity Interests in other Persons) of equal to or greater than \$10,000 (calculated as of the most recent fiscal period with respect to which the Administrative Agent shall have received financial statements required to be delivered pursuant to Sections 6.01(a) or (b) (or if prior to delivery of any financial statements pursuant to such Sections, then calculated based on the Audited Financial Statements) (the “Required Financial Information”), or (ii) has revenues (on a consolidated basis with its Subsidiaries) equal to or greater than \$10,000 for a period of four consecutive fiscal quarters (calculated for the most recent four fiscal quarter period for which the



Administrative Agent has received the Required Financial Information); provided, however, that notwithstanding the foregoing, the term “Restricted Subsidiaries” (i) shall also include any Subsidiaries designated as “Restricted Subsidiaries” pursuant to the definition of “Unrestricted Subsidiaries” and (ii) shall not include any Special Purpose Insurance Captive.

“Revolving and Floorplan Facility Administrative Agent” means Bank of America, N.A., in its capacity as the administrative agent under the Revolving and Floorplan Credit Agreement or any successor administrative agent under the Revolving and Floorplan Credit Agreement.

“Revolving and Floorplan Facility Credit Agreement” means the Fifth Amended, Restated and Consolidated Credit Agreement dated as of April 14, 2021 among the Company, the Subsidiaries of the Company party thereto from time to time, the Revolving and Floorplan Facility Administrative Agent and the Revolving and Floorplan Facility Lenders (as amended, supplemented or otherwise modified from time to time).

“Revolving and Floorplan Facility Default” has the meaning specified for the term “Default” in the Revolving and Floorplan Credit Agreement.

“Revolving and Floorplan Facility Event of Default” has the meaning specified for the term “Event of Default” in the Revolving and Floorplan Credit Agreement.

“Revolving and Floorplan Facility Lenders” means the lenders party from time to time to the Revolving and Floorplan Credit Agreement.

“Revolving and Floorplan Facility Loan Documents” has the meaning specified for the term “Loan Documents” in the Revolving and Floorplan Credit Agreement.

“Revolving and Floorplan Facility Loan Party” has the meaning specified for the term “Loan Party” in the Revolving and Floorplan Credit Agreement.

“Revolving and Floorplan Facility Subsidiary Guarantor” has the meaning specified for the term “Subsidiary Guarantor” in the Revolving and Floorplan Credit Agreement.

“Revolving Facility Liquidity Amount” means, as of any date of determination, the lesser of:

(q) the difference of the Revolving Advance Limit (as defined in the Revolving and Floorplan Credit Agreement) minus Total Revolving Outstandings (as defined in the Revolving and Floorplan Credit Agreement), and

(r) the largest principal amount of Revolving Loans (as defined in the Revolving and Floorplan Credit Agreement) that may then be borrowed hereunder without resulting in a Revolving Event of Default (as defined in the Revolving and Floorplan Credit Agreement) under Section 7.11(c) (on a pro forma basis as of the last day of the most recent fiscal quarter for which a Compliance Certificate was delivered or required to be delivered), after giving pro forma effect to such Revolving Loans (as defined in the Revolving and Floorplan Credit Agreement).

“Sanction(s)” means any sanction administered or enforced by the United States government (including without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“Sarbanes-Oxley” means the Sarbanes-Oxley Act of 2002.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Secondary Term SOFR Conversion Date” has the meaning specified in Section 3.03(c).

“Secured Parties” means, collectively, with respect to each of the Security Instruments, the Administrative Agent and the Lenders.

“Securities Laws” means the Securities Act of 1933, the Securities Exchange Act of 1934, Sarbanes-Oxley and the applicable accounting and auditing principles, rules, standards and practices promulgated, approved or incorporated by the SEC or the Public Company Accounting Oversight Board, as each of the foregoing may be amended and in effect on any applicable date hereunder.

“Security Instruments” means, collectively or individually as the context may indicate, the Mortgages and any related Mortgaged Property Support Documents and all other agreements, instruments and other documents, whether now existing or hereafter in effect, pursuant to which the Company, any other Loan Party, or any other Person shall grant or convey to the Administrative Agent, for the benefit of the Secured Parties a Lien in, or any other Person shall acknowledge any such Lien in, property as security for all or any portion of the Obligations.

“Service Loaner Vehicles” means vehicles which are provided as service loaner vehicles for customers of a Subsidiary that are having their vehicles serviced by such Subsidiary.

“Smith” has the meaning specified in the definition of “Change of Control”.

“Smith Group” has the meaning specified in the definition of “Change of Control”.

“SOFR” means, with respect to any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately succeeding Business Day.

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“SOFR Administrator’s Website” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

“Solvent” means, when used with respect to any Person, that at the time of determination:

- (s) the fair value of its assets (both at fair valuation and at present fair saleable value on an orderly basis) is in excess of the total amount of its liabilities, including contingent obligations; and
- (t) it is then able and expects to be able to pay its debts as they mature; and
- (u) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

“Sonic Financial” means Sonic Financial Corporation, a North Carolina corporation.

“Special Purpose Insurance Captive” means a Person which (a) at all times shall remain a wholly-owned Subsidiary of the Company or a Revolving and Floorplan Facility Subsidiary Guarantor, (b) shall not engage in any business other than the provision of dealer physical damage

insurance for new vehicle inventory, workers compensation insurance or healthcare insurance to the Company and its Subsidiaries, (c) if organized in North Carolina (or, in any other jurisdiction, to the extent otherwise permitted by Law) has its Equity Interests pledged pursuant to the Pledge Agreement (as defined in the Revolving and Floorplan Credit Agreement) and (d) has not and shall not (i) transfer any funds to any Person other than (x) payment in the ordinary course of business and on customary market terms of liability claims made by third parties against the Company and its Subsidiaries, (y) payment of its own business expenses in the ordinary course of business and on customary market terms, and (z) distributions to the Company or any Revolving and Floorplan Facility Subsidiary Guarantor; (ii) make any Investment (other than Investments permitted under applicable insurance guidelines and made in the Company's reasonable business judgment) in any Person, (iii) incur any Indebtedness (other than Indebtedness from time to time owed to the Company or any Revolving and Floorplan Facility Subsidiary Guarantor) or grant a Lien on any of its assets (other than to secure Indebtedness owed to the Company or any Revolving and Floorplan Facility Subsidiary Guarantor), (iv) provide any compensation to directors or employees other than on customary market terms for captive insurance companies or (v) have its Equity Interests pledged to any Person other than as described in clause (c) above. The parties hereto acknowledge that as of the date hereof, SRM Assurance, Ltd. is a Special Purpose Insurance Captive. A Special Purpose Insurance Captive shall not be permitted to have, acquire or form any direct or indirect Subsidiary.

“Specified Investment” means any Investment in any Person other than an Excluded Investment.

“Specified Loan Party” means any Loan Party that is not an “eligible contract participant” under the Commodity Exchange Act (determined prior to giving effect to Section 10.19).

“Subordinated Indebtedness” has the meaning given to such term in the Revolving and Floorplan Credit Agreement.

“Subordinated Indebtedness Prepayment” means any prepayment, redemption, purchase, defeasance, settlement in cash or other satisfaction prior to the scheduled maturity thereof of any Subordinated Indebtedness, provided, however, that “Subordinated Indebtedness Prepayment” shall not include any amount prepaid with the proceeds of the refinancing of such Subordinated Indebtedness with new or additional Subordinated Indebtedness.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Company and shall include, without limitation, the Unrestricted Subsidiaries.

“Subsidiary Guarantors” means, collectively, all Restricted Subsidiaries executing a Subsidiary Guaranty on the Closing Date and all other Subsidiaries that enter into a Joinder Agreement (other than any Subsidiary Guarantor that is released in accordance with the terms hereof).

“Subsidiary Guaranty” means the Subsidiary Guaranty Agreement made by the Subsidiary Guarantors in favor of the Administrative Agent and the Lenders, substantially in the form of Exhibit E as supplemented from time to time by execution and delivery of Joinder Agreements pursuant to Section 6.14 and as otherwise supplemented, amended, or modified from time to time.

“Substitution Requirements” has the meaning specified in Section 2.19(b).

“Substitute Property” has the meaning specified in Section 2.19(a).

“Supported QFC” has the meaning specified in Section 10.22.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

“Synthetic Lease Obligation” means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Temporary Cash Investments” means (a) cash or (b) Investments held in the form of cash equivalents and short-term marketable securities.

“Temporary Excess Cash” means cash proceeds received by the Company from the issuance of Subordinated Indebtedness permitted by Section 7.03(i), which cash (as set forth in a notice delivered by the Company to the Administrative Agent within five (5) Business Days of the Company’s receipt of such cash proceeds) is intended by the Company to be applied to the prepayment or purchase (whether by open market purchase or pursuant to a tender offer) of other Subordinated Indebtedness, but has not yet been so applied solely because the Company has not completed such prepayment, repurchase or refinancing, so long as such cash is so applied within six (6) months of receipt thereof.

“Temporary Indebtedness” means Subordinated Indebtedness the Company intends to repay (whether by open market purchase or pursuant to a tender offer) using cash proceeds received by the Company from the issuance of other Subordinated Indebtedness permitted by Section 7.03(i); provided that, such applicable Subordinated Indebtedness shall only qualify as “Temporary Indebtedness” for so long as such cash proceeds qualify as “Temporary Excess Cash”.

“Term SOFR” means, for the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Term SOFR Notice” means a notification by the Administrative Agent to the Lenders and the Company of the occurrence of a Term SOFR Transition Event.

“Term SOFR Transition Event” means the determination by the Administrative Agent that (a) Term SOFR has been recommended for use by the Relevant Governmental Body, and is determinable for each Available Tenor, (b) the administration of Term SOFR is administratively feasible for the Administrative Agent and (c) a Benchmark Transition Event or an Early Opt-in Election, as applicable, has previously occurred resulting in a Benchmark Replacement in accordance with Section 3.03(c) that is not Term SOFR.

“Threshold Amount” means \$20,000,000.

“Total Credit Exposure” means, as to any Lender at any time, the unused Commitments and outstanding Loans of such Lender at such time.

“Total Outstandings” means the aggregate Outstanding Amount of all Loans.

“Type” means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person subject to IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“United States” and “U.S.” mean the United States of America.

“Unrestricted Subsidiaries” means all Subsidiaries of the Company other than the Restricted Subsidiaries; provided that in no event shall the Unrestricted Subsidiaries as a whole have more than \$100,000 in total assets or more than \$100,000 in total revenues for a period of four consecutive fiscal quarters (in each case) calculated as of the most recent four fiscal quarter period for which the Administrative Agent has received the Required Financial Information; and if either such threshold is exceeded, the Company shall immediately designate one or more such Subsidiaries to be “Restricted Subsidiaries” and deliver to the Administrative Agent all documents specified in Section 6.14 for such Subsidiaries, so that after giving effect to such designation, the remaining Unrestricted Subsidiaries shall satisfy such requirements; provided, however, that notwithstanding the foregoing, the assets and revenues of Special Purpose Insurance Captives shall not be taken into account for the purposes of determining the Company’s compliance with, and its covenants relating to, the thresholds described in this definition.

“USD LIBOR” means the London interbank offered rate for Dollars.

“Used Vehicle” means a Vehicle other than a New Vehicle; provided such Vehicle shall meet the requirements of a “Used Vehicle” under (and as defined in) the Revolving and Floorplan Credit Agreement.

“Used Vehicle Floorplan Facility” means the used vehicle floorplan facility described in Sections 2.10 through 2.14 of the Revolving and Floorplan Credit Agreement providing for revolving loans to the Company and certain Subsidiaries of the Company by certain of the Revolving and Floorplan Facility Lenders.

“U.S. Person” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“U.S. Special Resolution Regimes” has the meaning specified in Section 10.22.

“U.S. Tax Compliance Certificate” has the meaning specified in Section 3.01(e)(ii)(B)(III).

“Vehicle” means an automobile or truck with a gross vehicle weight of less than 16,000 pounds which satisfies the following requirements: (a) the vehicle is owned by a Grantor (under and as defined in the Revolving and Floorplan Credit Agreement) free of any title defects or any liens or interests of others except for Liens permitted thereon under the Revolving and Floorplan Credit Agreement; (b) the vehicle is held for sale in the ordinary course of a Grantor’s (under and as defined in the Revolving and Floorplan Credit Agreement) business and is of good and merchantable quality, (c) the vehicle is not a commercial truck designated as Class 4 or above by the U.S. Department of Transportation, Federal Highway Administration, and (d) the vehicle otherwise constitutes a “Vehicle” under (and as defined in) the Revolving and Floorplan Credit Agreement.

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

**1.02 Other Interpretive Provisions.** With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), provided that, any reference to a defined term in any such agreement, instrument or other document (including the Revolving and Floorplan Credit Agreement) which has been terminated shall have the meaning set forth in such document immediately prior to such termination, (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “hereto,” “herein,” “hereof” and “hereunder,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

(d) Any reference herein to a merger, transfer, consolidation, amalgamation, consolidation, assignment, sale, disposition or transfer, or similar term, shall be deemed to apply to a division of or by a limited liability company, or an allocation of assets to a series of a limited liability company (or the unwinding of such a division or allocation), as if it were a merger, transfer, consolidation, amalgamation, consolidation, assignment, sale, disposition or transfer, or similar term, as applicable, to, of or with a separate Person. Any division of a limited liability company shall constitute a separate Person hereunder (and each division of any limited liability company that is a Subsidiary, joint venture or any other like term shall also constitute such a Person or entity).

### 1.03 Accounting Terms.

(a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein; provided that, all calculations of financial covenants shall reflect the results of both continuing operations and discontinued operations of the Company and its Subsidiaries, and in the event of any such discontinued operations, the Company shall provide subtotals for each of “continuing operations”, “discontinued operations” and “consolidated operations”. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness of the Company and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof and the effects of FASB ASC 825 on financial liabilities shall be disregarded. In connection with the Company’s delivery of financial statements hereunder, the Company shall deliver a reconciliation of the calculations of the financial covenants before and after giving effect to the adjustments from FASB ASC 825 described in this Agreement.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Company or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Company shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Company shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Without limiting the foregoing, for purposes of determining compliance with Section 7.11, leases shall continue to be classified and accounted for on a basis consistent with that reflected in the Audited Financial Statements for all purposes of this Agreement, notwithstanding any change in GAAP relating thereto, unless the parties hereto shall enter into a mutually acceptable amendment addressing such changes, as provided for above.

(c) Consolidation of Variable Interest Entities. All references herein to consolidated financial statements of the Company and its Subsidiaries or to the determination of any amount for the Company and its Subsidiaries on a consolidated basis or any similar reference shall, in each case, be deemed to include each variable interest entity that the Company is required to consolidate pursuant to FASB ASC 810 as if such variable interest entity were a Subsidiary as defined herein.

(d) Calculation of Consolidated EBITDAR, Consolidated Fixed Charges and Consolidated Rental Expense. Consolidated EBITDAR shall be calculated for any period by including the actual amount for such period, including the Consolidated EBITDAR attributable to Acquisitions permitted hereunder and occurring during such period and (to the extent otherwise included in Consolidated Net Income) excluding the Consolidated EBITDAR attributable to Permitted Dispositions of assets occurring during such period on a pro forma basis for the period from the first day of the applicable period through the date of the closing of each such permitted Acquisition or Permitted Disposition, utilizing (i) where available or required pursuant to the terms of this Agreement, historical audited and/or reviewed unaudited financial statements obtained from the seller, broken down by fiscal quarter in the Company’s reasonable judgment or (ii) unaudited financial statements (where



no audited or reviewed financial statements are required pursuant to the terms of this Agreement) reviewed internally by the Company, broken down in the Company's reasonable judgment; provided, however, that (x) any such pro forma adjustment of Consolidated EBITDAR shall reflect the Company's and the Subsidiaries' pro forma rental payments related to the assets acquired in any applicable Acquisition (and shall not reflect any rental expense payments of the applicable seller), and (y) any such pro forma adjustment of Consolidated EBITDAR shall not result in an increase of more than 10% of Consolidated EBITDAR prior to such adjustment, unless the Company provides to the Administrative Agent (A) the supporting calculations for such adjustment and (B) such other information as the Administrative Agent may reasonably request to determine the accuracy of such calculations. For purposes of determining "Consolidated Fixed Charges" for any period, the Consolidated Interest Expense, Consolidated Principal Payments and Consolidated Rental Expenses attributable to such Permitted Dispositions described above during such period may, at the option of the Company and subject to the consent of the Administrative Agent (which shall not be unreasonably withheld), be excluded therefrom.

**1.04 Rounding.** Any financial ratios required to be maintained by the Company pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

**1.05 Times of Day.** Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

**1.06 [Reserved].**

**1.07 LIBOR Notification; Rates.** Section 3.03(c) provides a mechanism for determining an alternative rate of interest in the event that the Eurodollar Rate is no longer available or in certain other circumstances. The Administrative Agent does not warrant or accept any responsibility for and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of "Eurodollar Rate" and "Daily LIBOR Rate" or with respect to any alternative or successor rate thereto, or replacement rate therefor.

## Article II

### THE COMMITMENTS AND CREDIT EXTENSIONS

**2.01 Committed Loans.** Subject to the terms and conditions set forth herein, each Lender severally agrees to make loans (each, a "Committed Loan") to the Company from time to time in Dollars on any Business Day during the Availability Period, in an aggregate principal amount of all Committed Loans made by any such Lender not to exceed the principal amount of such Lender's Commitment; provided, that (a) after giving effect to any requested Committed Loans, the aggregate initial principal amount of all Committed Loans made hereunder shall not exceed the Committed Loan Cap in effect at the time of the proposed Borrowing of such Committed Loans and (b) in no event shall the total number of Committed Borrowings occurring during the term of this Agreement exceed four (4). Committed Loans that are repaid or prepaid may not be reborrowed. Committed Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

## 2.02 Borrowings, Conversions and Continuations of Committed Loans.

(a) Each Committed Borrowing and each conversion of Committed Loans from one Type to the other, shall be made upon the Company's irrevocable notice to the Administrative Agent, which may be given by (A) telephone, or (B) a Committed Loan Notice; provided that any telephonic notice must be confirmed immediately by delivery to the Administrative Agent of a Committed Loan Notice. Each such Committed Loan Notice must be received by the Administrative Agent not later than 11:00 a.m. (i) three Business Days prior to the requested date of any Borrowing in the case of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Committed Loans or of any conversion of Base Rate Committed Loans to Eurodollar Rate Loans, and (ii) on the requested Business Day of any Borrowing in the case of Base Rate Committed Loans. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Each Borrowing of or conversion to Base Rate Committed Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$100,000 in excess thereof. Each Committed Loan Notice shall specify (i) whether the Company is requesting a Committed Borrowing or a conversion of Committed Loans from one Type to the other, (ii) the requested date of the applicable Borrowing or conversion, as the case may be (which shall be a Business Day), (iii) the principal amount of Committed Loans to be borrowed or converted, and (iv) the Type of Committed Loans to be borrowed or to which existing Committed Loans are to be converted. If the Company fails to provide a timely Committed Loan Notice requesting a conversion of Eurodollar Rate Loans to Base Rate Loans, such Loans shall, subject to Article III, continue as Eurodollar Rate Loans. If the Company fails to specify a Type of Committed Loan in a Committed Loan Notice, then the applicable Committed Loans shall, subject to Article III, be made as, or converted to, Eurodollar Rate Loans.

(b) Following receipt of a Committed Loan Notice for a Committed Borrowing, the Administrative Agent shall promptly (and in any event, at least one Business Day prior to the requested date of advance of the applicable Committed Loans) notify each Lender of the amount of its Applicable Percentage of the applicable Committed Loans. Each Lender shall make the amount of its Committed Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 2:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.01 and Section 4.02, the Administrative Agent shall make all funds so received available to the Company in like funds as received by the Administrative Agent by crediting the account of the Company on the books of PNC Bank with the amount of such funds.

(c) The Administrative Agent shall promptly notify the Company and the Lenders of the interest rate applicable to any Eurodollar Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Company and the Lenders of any change in PNC Bank's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(d) Notwithstanding anything to the contrary in this Agreement, any Lender may exchange, continue or rollover all of the portion of its Committed Loans in connection with any refinancing, extension, loan modification or similar transaction permitted by the terms of this Agreement, pursuant to a cashless settlement mechanism approved by the Company, the Administrative Agent, and such Lender.

2.03 [Reserved].

2.04 [Reserved].

2.05 Prepayments.

(a) Optional. The Company may, upon notice to the Administrative Agent pursuant to delivery to the Administrative Agent of a Notice of Loan Prepayment, at any time or from time to time voluntarily prepay Committed Loans in whole or in part without premium or penalty subject to Section 3.06; provided that (i) such notice must be in a form acceptable to the Administrative Agent and be received by the Administrative Agent not later than 11:00 a.m. (A) on the date three Business Days prior to the date of the prepayment in connection with the prepayment of Eurodollar Rate Loans and (B) on the date of prepayment of such Loans in connection with the prepayment of Base Rate Loans; (ii) any prepayment of Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid. The Administrative Agent will promptly notify each applicable Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Subject to Section 2.16, each such prepayment of Committed Loans of the Lenders shall be applied in accordance with their respective Applicable Percentages. Except as set forth in Section 2.19(c), each prepayment of Loans pursuant to the foregoing shall be applied, to the remaining principal repayment installments of the Loans (including any payment due on the Maturity Date) on a pro rata basis. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.06.

(b) Mandatory.

(i) The Company shall prepay the Committed Loans as hereinafter provided in an aggregate amount equal to 100% of the Net Cash Proceeds received by any Loan Party from all Involuntary Dispositions with respect to Collateral within five (5) days of the date of receipt of such Net Cash Proceeds with respect to such Involuntary Disposition; provided, however, that, with respect to an Involuntary Disposition of the type described in clause (a) of such definition, so long as no Default shall have occurred and be continuing and such casualty occurs prior to November 22, 2023, all or any portion of such Net Cash Proceeds shall not be required to be so applied at the election of the Company (as notified by the Company to the Administrative Agent) to the extent such Loan Party reinvests such Net Cash Proceeds in restoration or repair of the applicable loss, destruction or damage of such Collateral within 180 days after the receipt of such Net Cash Proceeds; provided that if such Net Cash Proceeds shall have not been so reinvested shall be immediately applied to prepay the Committed Loans.

(ii) The Company shall prepay the Committed Loans in connection with a Property Substitution or Prepayment Release in the amounts, and to the extent required, pursuant to Section 2.19.

(iii) Each prepayment of Loans pursuant to clause (i) of this Section 2.05(b) shall be applied, to the remaining principal repayment installments of the Loans (including any payment due on the Maturity Date) in inverse order of maturity. Each prepayment of Loans pursuant to clause (ii) of this Section 2.05(b)

shall be applied, to the remaining principal repayment installments of the Loans (including any payment due on the Maturity Date) on a pro rata basis. All prepayments under this Section 2.05(b) shall be subject to Section 3.06, but otherwise without premium or penalty, and shall be accompanied by interest on the principal amount prepaid through the date of prepayment.

#### **2.06 Termination or Reduction of Commitments.**

(a) Optional. The Company may, upon notice to the Administrative Agent, terminate the unused Aggregate Commitments or from time to time permanently reduce the unused Aggregate Commitments; provided that (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m. five (5) Business Days prior to the date of termination or reduction, and (ii) any such partial reduction shall be in an aggregate amount of \$10,000,000 or any whole multiple of \$1,000,000 in excess thereof. The Administrative Agent will promptly notify the applicable Lenders of any such notice of termination or reduction of the unused Aggregate Commitments. Any reduction of the unused Aggregate Commitments shall be applied to the unused Commitment of each Lender in accordance with its respective Applicable Percentage. All interest accrued until the effective date of any termination of the unused Aggregate Commitments shall be paid on the effective date of such termination.

(b) Mandatory. The unused Aggregate Commitments shall be automatically and permanently terminated on the last day of the Availability Period.

**2.07 Repayment of Loans.** The Company shall make principal payments on the Committed Loans in equal installments on the last Business Day of each fiscal quarter of the Company, commencing with the fiscal quarter ending June 30, 2020, with the amount of each such principal installment equal to 2.5% of the aggregate initial principal amount of all Committed Borrowings hereunder (other than any Committed Borrowings made in such fiscal quarter); it being further agreed that a final payment comprised of all principal and interest not sooner paid on the Committed Loans, shall be due and payable on the Maturity Date. Each principal payment on the Committed Loans shall be applied to the Committed Loan of each Lender in accordance with its respective Applicable Percentage.

#### **2.08 Interest.**

(a) Subject to the provisions of subsection (b) below, (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Eurodollar Rate plus the Applicable Rate; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate.

If any amount of principal of any Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any amount (other than principal of any Loan) payable by the Company under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Required Lenders, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iii) Upon the request of the Required Lenders, while any Event of Default exists (other than as set forth in clauses (b) (i) and (b)(ii) above), the Company shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iv) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

## **2.09 Fees.**

(a) [Reserved].

(b) Other Fees. The Company shall pay to the Arranger and the Administrative Agent for their own respective accounts fees in the amounts and at the times specified in the PNC Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

(ii) The Company shall pay to the Lenders such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

## **2.10 Computation of Interest and Fees; Retroactive Adjustments of Applicable Rate.**

(a) All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the Eurodollar Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(b) If, as a result of any restatement of or other adjustment to the financial statements of the Company or for any other reason, the Company or the Lenders determine that (i)(A) the Consolidated Total Lease Adjusted Leverage Ratio as calculated by the Company as of any applicable date was inaccurate and (B) a proper calculation of the Consolidated Total Lease Adjusted Leverage Ratio would have resulted in higher pricing for such period, the Company shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Lenders promptly on demand by the Administrative Agent (or, after the occurrence of an actual or deemed entry of an order for relief with respect to the Company under the Bankruptcy Code of the United States, automatically and without further action by the Administrative Agent or any Lender), an amount equal to the excess of the amount of interest and fees that should have been paid for

such period over the amount of interest and fees actually paid for such period; and (ii)(A) the Consolidated Total Lease Adjusted Leverage Ratio as calculated by the Company as of any applicable date was inaccurate and (B) a proper calculation of the Consolidated Total Lease Adjusted Leverage Ratio would have resulted in lower pricing for such period, the Applicable Rate shall be adjusted as of the date of receipt by the Administrative Agent of a Compliance Certificate reflecting such proper calculation. This paragraph shall not limit the rights of the Administrative Agent or any Lender under Article VIII. The Company's obligations under this paragraph shall survive the termination of the Aggregate Commitments and the repayment of all other Obligations hereunder.

**2.11 Evidence of Debt.** The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Company and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Company shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

**2.12 Payments Generally; Administrative Agent's Clawback.**

(a) General. All payments to be made by the Company shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Company hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage, (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Company shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to 12:00 noon on the date of a Committed Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Committed Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 and may (but shall be under no obligation to), in reliance upon such assumption, make available to the Company a corresponding amount. In such event, if a Lender has not in fact made its share of a Committed Borrowing available to the Administrative Agent, then the applicable Lender and the Company jointly and severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Company but excluding

the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing and (B) in the case of a payment to be made by the Company, the interest rate applicable to Base Rate Loans. If the Company and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Company the amount of such interest paid by the Company for such period. If such Lender pays its share of a Committed Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in the applicable Committed Borrowing. Any payment by the Company shall be without prejudice to any claim the Company may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Company; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Company prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Company will not make such payment, the Administrative Agent may assume that the Company has made such payment on such date in accordance herewith and may (but shall be under no obligation to), in reliance upon such assumption, distribute to the Lenders, the amount due. In such event, if the Company has not in fact made such payment, then each of the Lenders, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Company with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender to the Company as provided in the foregoing provisions of this Article II, and such funds are not made available to the Company by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Committed Loans and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make any Committed Loan or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Committed Loan or to make its payment under Section 10.04(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

**2.13 Sharing of Payments by Lenders.** If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Committed Loans made by it, resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Committed Loans or participations and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase from the other applicable Lenders (for cash at face value) participations in the applicable Committed Loans or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Committed Loans and other amounts owing them, provided that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (x) any payment made by or on behalf of the Company pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender) or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Committed Loans, as the case may be to any assignee or participant, other than an assignment, participation or sub participation to the Company or any Subsidiary thereof (as to which the provisions of this Section shall apply).

The Company consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Company rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Company in the amount of such participation.

**2.14 [Reserved].**

**2.15 [Reserved].**

**2.16 Defaulting Lenders. Adjustments.** Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable Law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders" and in Section 10.01.

(ii) Reallocation of Payments. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise, and including any amounts made available to the Administrative Agent by such Defaulting Lender pursuant to Section 10.08), shall be applied at such time or times as may be determined by the Administrative Agent as follows; *first*, as to any payment made in respect of principal of Loans, ratably to the principal amount of Committed Loans of other Lenders as if such Defaulting Lender had no Loans outstanding, until such time as the Outstanding Amount of Committed Loans of each Lender shall equal its pro rata share thereof based on its Applicable Percentage; *second*, to any amounts (including interest thereon) owed hereunder by such Defaulting Lender to the Administrative Agent; and *third*, to the



Defaulting Lender or otherwise as required by applicable Law. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied to pay amounts owed by a Defaulting Lender shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) Defaulting Lender Cure. If the Company and the Administrative Agent, agree in writing in their reasonable discretion that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, such Lender will, to the extent applicable, purchase such portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Committed Loans to be held on a pro rata basis by the Lenders in accordance with their Applicable Percentages, whereupon such Lender will cease to be a Defaulting Lender (and the Applicable Percentages of each Lender will automatically be adjusted on a prospective basis to reflect the foregoing); provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Company while such Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender's having been a Defaulting Lender.

## **2.17 Security.**

(a) Security. As security for the full and timely payment and performance of all Obligations, the Company shall, and shall cause all other Loan Parties to, on or before the Closing Date, do or cause to be done all things reasonably necessary in the opinion of the Administrative Agent and its counsel to grant to the Administrative Agent for the benefit of the Secured Parties a duly perfected security interest in all Collateral subject to no prior Lien or other encumbrance except as expressly permitted hereunder or under the other Loan Documents and with the priority identified in the Security Instruments. In addition, and without limiting the foregoing, the Company shall take and cause each other Loan Party to take such further action, and deliver or cause to be delivered such further documents and instruments, as required by the Security Instruments or otherwise as the Administrative Agent may reasonably request to create, perfect and maintain the effectiveness and priority of the Liens contemplated by this Section 2.17 and each of the Security Instruments.

(b) Further Assurances. At the request of the Administrative Agent from time to time, the Company will or will cause all other Loan Parties, as the case may be, to execute, by their respective Responsible Officers, alone or with the Administrative Agent, any certificate, instrument, financing statement, control agreement, statement or document, or to procure any certificate, instrument, statement or document or to take such other action (and pay all related costs) which the Administrative Agent reasonably deems necessary from time to time to create, continue or preserve the Liens in Collateral (and the perfection and priority thereof) of the Administrative Agent for the benefit of the Secured Parties contemplated hereby and by the other Loan Documents.

## 2.18 Additional Mortgaged Properties.

(a) Additional Mortgaged Properties. Following the Closing Date, the Company may add additional tracts of real property owned by the Company or any of its Subsidiaries as Mortgaged Properties (each an "Additional Mortgaged Property"), subject to the satisfaction of the Additional Mortgaged Property Requirements.

(b) Additional Mortgaged Property Requirements. The addition of any Additional Mortgaged Property shall be subject to the following conditions precedent (collectively, the "Additional Mortgaged Property Requirements"):

(i) the Administrative Agent and the Lenders shall have received at least sixty (60) days prior written notice requesting the real property be added as an Additional Mortgaged Property; provided that no such notice shall be required with respect to the real property set forth on Schedule 2.18;

(ii) the Administrative Agent and the Lenders shall have received a FIRREA-conforming appraisal for such property of the current value of such property as of a date that is within 12 months before the date of the addition of such real property as an Additional Mortgaged Property, which appraisal shall be in form and substance reasonably acceptable to the Administrative Agent;

(iii) the Administrative Agent and the Lenders shall have received (y) the Mortgaged Property Support Documents with respect to such proposed Additional Mortgaged Property and (z) an updated Schedule 5.20(c) that is true, correct and complete after giving effect to the addition of such Additional Mortgaged Property;

(iv) the Administrative Agent and the Lenders shall have received evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect, including endorsements naming the Administrative Agent (on behalf of the Secured Parties) as an additional insured and mortgagee, as the case may be, on all such insurance policies maintained with respect to such proposed Additional Mortgaged Property and the new Loan Parties following the completion of the addition of such Additional Mortgaged Property as a Mortgaged Property;

(v) unless waived by the Administrative Agent, the Company shall have paid all expenses of the Administrative Agent in connection with the addition of such Additional Mortgaged Property, including (i) real property diligence related expenses, including appraisal and environmental assessment fees, and (ii) fees, charges and disbursements of counsel to the Administrative Agent to the extent invoiced prior to or on the date of the addition of such Additional Mortgaged Property, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings with respect to the addition of such Additional Mortgaged Property (provided that such estimate shall not thereafter preclude a final settling of accounts between the Company and the Administrative Agent);

(vi) any Subsidiary of the Company that owns such Additional Mortgaged Property or leases or operates a vehicle dealership at such Additional Mortgaged Property shall have complied with the requirements of Section 6.14; and

(vii) the Additional Mortgaged Property shall otherwise be reasonably acceptable to the Required Lenders (as evidenced by written notice to the

Administrative Agent (which notice may be delivered via electronic mail) from Lenders constituting the Required Lenders).

(c) Flood Requirements. Notwithstanding anything to the contrary contained herein, if at any time Additional Mortgaged Property is to be pledged as a Mortgaged Property hereunder, the Administrative Agent shall not enter into, accept or record any Mortgage in respect of such Additional Mortgaged Property until the Administrative Agent shall have received written confirmation from each Lender (which may be delivered via electronic mail) that flood insurance compliance has been completed by such Lender with respect to such Additional Mortgaged Property.

## **2.19 Substitution and Release of Mortgaged Property.**

(a) Release. The Company may obtain the release of up to two Mortgaged Properties during the term of this Agreement (each herein called a "Release Property") by (i) substituting such Release Property with a tract of owner occupied real property owned by the Company or one of its Subsidiaries (a "Substitute Property") with respect to such Release Property (each such release and substitution herein called, a "Property Substitution."), subject to the satisfaction of the Substitution Requirements, or (ii) making a prepayment of the Loans in the amount of the Release Price applicable to such Mortgaged Property, which prepayment shall be applied to the remaining principal repayment installments of the Loans (including any payment due on the Maturity Date) in inverse order of maturity (each such release, a "Prepayment Release").

(b) Substitute Property. Each Property Substitution shall be subject to the satisfaction of the following conditions precedent (collectively, the "Substitution Requirements"):

(i) The Administrative Agent and the Lenders shall have received at least sixty (60) days prior written notice requesting the Property Substitution;

(ii) The Substitute Property shall (A) have an Appraised Value no less than the Initial Appraised Value of the applicable Release Property (or, if the Substitute Property has an Appraised Value of less than the Initial Appraised Value of the applicable Release Property, a prepayment of the Committed Loans in an amount equal to 75% of the amount by which the Initial Appraised Value of the applicable Release Property exceeds the Appraised Value of the Substitute Property (the "Partial Release Price"), which Partial Release Price shall be due and payable at the time of Property Substitution, and shall have been received by the Administrative Agent, in immediately available funds, as a condition to such Property Substitution); provided that if such Substitute Property does not have material improvements constructed thereon, such Substitute Property shall have an Appraised Value of an amount such that 65% of Appraised Value of such Substitute Property equals 75% of the Initial Appraised Value of the applicable Release Property (or, if less, a prepayment of the Committed Loans in an amount equal to 75% of such difference shall be due and payable at the time of Property Substitution, and shall have been received by the Administrative Agent, in immediately available funds, as a condition to such Property Substitution), and (B) be otherwise acceptable to the Administrative Agent.

(iii) The Administrative Agent and the Lenders shall have received (y) the Mortgaged Property Support Documents with respect to such Substitute Property and (z) an updated Schedule 5.20(c) that is true, correct and complete after giving effect to such Property Substitution;

(iv) The representations and warranties of the Company and each other Loan Party contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of such Property Substitution, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01;

(v) No Default or Event of Default shall exist, or would result from such Property Substitution;

(vi) The Administrative Agent and the Lenders shall have received evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect, including endorsements naming the Administrative Agent (on behalf of the Secured Parties) as an additional insured and mortgagee, as the case may be, on all such insurance policies maintained with respect to the Substitute Property and the new Loan Parties following the completion of the Property Substitution;

(vii) unless waived by the Administrative Agent, the Company shall have paid all expenses of the Administrative Agent in connection with such Property Substitution, including (i) real property diligence related expenses, including appraisal and environmental assessment fees, and (ii) fees, charges and disbursements of counsel to the Administrative Agent to the extent invoiced prior to or on the date of such Property Substitution, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings with respect to such Property Substitution (provided that such estimate shall not thereafter preclude a final settling of accounts between the Company and the Administrative Agent);

(viii) any Subsidiary of the Company that owns such Substitute Property or leases or operates a vehicle dealership at such Substitute Property shall have complied with the requirements of Section 6.14; and

(ix) the Property Substitution and the Substitute Property shall otherwise be reasonably acceptable to the Required Lenders (as evidenced by written notice to the Administrative Agent (which notice may be delivered via electronic mail) from Lenders constituting the Required Lenders).

(c) Prepayment Release. Any Prepayment Release shall be subject to (i) receipt by the Administrative Agent of the Release Price, in immediately available funds, (ii) no Default or Event of Default shall exist, or would result from such Prepayment Release, and (iii) receipt of an updated Schedule 5.20(c) that is true, correct and complete after giving effect to the release of such Release Property.

(d) Further Assurances. After giving effect to any Property Substitution or Prepayment Release, the Administrative Agent agrees (at the expense of the Company) to execute, as applicable, and deliver to the Company any such mortgage releases and other similar discharge or release documents, as are reasonably requested and necessary to release, as of record, the security interests in favor of the Administrative Agent under the Loan Documents in the applicable Release Property and each Subsidiary Guarantor that,

after giving effect to such Property Substitution or Prepayment Release, is no longer required to be a Subsidiary Guarantor pursuant to Section 6.14.

(e) Flood Requirements. Notwithstanding anything to the contrary contained herein, if at any time Substitute Property is to be pledged as a Mortgaged Property hereunder, the Administrative Agent shall not enter into, accept or record any Mortgage in respect of such Substitute Property until the Administrative Agent shall have received written confirmation from each Lender (which may be delivered via electronic mail) that flood insurance compliance has been completed by such Lender with respect to such Substitute Property.

### Article III

#### TAXES, YIELD PROTECTION AND ILLEGALITY

##### 3.01 Taxes.

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes

(i) Any and all payments by or on account of any obligation of any Loan Party hereunder or under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of the Administrative Agent) require the deduction or withholding of any Tax from any such payment by the Administrative Agent or a Loan Party, then the Administrative Agent or such Loan Party shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If any Loan Party or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States federal backup withholding and withholding taxes, from any payment, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iii) If any Loan Party or the Administrative Agent shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment, then (A) such Loan Party or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) such Loan Party or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified

Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by the Company. Without limiting the provisions of subsection (a) above, the Company shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) Tax Indemnifications. The Company shall, and does hereby, indemnify each Recipient, and shall make payment in respect thereof within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Company by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error. The Company shall, and does hereby, indemnify the Administrative Agent, and shall make payment in respect thereof within 10 days after demand therefor, for any amount which a Lender for any reason fails to pay indefeasibly to the Administrative Agent as required pursuant to Section 3.01(c)(ii) below.

(ii) Each Lender shall, and does hereby, severally indemnify, and shall make payment in respect thereof within 10 days after demand therefor, (x) the Administrative Agent against any Indemnified Taxes attributable to such Lender (but only to the extent that the Company has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Company to do so), (y) the Administrative Agent and the Company, as applicable, against any Taxes attributable to such Lender's failure to comply with the provisions of Section 10.06(d) relating to the maintenance of a Participant Register and (z) the Administrative Agent and the Company, as applicable, against any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent or the Company in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender, as the case may be, under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this clause 3.01(c)(ii).

(d) Evidence of Payments. Upon request by the Company or the Administrative Agent, as the case may be, after any payment of Taxes by the Company or by the Administrative Agent to a Governmental Authority as provided in this Section 3.01, the Company shall deliver to the Administrative Agent or the Administrative Agent shall deliver to the Company, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Company or the Administrative Agent, as the case may be.

(e) Status of Lenders; Tax Documentation.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Company and the Administrative Agent, at the time or times reasonably requested by the Company or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Company or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Company or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Company or the Administrative Agent as will enable the Company or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.01(e)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Company is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Company and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Company or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Company and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Company or the Administrative Agent), whichever of the following is applicable:

(I) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN or W-8BENE, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or W-8BENE, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(II) executed copies of IRS Form W-8ECI;

(III) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the

Code, (x) a certificate substantially in the form of Exhibit N-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Company within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed copies of IRS Form W-8BEN or W-8BENE, as applicable; or

(IV) to the extent a Foreign Lender is not the beneficial owner of the applicable interest in any Credit Extension or Commitment, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-SECT, IRS Form W-8BEN or W-8BENE, as applicable, a U.S. Tax Compliance Certificate substantially in the form of Exhibit N-2 or Exhibit N-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit N-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Company and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Company or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Company or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Company and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Company or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Company or the Administrative Agent as may be necessary for the Company and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement. For purposes of determining withholding Taxes imposed under FATCA from and after the effective date of this Agreement, the Company and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) the Loans hereunder and this Agreement as



not qualifying as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

(iii) Each Lender agrees that if any form or certification it previously delivered pursuant to this Section 3.01 expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Company and the Administrative Agent in writing of its legal inability to do so.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender, or have any obligation to pay to any Lender, any refund of Taxes withheld or deducted from funds paid for the account of such Lender, as the case may be. If any Recipient determines that it has received a refund of any Taxes as to which it has been indemnified by the Company or with respect to which the Company has paid additional amounts pursuant to this Section 3.01, it shall pay to the Company an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Company under this Section 3.01 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Company, upon the request of the Recipient, agrees to repay the amount paid over to the Company (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Recipient in the event the Recipient is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Recipient be required to pay any amount to the Company pursuant to this subsection the payment of which would place the Recipient in a less favorable net after-Tax position than such Recipient would have been in if Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection shall not be construed to require any Recipient to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Company or any other Person.

(g) Survival. Each party’s obligations under this Section 3.01 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

**3.02 Illegality**. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Loans whose interest is determined by reference to the Eurodollar Rate, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Company through the Administrative Agent, (i) any obligation of such Lender to issue, make, maintain, fund or charge interest with respect to any such Credit Extension, or continue Eurodollar Rate Loans, or to convert Base Rate Committed Loans to Eurodollar Rate Loans shall be suspended, and (ii) if such notice asserts the illegality of such Lender making or maintaining Base Rate Loans the interest rate on which is determined by reference to the Eurodollar Rate component of the Base Rate, the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Eurodollar Rate component of the Base Rate, in each case until such Lender notifies the Administrative Agent and the Company that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (x) the Company shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all such Eurodollar

Rate Loans of such Lender to Base Rate Loans (the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Eurodollar Rate component of the Base Rate) either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans and (y) if such notice asserts the illegality of such Lender determining or charging interest rates based upon the Eurodollar Rate, the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Lender without reference to the Eurodollar Rate component thereof until the Administrative Agent is advised in writing by such Lender that it is no longer illegal for such Lender to determine or charge interest rates based upon the Eurodollar Rate. Upon any such prepayment or conversion, the Company shall also pay accrued interest on the amount so prepaid or converted.

### **3.03 Inability to Determine Rates.**

(a) If in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof, (i) the Administrative Agent determines that (A) Dollar deposits are not being offered to banks in the London interbank Eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, or (B) (x) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan or in connection with an existing or proposed Base Rate Loan and (y) the circumstances described in Section 3.03(c) do not apply (in each case with respect to clauses (i)(A) or (i)(B) above, "Impacted Loans"), or (ii) the Administrative Agent or the Required Lenders determine that for any reason the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Eurodollar Rate Loan, the Administrative Agent will promptly so notify the Company and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended (to the extent of the affected Eurodollar Rate Loans or Interest Periods) and (y) in the event of a determination described in the preceding sentence with respect to the Eurodollar Rate component of the Base Rate, the utilization of the Eurodollar Rate component in determining the Base Rate shall be suspended, in each case until the Administrative Agent upon the instruction of the Required Lenders revokes such notice. Upon receipt of such notice, the Company may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans (to the extent of the affected Eurodollar Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a Committed Borrowing of Base Rate Loans in the amount specified therein.

(b) Notwithstanding the foregoing, if the Administrative Agent has made the determination described in clause (a)(i) of this section, the Administrative Agent, in consultation with the Company and the affected Lenders, may establish an alternative interest rate for the Impacted Loans, in which case, such alternative rate of interest shall apply with respect to the Impacted Loans until (1) the Administrative Agent revokes the notice delivered with respect to the Impacted Loans under clause (a)(i) of the first sentence of this section, (2) the Administrative Agent or the Required Lenders notify the Administrative Agent and the Company that such alternative interest rate does not adequately and fairly reflect the cost to such Lenders of funding the Impacted Loans, or (3) any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make, maintain or fund Loans whose interest is determined by reference to such alternative rate of interest or to determine or charge interest rates based upon such rate or any Governmental Authority has imposed material restrictions on the authority of such Lender to do any of the foregoing and provides the Administrative Agent and the Company written notice thereof.

(c) Benchmark Replacement Setting.

(i) Announcements Related to LIBOR. On March 5, 2021, the ICE Benchmark Administration, the administrator of LIBOR (the “IBA”) and the U.K. Financial Conduct Authority, the regulatory supervisor for the IBA, announced in a public statement the future cessation or loss of representativeness of overnight/Spot Next, 1-week, 1-month, 2-month, 3-month, 6-month and 12-month USD LIBOR tenor settings (collectively, the “Cessation Announcements”). The parties hereto acknowledge that, as a result of the Cessation Announcements, a Benchmark Transition Event occurred on March 5, 2021 with respect to USD LIBOR under clauses (1) and (2) of the definition of Benchmark Transition Event below; provided however, no related Benchmark Replacement Date occurred as of such date.

(ii) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document, if a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (1) or (2) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document and (y) if a Benchmark Replacement is determined in accordance with clause (3) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of any Benchmark setting at or after 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Lenders without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document so long as the Administrative Agent has not received, by such time, written notice of objection to such Benchmark Replacement from Lenders comprising the Required Lenders.

(iii) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document.

(iv) Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify the Company and the Lenders of (A) any occurrence of a Benchmark Transition Event, a Term SOFR Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date, (B) the implementation of any Benchmark Replacement, (C) the effectiveness of any Benchmark Replacement Conforming Changes, (D) the removal or reinstatement of any tenor of a Benchmark pursuant to paragraph (iv) below and (E) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section 3.03(c), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to

take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any other Loan Document, except, in each case, as expressly required pursuant to this Section 3.03(c).

(v) Unavailability of Tenor of Benchmark. Notwithstanding anything to the contrary herein or in any other Loan Document, at any time (including in connection with the implementation of a Benchmark Replacement), (A) if the then-current Benchmark is a term rate (including Term SOFR or USD LIBOR) and either (1) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (2) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is or will be no longer representative, then the Administrative Agent may modify the definition of “Interest Period” for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (B) if a tenor that was removed pursuant to clause (A) above either (1) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (2) is not, or is no longer, subject to an announcement that it is or will no longer be representative for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of “Interest Period” for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(vi) Benchmark Unavailability Period. Upon the Company’s receipt of notice of the commencement of a Benchmark Unavailability Period, the Company may revoke any request for a Loan bearing interest based on USD LIBOR, conversion to or continuation of Loans bearing interest based on USD LIBOR to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Company will be deemed to have converted any such request into a request for a Loan of or conversion to Loans bearing interest under the Base Rate. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of the Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Base Rate.

(vii) Term SOFR Transition Event. Notwithstanding anything to the contrary herein or in any other Loan Document and subject to the proviso below in this paragraph, if a Term SOFR Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (A) the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes hereunder or under any Loan Document in respect of such Benchmark setting (the “Secondary Term SOFR Conversion Date”) and subsequent Benchmark settings, without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document; and (B) Loans outstanding on the Secondary Term SOFR Conversion Date bearing interest based on the then-current Benchmark shall be deemed to have been converted to Loans bearing interest at the Benchmark Replacement with a tenor approximately the same length as the interest payment period of the then-current Benchmark; provided that, this paragraph (vii) shall not be effective unless the Administrative Agent has delivered to the Lenders and the Company a Term SOFR Notice. For the avoidance of doubt, the Administrative

Agent shall not be required to deliver a Term SOFR Notice after a Term SOFR Transition Event and may do so in its sole discretion.

### **3.04 Increased Costs .**

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except for any reserve requirement reflected in the LIBOR Reserve Percentage);

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Loans made by such Lender or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making, converting to, continuing or maintaining any Loan, or of maintaining its obligation to make any such Loan, then, upon request of such Lender, the Company will pay to such Lender, as the case may be, such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Company will pay to such Lender, such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Company shall be conclusive absent manifest error. The Company shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Company shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender, notifies the Company of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

### **3.05 Mitigation Obligations; Replacement of Lenders.**

(a) Designation of a Different Lending Office. Each Lender may make any Credit Extension to the Company through any Lending Office, provided that the exercise of this option shall not affect the obligation of the Company to repay the Credit Extension in accordance with the terms of this Agreement. If any Lender requests compensation under Section 3.04, or the Company is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then at the request of the Company such Lender shall, as applicable, use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Company is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, and in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 3.05(a), the Company may replace such Lender in accordance with Section 10.13.

**3.06 Compensation for Losses.** Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Company shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by the Company (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Company;

(c) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Company pursuant to Section 10.13;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Company shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Company to the Lenders under this Section 3.06, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

**3.07 Survival.** All of the Company's obligations under this Article III shall survive termination of the Aggregate Commitments, repayment of all other Obligations hereunder, and resignation of the Administrative Agent.

#### Article IV

#### CONDITIONS PRECEDENT TO EFFECTIVENESS

**4.01 Conditions Precedent to Effectiveness.** The effectiveness of this Agreement is subject to satisfaction or waiver of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) executed counterparts of (A) this Agreement, and (B) the Subsidiary Guaranty;

(ii) a Note executed by the Company in favor of each Lender requesting a Note;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and that each Loan Party is validly existing, in good standing and qualified to engage in business in the respective jurisdictions specified in Schedule 4.01, which includes each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(v) a favorable opinion of Parker Poe Adams & Bernstein LLP, counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, in form and substance acceptable to the Administrative Agent (which shall include matters of Delaware, North Carolina, Georgia, Virginia and Federal Law) and such other matters concerning the Loan Parties and the Loan Documents as the Required Lenders may reasonably request;

(vi) a favorable opinion of local counsel to the Loan Parties in Colorado, Maryland, Tennessee and Texas, addressed to the Administrative Agent and each Lender in form and substance satisfactory to the Administrative Agent;

(vii) a certificate of a Responsible Officer of the Company either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by such Loan Party and the validity against such Loan Party of the Loan Documents to which it is a party, and such consents,

licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(viii) a certificate signed by a Responsible Officer of the Company certifying that (A) the representations and warranties of the Company and each other Loan Party contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the Closing Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, (B) no Default or Event of Default shall exist, and (C) that there has been no event or circumstance since the date of the Audited Financial Statements that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;

(ix) a certificate signed by the chief executive officer, chief financial officer, treasurer, chief accounting officer or other Responsible Officer of the Company certifying that each Loan Party is Solvent, after giving effect to this Agreement and the other Loan Documents and the Indebtedness pursuant hereto and thereto;

(x) (A) a duly completed preliminary Compliance Certificate as of the last day of the fiscal quarter of the Company ended on September 30, 2019, signed by a Responsible Officer of the Company and (B) a calculation of the Committed Loan Cap as of the Closing Date;

(xi) evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect, including endorsements naming the Administrative Agent (on behalf of the Secured Parties) as an additional insured and loss payee, as the case may be, on all such insurance policies maintained with respect to properties of the Company or any Loan Party constituting part of the Collateral;

(xii) Mortgaged Property Support Documents with respect to the Mortgaged Properties;

(xiii) executed counterparts of an environmental indemnity agreement in form and substance reasonably acceptable to the Administrative Agent, with respect to the Mortgaged Properties (an "Environmental Indemnity Agreement");

(xiv) forecasts (including assumptions) prepared by the management of the Company of consolidated balance sheets, income statements and cash flow statements of the Company and its Subsidiaries in form and substance reasonably satisfactory to the Administrative Agent through fiscal year end 2023;

(xv) upon the reasonable request of any Lender, the Company shall have provided to such Lender, and such Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act, and any Loan Party that qualifies as a "legal entity customer" under the Beneficial Ownership Regulation shall have delivered to each Lender that so requests, a Beneficial Ownership Certification in relation to such Loan Party;



(xvi) (A) the audited consolidated financial statements of the Company and its subsidiaries for the fiscal year ended December 31, 2018, and (B) the internally-prepared quarterly financial statements of the Company and its subsidiaries on a consolidated basis for each fiscal quarter ending at least 45 days prior to the Closing Date and (C) such other financial information as the Administrative Agent may reasonably request; and

(xvii) such other assurances, certificates, documents, consents or opinions as the Administrative Agent or the Required Lenders reasonably may require.

(b) Any upfront fees or other fees required to be paid to the Administrative Agent, the Arranger, or any Lender on or before the Closing Date pursuant to any Loan Document or the Existing Credit Agreement shall have been paid.

(c) Unless waived by the Administrative Agent, the Company shall have paid all expenses of the Administrative Agent owed pursuant to the Fee Letter, including (i) real property diligence related expenses, including appraisal fees, and (ii) the fees, charges and disbursements of counsel to the Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Company and the Administrative Agent).

Without limiting the generality of the provisions of Section 9.03, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

**4.02 Conditions to all Credit Extensions.** The obligation of each Lender to honor any Request for Credit Extension (other than pursuant to a Committed Loan Notice requesting only a conversion of Committed Loans to the other Type) is subject to the following conditions precedent:

(a) The representations and warranties of the Company and each other Loan Party contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01.

(b) No Default or Event of Default shall exist, or would result from such proposed Credit Extension or from the application of the proceeds thereof.

(c) The Administrative Agent shall have received a Request for Credit Extension in accordance with the requirements hereof.

Each Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Committed Loans to the other Type) submitted by the Company shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

## Article V

### REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Administrative Agent and the Lenders that:

**5.01 Existence, Qualification and Power; Compliance with Laws.** Each Loan Party and each Subsidiary thereof (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all franchises and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, and (d) is in compliance with all Laws; except in each case referred to in clause (b)(i), (c) or (d), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

**5.02 Authorization; No Contravention.** The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (i) any Contractual Obligation to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any Law. Each Loan Party and each Subsidiary thereof is in compliance with all Contractual Obligations referred to in clauses (b) and (c), except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

**5.03 Governmental Authorization; Other Consents.** No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document (other than (i) any such filing necessary or advisable to perfect in favor of the Administrative Agent, for the benefit of the Secured Parties, the Liens on the Collateral and (ii) any such approval, consent, exemption, authorization, other action, notice or filing that has been obtained, taken, given or made and is in full force and effect), except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

**5.04 Binding Effect.** This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by each Loan Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms.

**5.05 Financial Statements; No Material Adverse Effect; No Internal Control Event.**

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Company and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Company and its Subsidiaries

as of the date thereof, including liabilities for taxes, material commitments and Indebtedness.

(b) The unaudited consolidated and consolidating balance sheets of the Company and its Subsidiaries dated September 30, 2019, and the related consolidated statements of income or operations, shareholders' equity and cash flows, and consolidating statements of income or operations, in each case for the fiscal quarter ended on that date, and in each case prior to intercompany eliminations (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (ii) fairly present the consolidated financial condition of the Company and its Subsidiaries as of the date thereof and their consolidated results of operations for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments. As of the Closing Date, Schedule 5.05 sets forth all material indebtedness and other liabilities, direct or contingent, of the Company and its consolidated Subsidiaries not included in such financial statements, including liabilities for taxes, material commitments and Indebtedness.

(c) Since the date of the Audited Financial Statements, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

(d) To the Company's best knowledge, no Internal Control Event, exists or has occurred since the date of the Audited Financial Statements that has resulted in or could reasonably be expected to result in a misstatement in any material respect, in any financial information delivered or to be delivered to the Administrative Agent or the Lenders, of (x) covenant compliance calculations provided hereunder or (y) the assets, liabilities, financial condition or results of operations of the Company and its Subsidiaries on a consolidated basis.

**5.06 Litigation.** There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Company after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against the Company or any of its Subsidiaries or against any of their properties (including any Mortgaged Property) or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby, or (b) if determined adversely, could reasonably be expected to have a Material Adverse Effect. Schedule 5.06 (as supplemented by any written notices provided by the Company after the Closing Date pursuant to Section 6.02(a)) sets forth all actions, suits, proceedings, claims or disputes pending, or to the knowledge of the Company after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority seeking damages or other remedies in excess of the Threshold Amount or which if determined adversely, could reasonably be expected to have a Material Adverse Effect.

**5.07 No Default.** Neither the Company nor any Subsidiary is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

**5.08 Ownership of Property.** Each of the Company and each Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business (including, good record and marketable title in fee simple to the Mortgaged Properties), except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Collateral is subject to no Liens, other than Liens permitted by Section 7.01.

### **5.09 Environmental Compliance.**

(a) The Company and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and any material claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof the Company has reasonably concluded that such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Each of the Mortgaged Properties and all operations at the Mortgaged Properties are in compliance with all applicable Environmental Laws, and there is no violation of any Environmental Law with respect to the Mortgaged Properties, and there are no conditions relating to the Mortgaged Properties that could give rise to any Environmental Liability, except, in each case, as could not reasonably be expected to have a Material Adverse Effect. There are no pending or, to the best knowledge of the Company, threatened claims or proceedings under Environmental Laws, including any such claims for liabilities under CERCLA relating to the disposal of Hazardous Materials, against any Mortgaged Property, or against any Loan Party with respect to any Mortgaged Property, except to the extent that the aggregate effect of all such claims and proceedings could not reasonably be expected to have a Material Adverse Effect. There are no facts, circumstances, conditions or occurrences on any Mortgaged Property that, to the best knowledge of the Company, could reasonably be expected (i) to form the basis of any Environmental Liability against any Loan Party or any Mortgaged Property, or (ii) to cause any Mortgaged Property to be subject to any restrictions on the ownership, occupancy, use or transferability of such Mortgaged Property by the Loan Parties under any applicable Environmental Law, except to the extent that the aggregate effect of such facts, circumstances, conditions or occurrences could not reasonably be expected to have a Material Adverse Effect. Hazardous Materials have not been transported or disposed of from the Mortgaged Properties, or generated, treated, stored or disposed of at, on or under any of the Mortgaged Properties or any other location, in each case by or on behalf the Loan Parties in violation of, or in a manner that would be reasonably likely to give rise to liability under, any applicable Environmental Law, except as could not reasonably be expected to have a Material Adverse Effect. Hazardous Materials have not been released on or from any Mortgaged Property where such release, individually or in the aggregate, may reasonably be expected to have a Material Adverse Effect.

**5.10 Insurance.** The properties of the Company and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Company, in such amounts, with such deductibles and covering such risks as (i) are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Company or the applicable Subsidiary operates and (ii) satisfy the requirements of Section 6.07 and the Security Instruments.

**5.11 Taxes.** The Company and its Subsidiaries have filed all Federal, state and other material tax returns and reports required to be filed, and have paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Company or any Subsidiary that would, if made, have a Material Adverse Effect. Neither any Loan Party nor any Subsidiary thereof is party to any tax sharing agreement.

## 5.12 ERISA Compliance.

(a) Each Plan, and to the knowledge of the Company, each Multiemployer Plan and Multiple Employer Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Pension Plan which is intended to be a qualified plan under Section 401(a) of the Code (i) has received a favorable determination letter from the Internal Revenue Service to the effect that the form of such Pension Plan is qualified under Section 401(a) of the Code and that the trust related thereto has been determined to be exempt from federal income tax under Section 501(a) of the Code or an application for such a letter is currently being processed by the Internal Revenue Service or (ii) uses a prototype or volume submitter document that has been duly adopted and the form of which is the subject of an IRS opinion or advisory letter received by the sponsor of the prototype or volume submitter document. To the best knowledge of the Company, nothing has occurred that would prevent or cause the loss of such tax-qualified status.

(b) There are no pending or, to the best knowledge of the Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan or to the knowledge of the Company, any Multiemployer Plan or Multiple Employer Plan that could reasonably be expected to have a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has engaged in any prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan, Multiemployer Plan or Multiple Employer Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred with respect to any Pension Plan, or to the knowledge of the Company, any Multiemployer Plan or Multiple Employer Plan, and neither the Company nor any ERISA Affiliate is aware of any fact, event or circumstance that could reasonably be expected to constitute or result in an ERISA Event; (ii) the Company and each ERISA Affiliate has met all applicable requirements under the Pension Funding Rules in respect of each Pension Plan, and no waiver of the minimum funding standards under the Pension Funding Rules has been applied for or obtained; (iii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is 60% or higher and neither the Company nor any ERISA Affiliate knows of any facts or circumstances which would cause the funding target attainment percentage for any such plan to drop below 60% as of the most recent valuation date; (iv) neither the Company nor any ERISA Affiliate has incurred any liability to the PBGC other than for the payment of premiums, and there are no premium payments which have become due which are unpaid; and (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or Section 4212(c) of ERISA.

(d) The Company represents and warrants as of the Second Amendment Effective Date that it is not and will not be using “plan assets” (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA or otherwise) of one or more Benefit Plans in connection with the Loans or the Commitments.

**5.13 Subsidiaries; Equity Interests.** As of the Closing Date, the Company has no Subsidiaries other than those specifically disclosed in Part (a) of Schedule 5.13, and all of the outstanding Equity Interests in such Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or its Subsidiaries in the amounts specified on Part (a) of Schedule 5.13 free and clear of all Liens. The Company has no equity investments in any other corporation or entity other than those specifically disclosed in Part(b) of Schedule 5.13. All of the outstanding Equity Interests in the Company have been validly issued and are fully paid and nonassessable.

#### **5.14 Margin Regulations; Investment Company Act.**

(a) The Company is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Company, any Person Controlling the Company, or any Subsidiary is or is required to be registered as an “investment company” under the Investment Company Act of 1940.

**5.15 Disclosure.** The Company has disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No report, financial statement, certificate or other information furnished (whether in writing or orally) by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

**5.16 Compliance with Laws.** Each of the Company and each Subsidiary is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

**5.17 Intellectual Property; Licenses, Etc.** The Company and its Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights (collectively, “IP Rights”) that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person, except where the failure to do so, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Company, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Company, threatened, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

**5.18 Books and Records.** Each of the Company and each Subsidiary maintains proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied have been made of all financial transactions and matters involving the assets and business of the Company or such Subsidiary, as the case may be.

**5.19 [Reserved].**

**5.20 Collateral; Mortgaged Properties; Leases.**

(a) The provisions of each of the Security Instruments are effective to create in favor of the Administrative Agent for the benefit of the Secured Parties, a legal, valid and enforceable, perfected security interest (with the priority described therein) in all right, title and interest of each applicable Loan Party in the Collateral described therein, except as otherwise permitted hereunder.

(b) No Contractual Obligation to which any Loan Party is a party or by which the property of any Loan Party is bound prohibits the filing or recordation of any of the Loan Documents or any other action which is necessary or appropriate in connection with the perfection of the Liens on Collateral evidenced and created by any of the Loan Documents.

(c) As of the Closing Date, Schedule 5.20(c) lists all of the Mortgaged Properties and all Leases with respect to the Mortgaged Properties, and identifies the applicable Loan Party that owns the fee interest in such Mortgaged Property and the Loan Party that is the tenant under the Lease with respect to such Mortgaged Property.

(d) Each Mortgaged Property is assessed for real estate tax purposes as one or more wholly independent tax parcels, separate from any other real property, and no other real property is assessed and taxed together with any Mortgaged Property or any portion thereof.

(e) Each Mortgaged Property is served by public or private utilities (including water and sewer systems) required and adequate for the current or contemplated use thereof.

(f) Each Mortgaged Property complies in all material respects with the requirements and regulations of the ADA. At the Administrative Agent's written request from time to time, the Company shall provide the Administrative Agent with written evidence of such compliance satisfactory to the Administrative Agent. Subject to the terms of the applicable Lease and any obligations of the applicable tenant thereunder, the Company shall be solely responsible for all such ADA costs of compliance and reporting.

(g) (i) All existing Leases are in full force and effect and are enforceable in accordance with their respective terms, (ii) no material breach or default by any party, or event which would constitute a material breach or default by any party after notice or the passage of time, or both, is continuing under any existing Lease (iii) none of the landlord's interests under any of the Leases, including, but not limited to, rents, additional rents, charges, issues or profits, has been transferred or assigned, except pursuant to the Loan Documents, and (iv) no rent or other payment under any existing Lease has been paid by any tenant for more than one (1) month in advance (except a security deposit shall not be deemed rent collected in advance). True, correct and complete copies of all existing Leases (to the extent written, or a written summary of the material terms thereof, to the extent oral) have been delivered to the Administrative Agent and the Lenders (which delivery may be made by posting such Leases on the Platform).

(h) No Mortgaged Property is a Flood Hazard Property unless the Administrative Agent and the Lenders shall have received the following: (a) the applicable Loan Party's written acknowledgment of receipt of written notification from the Administrative Agent (i) as to the fact that such Mortgaged Property is a Flood Hazard

Property, (ii) as to whether the community in which each such Flood Hazard Property is located is participating in the National Flood Insurance Program and (iii) such other flood hazard determination forms, notices and confirmations thereof as requested by the Administrative Agent and (b) copies of insurance policies or certificates of insurance of the applicable Loan Party evidencing flood insurance reasonably satisfactory to the Administrative Agent and naming the Administrative Agent as loss payee on behalf of the Lenders. All flood hazard insurance policies required hereunder have been obtained and remain in full force and effect, and the premiums thereon have been paid in full.

**5.21 Solvency.** Both before and after giving effect to the Loans hereunder, each Loan Party is Solvent. On the Closing Date, both before and after giving effect to the Loans hereunder, each Loan Party is Solvent.

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

**5.23 Acquisitions.** As of the Closing Date and as of the date of each Permitted Acquisition, all material conditions precedent to, all consents from applicable Governmental Authorities, and all other material consents necessary to permit, such Permitted Acquisition will have been obtained, satisfied, or waived (except that (i) no conditions imposed by the Loan Documents are so waivable other than with the consent of the Required Lenders and (ii) no other conditions shall be waived if such waiver would materially adversely affect the benefits to be obtained by the Company or the Secured Parties from such Acquisition), as the case may be.

**5.24 Real Estate Indebtedness.** The amount of any Indebtedness of the Company and its Subsidiaries secured by Liens on the real property and improvements financed thereby is no greater than eighty-five percent (85%) of the value of such real property and improvements as set forth in an appraisal of such real property and improvements prepared by an independent member of the Appraisal Institute certified appraiser in connection with such Indebtedness (which appraisal shall be delivered to Administrative Agent upon its request).

**5.25 Service Loaner Vehicles.** Any Service Loaner Vehicles that are financed by, or constitute collateral for, any Permitted Third Party Service Loaner Indebtedness are designated as Service Loaner Vehicles in the books of record and account of the Company and its Subsidiaries.

**5.26 Permitted Third Party Service Loaner Indebtedness; Permitted Silo Indebtedness.** All Indebtedness for the financing of Service Loaner Vehicles provided by Service Loaner Lenders is secured solely by a Lien on said Service Loaner Vehicles so financed by the respective Service Loaner Lenders and the proceeds of such Service Loaner Vehicles. All Indebtedness for the financing of Vehicles provided by Silo Lenders is secured solely by a Lien on said Vehicles so financed by the respective Silo Lenders and the proceeds of such Vehicles.

**5.27 OFAC.** Neither the Company, nor any of its Subsidiaries, nor any director or officer thereof, nor, to the knowledge of the Company and its Subsidiaries, any employee, agent, affiliate or representative of the Company or any of its Subsidiaries, is an individual or entity that is, or is owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) located, organized or resident in a Designated Jurisdiction, or (iii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority. The Company and its Subsidiaries have conducted their businesses in compliance in all material respects with all applicable Sanctions and have instituted and maintained policies and procedures designed to promote and achieve compliance with such Sanctions.



**5.28 Anti-Corruption Laws.** The Company and its Subsidiaries have conducted their businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010, and in all material respects with applicable anti-corruption laws in other jurisdictions and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

**5.29 Affected Financial Institutions.** No Loan Party is an Affected Financial Institution.

**5.30 Taxpayer Identification Number.** The Company's true and correct U.S. taxpayer identification number is set forth on Schedule 10.02.

**5.31 Beneficial Ownership Certificate.** The information included in the Beneficial Ownership Certification, if applicable, is true and correct in all respects.

**5.32 Covered Entities.** No Loan Party is a Covered Entity.

## Article VI

### AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, the Company shall, and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, and 6.03) cause each Subsidiary to:

**6.01 Financial Statements.** Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as available, but in any event within ninety (90) days after the end of each fiscal year of the Company (or if earlier, fifteen (15) days after the date required to be filed with the SEC (without giving effect to any extension permitted by the SEC)):

(i) an audited consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal year, setting forth in comparative form the figures for the previous fiscal year, in reasonable detail and prepared in accordance with GAAP;

(ii) [Reserved];

(iii) the related audited consolidated statement of income or operations for such fiscal year setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP;

(iv) [Reserved];

(v) the related audited consolidated statements of stockholders' equity and cash flows for such fiscal year setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP;

such consolidated financial statements to be audited and accompanied by (x) a report and opinion of a Registered Public Accounting Firm of nationally recognized standing reasonably acceptable to

the Required Lenders as to whether such financial statements are free of material misstatement, which report and opinion shall be prepared in accordance with audit standards of the Public Company Accounting Oversight Board and applicable Securities Laws and shall not be subject to any “going concern” or like qualification or exception or any qualification or exception as to the scope of such audit or with respect to the absence of material misstatement; and (y) (A) management’s assessment of the effectiveness of the Company’s internal controls over financial reporting as of the end of such fiscal year of the Company as required in accordance with Item 308 of SEC Regulation S-K expressing a conclusion which contains no statement that there is a material weakness in such internal controls, except for such material weaknesses as to which the Required Lenders do not object, and (B) an attestation report of such Registered Public Accounting Firm on management’s assessment of, and the opinion of the Registered Public Accounting Firm independently assessing the effectiveness of, the Company’s internal controls over financial reporting in accordance with Item 308 of SEC Regulation S-K, PCAOB Auditing Standard No. 2 and Section 404 of Sarbanes-Oxley and expressing a conclusion which contains no statement that there is a material weakness in such internal controls, except for such material weakness as to which the Required Lenders do not object, and such consolidating statements to be certified by a Responsible Officer of the Company to the effect that such statements are fairly stated in all material respects when considered in relation to the consolidated financial statements of the Company and its Subsidiaries;

(b) as soon as available, but in any event within forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year of the Company (or if earlier, five days after the date required to be filed with the SEC (without giving effect to any extension permitted by the SEC));

(i) an unaudited consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal quarter, setting forth in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year, in reasonable detail and prepared in accordance with GAAP;

(ii) [Reserved];

(iii) the related unaudited consolidated statement of income or operations for such fiscal quarter (and the portion of the Company’s fiscal year then ended) setting forth in each case in comparative form the figures for the corresponding fiscal quarter (and portion) of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP;

(iv) [Reserved];

(v) the related unaudited consolidated statements of stockholders’ equity and cash flows for such fiscal quarter (and the portion of the Company’s fiscal year then ended) setting forth in comparative form the figures for the corresponding fiscal quarter (and portion) of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP;

such consolidated and consolidating financial statements described in this Section 6.01(b) to be unaudited and certified by a Responsible Officer of the Company as fairly presenting the financial condition, results of operations, shareholders’ equity and cash flows of the Company and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes;

(c) if requested by the Administrative Agent, as soon as available, but in any event within thirty (30) days after the end of each calendar month (including December, but excluding the last month of the fiscal quarter periods described in Section 6.01(b)) of each

fiscal year of the Company (or if earlier than such 30th day, five days after the date required to be filed with the SEC (without giving effect to any extension permitted by the SEC)):

(i) an unaudited consolidated balance sheet of the Company and its Subsidiaries as at the end of such calendar month, setting forth in comparative form the figures for the corresponding calendar month of the previous fiscal year, in reasonable detail and prepared in accordance with GAAP;

(ii) [Reserved];

(iii) the related unaudited consolidated statement of income or operations for such calendar month (and the portion of the Company's fiscal year then ended) setting forth in comparative form the figures for the corresponding calendar month (and portion) of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP;

(iv) [Reserved];

(v) the related unaudited consolidated statements of stockholders' equity and cash flows for such calendar month (and the portion of the Company's fiscal year then ended) setting forth in comparative form the figures for the corresponding calendar month (and portion) of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP;

such consolidated and consolidating financial statements described in this Section 6.01(c) to be unaudited and certified by a Responsible Officer of the Company as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Company and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes.

(d) as requested by Administrative Agent, financial statements for any Special Purpose Insurance Captives.

As to any information contained in materials furnished pursuant to Section 6.02(g), the Company shall not be separately required to furnish such information under clause (a), (b), (c) or (d) above, but the foregoing shall not be in derogation of the obligation of the Company to furnish the information and materials described in clauses (a), (b), (c) and (d) above at the times specified therein.

**6.02 Certificates; Other Information.** Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) Concurrently with:

(i) the delivery of the financial statements referred to in Section 6.01(a) and (b) and (if such monthly financial statements are requested by the Administrative Agent) Section 6.01(c), (A) a duly completed Compliance Certificate signed by a Responsible Officer of the Company, including the calculation of the financial covenants set forth in Section 7.11(a), (b) and (c) and (B) a schedule (which such schedule may be included in the Compliance Certificate delivered with respect to such period) describing all actions, suits, proceedings, claims or disputes pending, or to the knowledge of the Company after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or

before any Governmental Authority seeking damages or other remedies in excess of the Threshold Amount;

(ii) the delivery of the financial statements referred to in Section 6.01(c) (with respect to each January, February, April, May, July, August, October and November), if requested by the Administrative Agent, a duly completed Compliance Certificate signed by a Responsible Officer of the Company, but only including the calculation of the financial covenant set forth in Section 7.11(a);

(iii) the delivery of the financial statements referred to in Section 6.01(a), financial projections for the 12 months succeeding the date of such financial statements, such projections to be prepared by management of the Company, in form satisfactory to the Administrative Agent; and

(iv) any event described herein requiring Pro Forma Compliance, a duly completed Pro Forma Compliance Certificate (including the calculation of the financial covenants set forth in Section 7.11(a), (b) and (c)) signed by a Responsible Officer of the Company;

(b) (i) promptly following any request therefor, provide information and documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act and the Beneficial Ownership Regulation; and (ii) to the extent any Loan Party qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, an updated Beneficial Ownership Certification promptly following any change in the information provided in the Beneficial Ownership Certification delivered to any Lender in relation to such Loan Party that would result in a change to the list of beneficial owners identified in such certification;

(c) [Reserved]

(d) in the event of any Acquisition, the certificates and information required by Section 7.12;

(e) [Reserved]

(f) [Reserved]

(g) promptly after any request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Company by independent accountants in connection with the accounts or books of the Company or any Subsidiary, or any audit of any of them;

(h) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Company, and copies of all annual, regular, periodic and special reports and registration statements which the Company may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(i) promptly, and in any event within five Business Days after receipt thereof by any Loan Party or any Subsidiary thereof, copies of each notice or other correspondence received from the SEC (or comparable agency in any applicable non-U.S. jurisdiction)

concerning any investigation or possible investigation by such agency regarding financial or other operational results of any Loan Party or any Subsidiary thereof;

(j) promptly after any request by the Administrative Agent, copies of any non-cancelable purchase and sale agreement referenced in the definition of “Consolidated Current Assets”;

(k) [Reserved]; and

(l) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01(a), (b) or (c) or Section 6.02(g) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Company posts such documents, or provides a link thereto on the Company’s website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Company’s behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Company shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Company to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Company shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. The Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Company hereby acknowledges that (a) the Administrative Agent and/or the Arranger may, but shall not be obligated to, make available to the Lenders materials and/or information provided by or on behalf of the Company hereunder (collectively, “Borrower Materials”) by posting the Borrower Materials on IntraLinks, Syndtrak, ClearPar, or a substantially similar electronic transmission system (the “Platform”) and (b) certain of the Lenders (each, a “Public Lender”) may have personnel who do not wish to receive material non-public information with respect to the Company or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons’ securities. The Company hereby agrees that it will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked “PUBLIC” which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof; (x) by marking Borrower Materials “PUBLIC”, the Company shall be deemed to have authorized the Administrative Agent, the Arranger, and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Company or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 10.07); (y) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Side Information”; and (z) the Administrative Agent and the Arranger shall be entitled to treat any Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not designated “Public Side Information”.

**6.03 Notices.** Promptly notify the Administrative Agent and each Lender:

- (a) of the occurrence of any Default;
- (b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary; (ii) any notice or correspondence from or on behalf of the applicable franchisor, distributor or manufacturer, the Company or any Subsidiary alleging that any such event has occurred with respect to any Franchise Agreement or Framework Agreement, (iii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority which such dispute, litigation, investigation, proceeding or suspension arising under this clause (iii) has resulted or could reasonably be expected to result in a Material Adverse Effect; or (iv) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary, including pursuant to any applicable Environmental Laws, where the result of such event arising under this clause (iv) has resulted or could reasonably be expected to result in a Material Adverse Effect;
- (c) of the occurrence of any ERISA Event with respect to a Pension Plan, and subject to notification to the Company, with respect to a Multiemployer Plan or Multiple Employer Plan;
- (d) of any material change in accounting policies or financial reporting practices by the Company or any Subsidiary;
- (e) the Registered Public Accounting Firm's determination or the Company's determination at any time of the occurrence or existence of any Internal Control Event;
- (f) [Reserved];
- (g) [Reserved];
- (h) of the establishment of any program providing for Permitted Third Party Service Loaner Indebtedness of the Company or any Subsidiary, including notice of the name of each manufacturer or finance company providing such Indebtedness and of each Person (including the Company or any Subsidiary) able to incur Indebtedness under such program; and
- (i) of one or more of the following environmental matters: (i) any notice of any material claim under Environmental Laws relating to any Mortgaged Property; (ii) any condition or occurrence on or arising from any Mortgaged Property that (x) results in noncompliance in any material respect by the Company with any applicable Environmental Law or (y) could reasonably be expected to form the basis of a material claim under Environmental Laws against a Loan Party or any such Mortgaged Property; (iii) any condition or occurrence on any Mortgaged Property that could reasonably be expected to cause such Mortgaged Property to be subject to any material restrictions on the ownership, occupancy, use or transferability by the Loan Parties under any Environmental Law; and (iv) any material removal or remedial actions to be taken in response to the actual or alleged presence or release of any Hazardous Material on any Mortgaged Property as required by any Environmental Law or any Governmental Authority.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Company setting forth details of the occurrence referred to therein and stating what

action the Company has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

**6.04 Payment of Obligations.** Pay and discharge as the same shall become due and payable (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, including Vehicles, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

**6.05 Preservation of Existence, Etc.; Maintenance of Vehicle Title Documentation.** (a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization except in a transaction permitted by Section 7.04 or 7.05; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect; and (d) if applicable, preserve and maintain, in accordance with its standard policies and procedures, all manufacturer statements of origin, certificates of origin, certificates of title or ownership and other customary vehicle title documentation necessary or desirable in the normal conduct of its business and maintain records evidencing which Vehicles are being used as Demonstrators and Rental Vehicles (each as defined in the Revolving and Floorplan Credit Agreement).

**6.06 Maintenance of Properties; Repairs.** Maintain, preserve and protect the Mortgaged Properties and all of its other material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) use the standard of care typical in the industry in the operation and maintenance of its facilities.

**6.07 Maintenance of Insurance.**

(a) (i) Maintain with financially sound and reputable insurance companies not Affiliates of the Company or any Subsidiary, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business and otherwise as required by the Security Instruments; (ii) maintain general public liability insurance at all times with financially sound and reputable insurance companies not Affiliates of the Company or any Subsidiary, against liability on account of damage to persons and property; and (iii) maintain insurance to the extent required under all applicable workers' compensation laws and against loss by reason of business interruption with such insurance policies to be in form reasonably satisfactory to the Administrative Agent. Each of the policies described in this Section 6.07 shall provide that the insurer shall give the Administrative Agent not less than thirty (30) days' (or ten (10) days' in the case of termination for non-payment) prior written notice before any material amendment to any such policy by endorsement or any lapse, termination or cancellation thereof, each such policy of liability insurance shall list the Administrative Agent as an additional insured, and each such policy of casualty insurance with respect to the Mortgaged Properties shall list the Administrative Agent as lenders loss payable and mortgagee in accordance with Schedule 6.07 and, in each case, in form and substance satisfactory to the Administrative Agent.

(b) Without limitation of the foregoing, the Loan Parties shall keep each of the Mortgaged Properties insured during the term of this Agreement, for the mutual benefit of the Loan Parties and the Administrative Agent (on behalf of the Lenders), against fire and such other hazards that would be covered by an insurance policy issued on a Special Form Cause of Loss (“All Risk”) basis (“Casualty Policy”), in accordance with the insurance requirements set forth on Schedule 6.07.

(c) The Loan Parties shall (i) maintain fully paid flood hazard insurance on all Flood Hazard Properties constituting Collateral, on such terms and in such amounts as required by The National Flood Insurance Reform Act of 1994 or as otherwise required by the Administrative Agent or any Lender, (ii) furnish to the Administrative Agent evidence of the renewal (and payment of renewal premiums therefor) of all such policies prior to the expiration or lapse thereof, and (iii) furnish to the Administrative Agent prompt written notice of any redesignation of any Mortgaged Property into or out of a special flood hazard area.

#### **6.08 Compliance with Laws and Contractual Obligations.**

(a) Comply in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees and all Contractual Obligations applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

(b) Without limitation the generality of the foregoing, of any of the provisions hereof, the Loan Parties: (i) shall comply with, and maintain all Mortgaged Properties in compliance in all material respects with, any applicable Environmental Laws; (ii) shall obtain and maintain in full force and effect all material governmental approvals required for its operations at or on the Mortgaged Properties by any applicable Environmental Laws; (iii) shall cure as soon as reasonably practicable any material violation of applicable Environmental Laws with respect to the Mortgaged Properties; (iv) shall not, and shall not permit any other Person to, own or operate on any of the Mortgaged Properties, any landfill or dump or hazardous waste treatment, storage or disposal facility as defined pursuant to the RCRA, or any comparable state law; and (v) shall not use, generate, treat, store, release or dispose of Hazardous Materials at or on any Mortgaged Property except in the ordinary course of its business and in compliance in all material respects with all Environmental Laws.

**6.09 Books and Records.** Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company or such Subsidiary, as the case may be, including, if applicable, books and records specifying the year, make, model, cost, price, location and vehicle identification number of each Vehicle owned by the Company or such Subsidiary.

#### **6.10 Inspection Rights; Environmental Reports.**

(a) Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; provided, however, that when an Event of Default exists the Administrative Agent or any Lender (or



any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Company at any time during normal business hours and without advance notice. After the occurrence and during the continuation of an Event of Default, the Administrative Agent may obtain, at the cost of the Company, a re-appraisal of any Mortgaged Property and the Loan Parties shall fully cooperate with the Administrative Agent and the appraiser in obtaining the necessary information to prepare such re-appraisal.

(b) At the written request of the Administrative Agent from time to time, provide to the Lenders within seventy-five (75) days (or such longer period as the Administrative Agent permits in its sole discretion) after such request, at the expense of the Company, an environmental site assessment report for any Mortgaged Property at which the Administrative Agent reasonably believes that a material violation of Environmental Laws has occurred, prepared by an environmental consulting firm acceptable to the Administrative Agent, indicating the presence or absence of Hazardous Materials and the estimated cost of any compliance, removal or remedial action in connection with any Hazardous Materials on such Mortgaged Property. Without limiting the generality of the foregoing, if the Administrative Agent determines at any time that a material risk exists that any such report will not be provided within the time referred to above, the Administrative Agent may retain an environmental consulting firm to prepare such report at the expense of the Company, and the Company hereby grants at the time of such request to the Administrative Agent, the Lenders, such firm and any agents or representatives thereof an irrevocable non-exclusive license, subject to the rights of tenant, to enter onto their respective Mortgaged Properties to undertake such an assessment.

**6.11 Use of Proceeds.** Use the proceeds of the Credit Extensions to refinance a portion of the 2013 5.0% senior notes and to pay fees and expenses in connection with the entering into of this Agreement and such refinancing.

**6.12 [Reserved].**

**6.13 [Reserved].**

**6.14 Additional Subsidiaries.** Cause each Subsidiary of the Company that owns any fee interest in a Mortgaged Property, or leases or operates a vehicle dealership at any Mortgaged Property, to be a Subsidiary Guarantor, and cause any such Subsidiary that is not a Subsidiary Guarantor, to promptly deliver to the Administrative Agent:

(i) a Joinder Agreement duly executed by such Subsidiary with all schedules and information thereto appropriately completed;

(ii) unless the Required Lenders expressly waive such requirement in accordance with Section 10.01, an opinion or opinions of counsel to such Subsidiary dated as of the date of delivery of such Joinder Agreements (and other Loan Documents) provided for in this Section 6.14 and addressed to the Administrative Agent, in form and substance acceptable to the Administrative Agent;

(iii) the documents described in Sections 4.01(a)(iii), (iv), (vii), (xi) and (xiii) with respect to such Subsidiary; and

(iv) evidence satisfactory to the Administrative Agent that all taxes, filing fees, recording fees and other related transaction costs have been paid;

provided that the Administrative Agent shall not enter into or accept any joinder of a Subsidiary pursuant to this Section 6.14 until the Administrative Agent shall have received written

confirmation from each Lender (which may be delivered via electronic mail) that it has completed its applicable diligence under “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act, and the Beneficial Ownership Regulation.

**6.15 Further Assurances.** Execute, acknowledge, deliver, and record or file such further instruments, including, without limitation, further security agreements, financing statements, and continuation statements, and do such further acts as may be reasonably necessary, desirable, or proper to carry out more effectively the purposes of this Agreement, to protect the Liens granted in this Agreement or the Loan Documents to which any Loan Party is a party and against the rights or interests of third Persons, including without limitation, if requested by any Lender in its reasonable judgment or pursuant to its regulatory practice, flood hazard certifications and, if any applicable real property or contents are in a Flood Hazard Property, Flood Requirements, and the Company will pay all reasonable costs connected with any of the foregoing.

**6.16 [Reserved].**

**6.17 Notices regarding Indebtedness.** At the time the Company or any Loan Party enters into any Subordinated Indebtedness or Additional Unsecured Indebtedness, the Company shall deliver to the Administrative Agent a certificate, in form and substance acceptable to the Administrative Agent, attaching copies of all material documentation relating to such Subordinated Indebtedness or Additional Unsecured Indebtedness, stating the amount of such Indebtedness and certifying that (i) such Indebtedness complies with the requirements of Sections 7.15 and 7.09 and the definition of “Subordinated Indebtedness” or “Additional Unsecured Indebtedness” in the Revolving and Floorplan Facility Credit Agreement, as applicable, and (ii) no Event of Default shall have occurred and be continuing or would occur as a result thereof.

**6.18 [Reserved].**

**6.19 [Reserved].**

**6.20 Anti-Corruption Laws; Sanctions.** Conduct its businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010, and other similar corruption legislation in other jurisdictions and with applicable Sanctions, and maintain policies and procedures designed to promote and achieve compliance with such laws and Sanctions.

**6.21 Leases.** The Loan Parties shall comply in all material respects with each Lease. The Loan Parties shall not amend or change, or allow to be amended or changed any Lease to reduce rent thereunder or in any other manner materially adverse to the rights of the Administrative Agent or any Lender without the written consent of the Required Lenders; provided that, at all times, each tenant under each Lease shall be a Loan Party. No Loan Party shall enter into any new Lease, or terminate or accept the termination of any Lease, without in each case obtaining the prior written consent of the Administrative Agent.

## Article VII

### NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, the Company shall not, nor shall it permit any Subsidiary to, directly or indirectly:

**7.01 Liens.** Create, incur, assume or suffer to exist any Lien upon any of the Collateral, other than the following:

- (a) Liens pursuant to any Loan Document;
- (b) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;
- (c) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person; and
- (d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than thirty (30) days or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person.

**1.02 Investments.** Make any Investments, except:

- (a) Investments held by the Company or such Subsidiary in the form of cash equivalents or short-term marketable securities;
- (b) advances to officers, directors and employees of the Company and Subsidiaries in an aggregate amount not to exceed \$5,000,000 at any time outstanding, for travel, entertainment, relocation and analogous ordinary business purposes;
- (c) Investments of the Company in any Revolving and Floorplan Facility Subsidiary Guarantor and Investments of any Revolving and Floorplan Facility Subsidiary Guarantor in the Company or in another Revolving and Floorplan Facility Subsidiary Guarantor;
- (d) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;
- (e) Guarantees permitted by Section 7.03;
- (f) Acquisitions permitted by Section 7.12;
- (g) Buyer Notes obtained by the Company or a Subsidiary in connection with a Disposition permitted by Section 7.05(h), provided, however, that the aggregate amount of all such Investments at any one time shall not exceed \$10,000,000;
- (h) Investments made in connection with the Company's supplemental executive retirement plan, as the same may be amended, so long as such Investments do not exceed \$5,000,000 in any given calendar year;
- (i) Investments in Special Purpose Insurance Captives, such Investments not to exceed \$25,000,000 in the aggregate over the term of the Obligations hereunder; and

- (j) other Investments not exceeding \$50,000,000 in the aggregate in any fiscal year of the Company;

provided, however, that, other than with respect to obsolete or worn out fixtures (which may be considered to be part of a Mortgaged Property) in the ordinary course of business, no Investment shall result in the transfer of any Collateral from the Loan Parties except with respect to a Release Property, subject to the satisfaction of the conditions applicable to the Property Substitution or Prepayment Release with respect to such Release Property in accordance with Section 2.19.

**7.03 Indebtedness.** Create, incur, assume or suffer to exist any Indebtedness, except:

- (a) Indebtedness under the Loan Documents;

(b) Indebtedness outstanding on the date hereof and listed on Schedule 7.03 and any refinancings, refundings, renewals or extensions thereof; provided that (i) the amount of such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing and by an amount equal to any existing commitments unutilized thereunder and (ii) the terms relating to principal amount, amortization, maturity, collateral (if any) and subordination (if any), and other material terms taken as a whole, of any such refinancing, refunding, renewing or extending Indebtedness, and of any agreement entered into and of any instrument issued in connection therewith, are no less favorable in any material respect to the Loan Parties or the Lenders than the terms of any agreement or instrument governing the Indebtedness being refinanced, refunded, renewed or extended and the interest rate applicable to any such refinancing, refunding, renewing or extending Indebtedness does not exceed the then applicable market interest rate;

(c) Guarantees of the Company or any Revolving and Floorplan Facility Subsidiary Guarantor in respect of Indebtedness otherwise permitted hereunder of the Company or any Revolving and Floorplan Facility Subsidiary Guarantor;

(d) obligations (contingent or otherwise) of the Company or any Subsidiary existing or arising under any Swap Contract, provided that (i) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a “market view;” and (ii) such Swap Contract does not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party;

(e) Indebtedness in respect of retail installment contracts; provided, however, that the aggregate principal amount of such Indebtedness at any one time outstanding shall not exceed \$5,000,000;

(f) Indebtedness in respect of capital leases, Synthetic Lease Obligations and purchase money obligations for fixed or capital assets; provided, however, that (x) the aggregate amount of all such Indebtedness at any one time outstanding shall not exceed \$10,000,000 and (y) such Indebtedness is otherwise permitted under the Revolving and Floorplan Credit Agreement;

- (g) Indebtedness in an aggregate principal amount not to exceed \$50,000,000 at any time outstanding;

- (h) Permitted Silo Indebtedness so long as such Indebtedness is otherwise permitted under the Revolving and Floorplan Credit Agreement;
- (i) Subordinated Indebtedness permitted under the Revolving and Floorplan Credit Agreement;
- (j) [Reserved];
- (k) [Reserved];
- (l) Additional Unsecured Indebtedness if both immediately prior to the issuance of such Additional Unsecured Indebtedness and after giving effect to such Additional Unsecured Indebtedness (i) no Default or Event of Default shall exist, and (ii) the Company and its Subsidiaries shall be in Pro Forma Compliance, as evidenced by a Pro Forma Compliance Certificate; provided, however, that the aggregate amount of all such Additional Unsecured Indebtedness at any one time outstanding shall not exceed \$50,000,000;
- (m) [Reserved];
- (n) Permitted Real Estate Indebtedness;
- (o) Permitted Third Party Service Loaner Indebtedness;
- (p) Indebtedness under the Revolving and Floorplan Credit Agreement; and
- (q) [Reserved]; and
- (r) Indebtedness under any “Secured Cash Management Arrangement” permitted under (and as defined in) the Revolving and Floorplan Credit Agreement.

**7.04 Fundamental Changes.** Merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person (including, in each case, pursuant to a Division), except that, so long as no Default exists or would result therefrom:

- (a) any Subsidiary may merge with (i) the Company, provided that the Company shall be the continuing or surviving Person, or (ii) any one or more other Subsidiaries, provided that when any Subsidiary Guarantor is merging with another Subsidiary, the Subsidiary Guarantor shall be the continuing or surviving Person;
- (b) subject to Section 6.14, any Subsidiary may merge into or consolidate with another Person in order to consummate an Acquisition permitted by Section 7.12; provided that (i) if the Company is a party to any such merger or consolidation, the Company is the survivor thereof, and (ii) except as described in clause (i) above, if a Subsidiary Guarantor is a party to any such merger or consolidation, a Subsidiary Guarantor is the survivor thereof;
- (c) any Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Company or to another Subsidiary;

(d) any Subsidiary may Dispose of all or substantially all of its assets to or in favor of any Person in one transaction or in a series of transactions, provided that such Disposition or Dispositions satisfy the requirements of Section 7.05(h); and

(e) any Subsidiary which has Disposed of all or substantially all of its assets in accordance with the terms of this Agreement may be dissolved or have its entity status terminated;

provided, however, that, other than Dispositions of obsolete or worn out fixtures (which may be considered to be part of a Mortgaged Property) in the ordinary course of business, the Loan Parties shall not make any Disposition in respect of any Collateral except for any Disposition permitted hereunder with respect to a Release Property, subject to the satisfaction of the conditions applicable to the Property Substitution or Prepayment Release with respect to such Release Property in accordance with Section 2.19.

**7.05 Dispositions.** Make any Disposition or enter into any agreement to make any Disposition, except:

(a) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;

(b) Dispositions of inventory, including inventory constituting New Vehicles or Used Vehicles, in the ordinary course of business;

(c) Dispositions of equipment or real property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition are reasonably promptly applied to the purchase price of such replacement property;

(d) Dispositions of property by any Subsidiary to the Company or to a Subsidiary of the Company that is a Revolving and Floorplan Facility Subsidiary Guarantor;

(e) Dispositions permitted by Section 7.04;

(f) Dispositions by the Company and its Subsidiaries of property pursuant to sale-leaseback transactions, provided that the book value of all property so Disposed of shall not exceed \$350,000,000 in any fiscal year or \$750,000,000 in the aggregate over the term of the Obligations hereunder;

(g) Dispositions of retail installment sales contracts and related intangible property arising from the sale or lease of vehicles, assets, or services in the ordinary course of business; and

(h) Dispositions by the Company and its Subsidiaries not otherwise permitted under this Section 7.05; provided that at the time of such Disposition, (i) no Default shall exist or would result from such Disposition and (ii) in the case of a Disposition of a dealership Subsidiary, such Disposition is otherwise permitted under the Revolving and Floorplan Credit Agreement;

provided, however, that, other than Dispositions of obsolete or worn out fixtures (which may be considered to be part of a Mortgaged Property) in the ordinary course of business, the Loan Parties shall not make any Disposition in respect of any Collateral except for any Disposition permitted above with respect to a Release Property, subject to the satisfaction of the conditions applicable to

the Property Substitution or Prepayment Release with respect to such Release Property in accordance with Section 2.19.

**7.06 Restricted Payments.** Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that, so long as no Default shall have occurred and be continuing at the time of any action described below or would result therefrom:

- (a) each Subsidiary may make Restricted Payments to the Company and any Subsidiaries of the Company that are Revolving and Floorplan Facility Subsidiary Guarantors;
- (b) the Company may declare and make dividend payments or other distributions payable solely in the common stock or other common Equity Interests of such Person;
- (c) any Revolving and Floorplan Facility Loan Party may make “net share settlements” of vested restricted stock for tax withholding;
- (d) the Company may declare and make cash dividends in an aggregate amount per fiscal quarter of up to \$0.12 per share for each share of the Company’s Qualified Capital Stock outstanding as of the quarterly record date for dividends payable in respect of such fiscal quarter (as such amount shall be adjusted for changes in the capitalization of the Company upon recapitalizations, reclassifications, stock splits, stock dividends, reverse stock splits, stock consolidations and similar transactions), provided, however, in the event a Change of Control occurs (and without waiving any Default arising from such Change of Control, or any condition to the payment of cash dividends relating to such Default), the aggregate amounts (if any) permitted to be paid in cash dividends per fiscal quarter shall not exceed the aggregate amounts of such cash dividends paid in the same fiscal quarter most recently occurring prior to such Change of Control; provided further that for the purposes of this exception, shares of Qualified Capital Stock issued for less than fair market value (other than shares issued pursuant to options or otherwise in accordance with the Company’s stock option, employee stock purchase or other equity compensation plans) shall not be deemed outstanding; and
- (e) the Company may make additional Restricted Payments (including cash dividends not otherwise permitted by clause (f)), provided that the sum of (i) aggregate amount of such Restricted Payments which are permitted solely by virtue of this Section 7.06(e) and which are declared or made on or after the date of this Agreement plus (ii) the aggregate amount of Subordinated Indebtedness Prepayments and Additional Unsecured Indebtedness Prepayments that are made on or after the date of this Agreement, plus (iii) the aggregate amount of Investments (excluding (A) Loans and advances to the extent these have been repaid and (B) items described in clause (c) of the definition of “Investment”, provided that such items are related to the sale, service, or storage of vehicles or other related services and products) that are made on or after the date of this Agreement, does not exceed the Builder Basket Amount;

provided, however, that, other than with respect to obsolete or worn out fixtures (which may be considered to be part of a Mortgaged Property) in the ordinary course of business, no Restricted Payment shall result in the transfer of any Collateral from the Loan Parties except with respect to a Release Property, subject to the satisfaction of the conditions applicable to the Property Substitution or Prepayment Release with respect to such Release Property in accordance with Section 2.19.

**7.07 Change in Nature of Business.** Engage in any material line of business substantially different from those lines of business conducted by the Company and its Subsidiaries on the date hereof or any business substantially related or incidental thereto. In addition, each Special Purpose Insurance Captive is prohibited from engaging in any business other than the provision of business insurance to the Company and its Subsidiaries.

**7.08 Transactions with Affiliates.** Enter into any transaction of any kind with any Affiliate of the Company, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to the Company or such Subsidiary as would be obtainable by the Company or such Subsidiary at the time in a comparable arm’s length transaction with a Person other

than an Affiliate (including with respect to any Special Purpose Insurance Captive and any premiums paid thereto); provided that the foregoing restriction shall not apply to transactions between or among the Company and any Revolving and Floorplan Facility Subsidiary Guarantor or between and among any Revolving and Floorplan Facility Subsidiary Guarantors.

**7.09 Burdensome Agreements.** Enter into any Contractual Obligation (other than this Agreement or any other Loan Document) that (a) limits the ability (i) of any Subsidiary to make Restricted Payments to the Company or any Loan Party or to otherwise transfer property to the Company or any Loan Party, (ii) of any Subsidiary to Guarantee the Indebtedness of the Company, or (iii) of the Company or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person; provided, however, that (x) clauses (i), (ii) and (iii) above shall not prohibit any such restriction on Restricted Payments, Guarantees or liens incurred or provided in favor of any Revolving and Floorplan Secured Party under the Revolving and Floorplan Loan Documents, and (y) clause (iii) above shall not prohibit any negative pledge incurred or provided in favor of any holder of Indebtedness permitted under Section 7.03(e), (g) or (n) solely to the extent any such negative pledge relates to the property financed by or securing such Indebtedness, or (z) manufacturer limitations on dividends set forth in Franchise Agreements or Framework Agreements which limitations relate to minimum capitalization requirements for dealerships; or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person.

**7.10 Use of Proceeds.** Use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

**7.11 Financial Covenants.**

(a) Consolidated Liquidity Ratio. Permit the Consolidated Liquidity Ratio as of the end of any fiscal quarter (or at the request of the Administrative Agent, as of the end of any calendar month) to be less than 1.05 to 1.00.

(b) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio at any time to be less than 1.20 to 1.00.

(c) Consolidated Total Lease Adjusted Leverage Ratio. Permit the Consolidated Total Lease Adjusted Leverage Ratio at any time to be greater than 5.75 to 1.00.

**7.12 Acquisitions.** Enter into any agreement, contract, binding commitment or other arrangement providing for a transaction which would, if consummated, constitute an Acquisition, or take any action to solicit the tender of securities or proxies in respect thereof in order to effect any Acquisition, (each, an "Acquisition Arrangement") unless (i) the Person to be (or whose assets are to be) acquired does not oppose such Acquisition and the material line or lines of business of the Person to be acquired are substantially the same as one or more line or lines of business conducted by the Company and its Subsidiaries, or substantially related or incidental thereto, (ii) no Default or Revolving and Floorplan Facility Default shall have occurred and be continuing either immediately prior to or immediately after giving effect to such Acquisition and, (iii) if the aggregate Cost of Acquisition of all Acquisitions (including such Acquisition) occurring in any fiscal year (together with any other Related Acquisition or Related Proposed Acquisition with respect to such Acquisition, whether or not occurring or expected to occur in the same fiscal year) is in excess of \$65,000,000, (x) no Default would exist immediately after giving effect to such Acquisitions, (y) the Company shall have furnished to the Administrative Agent pro forma historical financial statements as of the end of the most recently completed fiscal year of the Company and most recent interim fiscal quarter, if applicable, giving effect to such Acquisition



and all other Acquisitions consummated since such fiscal year end, and (z) the Company and its Subsidiaries shall be in Pro Forma Compliance after giving effect to such Acquisition, as evidenced by a Pro Forma Compliance Certificate delivered simultaneously with such pro forma historical financial statements, (iv) the Person acquired shall be a wholly-owned Subsidiary, or be merged into the Company or a wholly-owned Subsidiary, immediately upon consummation of the Acquisition (or if assets are being acquired, the acquiror shall be the Company or a wholly-owned Subsidiary), and (v) after the consummation of such Acquisition, the Company or any applicable Subsidiary shall have complied with the provisions of Section 6.14; provided that, clause (iii) of this Section 7.12 shall not apply to any agreement, contract, binding commitment or other arrangement providing for a transaction which would, if consummated, constitute an Acquisition of a Person with respect to which real property constitutes all or substantially all of the such Person's assets.

**7.13 [Reserved].**

**7.14 Amendments of Certain Indebtedness.** Amend, modify or change in any manner any term or condition of any of the Subordinated Indebtedness or any Additional Unsecured Indebtedness permitted by Section 7.03(i) or (l) or refinance or replace any such Indebtedness so that the terms and conditions thereof are less favorable to the Administrative Agent, and the Lenders than the terms and conditions of the relevant Indebtedness as of the later of the Closing Date or the date of incurrence thereof.

**7.15 Prepayments, etc, of Certain Indebtedness.** Make any Subordinated Indebtedness Prepayment or Additional Unsecured Indebtedness Prepayment, except that the Company may make such Subordinated Indebtedness Prepayment or Additional Unsecured Indebtedness Prepayment, provided that (a) no Default shall have occurred and be continuing at the time of any such Subordinated Indebtedness Prepayment or Additional Unsecured Indebtedness Prepayment or would result therefrom, and (b) the sum of (i) aggregate amount of such Subordinated Indebtedness Prepayments and Additional Unsecured Indebtedness Prepayments made on or after the date of this Agreement plus (ii) the aggregate amount of Restricted Payments permitted by Section 7.06(e) that are declared or made on or after the date of this Agreement, plus (iii) the aggregate amount of Investments (excluding (A) Loans and advances to the extent these have been repaid and (B) items described in clause (c) of the definition of "Investment", provided that such items are related to the sale, service, or storage of vehicles or other related services and products) that are made on or after the date hereof, does not exceed the Builder Basket Amount.

**7.16 [Reserved].**

**7.17 [Reserved].**

**7.18 [Reserved].**

**7.19 [Reserved].**

**7.20 [Reserved].**

**7.21 [Reserved].**

**7.22 Sanctions.** Directly or indirectly, use the proceeds of any Credit Extension, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual or entity, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any individual or entity (including any individual or entity participating in the transaction, whether as Lender, Arranger, Administrative Agent, or otherwise) of Sanctions.

7.23 [Reserved].

7.24 **Anti-Corruption Laws.** Directly or indirectly use the proceeds of any Credit Extension for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010, and other similar anti-corruption legislation in other jurisdictions.

7.25 **Post-Closing Deliveries.** Fail to satisfy any of the requirements set forth on Schedule 7.25 within the time period specified therein.

## Article VIII

### EVENTS OF DEFAULT AND REMEDIES

8.01 **Events of Default.** Any of the following shall constitute an Event of Default (each an “Event of Default”):

(a) **Non-Payment.** The Company or any other Loan Party fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan or (ii) within five (5) days after the same becomes due, any interest on any Loan or any fee due hereunder, or (iii) within five (5) days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or

(b) **Specific Covenants.** The Company fails to perform or observe any term, covenant or agreement contained in any of Sections 6.01, 6.02(a), (b), (c) or (d), 6.03, 6.05, 6.07 (with respect to the maintenance of casualty insurance with respect to any Mortgaged Property); 6.10 or 6.11 or Article VII; or

(c) **Other Defaults.** Any Loan Party fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for thirty (30) days after the giving of written notice to such Loan Party specifying the alleged default; or

(d) **Representations and Warranties.** Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Company or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) **Cross-Default.** (i) The Company or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder) having a principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement), either individually or in the aggregate for all Indebtedness for which a payment default then exists, of more than the Threshold Amount, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs (each, an “Other Event”), the effect of which default or Other Event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness in excess of the Threshold Amount (either individually or in the aggregate for all Indebtedness for which a covenant default then exists) to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or

otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; provided that, the mere fact that any Indebtedness is a “demand obligation” and payment thereof may be demanded at any time (whether or not any Person has defaulted thereunder) shall not, by itself, constitute an “Other Event,” but the demand for payment thereof shall constitute an “Other Event”; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Company or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Company or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by the Company or such Subsidiary as a result thereof is greater than the Threshold Amount; or

(f) Insolvency Proceedings, Etc. The Company, any Loan Party or any of their respective Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for sixty (60) calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for sixty (60) calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) The Company or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within thirty (30) days after its issue or levy; or

(h) Judgments. There is entered against the Company or any Subsidiary (i) a final judgment or order for the payment of money in an aggregate amount exceeding the Threshold Amount (in each case, to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of ten (10) consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan, Multiemployer Plan or Multiple Employer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan, Multiple Employer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) the Company or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of \$25,000,000; or

(j) Invalidity of Loan Documents. (i) Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; (ii) any Security Instrument shall for any reason (other than pursuant to the terms thereof)

cease to create a valid security interest in the Collateral purported to be covered thereby or such security interest shall for any reason cease to be a perfected security interest with the priority provided therefor in such Security Instrument subject only to those Liens permitted by Section 7.01; or (iii) any Loan Party or any other Person contests in any manner the validity or enforceability of any Loan Document; or any Loan Party denies that it has any or further liability or obligations under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(k) Change of Control. There occurs any Change of Control; or

(l) Franchise Agreements. (i) Any Franchise Agreement to which a Subsidiary Guarantor is a party is terminated or suspended or expires and a replacement for such Franchise Agreement is not entered into within 30 days of such termination, suspension or expiration, (ii) there occurs a default by any Person in the performance or observance of any term of any Franchise Agreement to which a Subsidiary Guarantor is a party which is not cured within any applicable cure period therein, or (iii) there occurs any change in any Franchise Agreement to which a Subsidiary Guarantor is a party, except in each case referred to in clauses (i), (ii) and (iii) to the extent such termination, suspension, expiration, default or change (either individually or in the aggregate) could not reasonably be expected to have a Material Adverse Effect; provided that, in the event a Franchise Agreement to which a Subsidiary Guarantor is a party expires in accordance with its terms, if and for so long as the respective Subsidiary Guarantor and manufacturer or distributor are negotiating in good faith to renew such Franchise Agreement, and the respective manufacturer or distributor has not taken (and is not reasonably expected to take) any action to terminate such Franchise Agreement, such expiration shall not by itself be considered an Event of Default under this Section 8.01(l); or

(m) Revolving and Floorplan Facility Event of Default. A Revolving and Floorplan Facility Event of Default shall occur and be continuing.

(n) Uninsured Casualty. An uninsured casualty with respect to the Mortgaged Properties in excess of the Threshold Amount.

**8.02 Remedies Upon an Event of Default.** If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(i) declare the commitment of each Lender to make Loans to be terminated, whereupon such commitments and obligation shall be terminated;

(ii) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company;

(iii) [Reserved]; and

(iv) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Company under the Bankruptcy Code of the United States, the obligation of

each Lender to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Administrative Agent or any Lender.

**8.03 Application of Funds.** After the exercise of remedies provided for in this Article VIII (or after the Loans have automatically become immediately due and payable), any amounts received on account of the Obligations shall, subject to the provisions of Section 2.16, be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including fees, charges and disbursements of counsel to the respective Lenders (including fees and time charges for attorneys who may be employees of any Lender) and amounts payable under Article III), ratably among them in proportion to the respective amounts described in this clause Third payable to them;

Third, to payment of that portion of the Obligations constituting interest on the Loans and other Obligations, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the payment of all other Obligations of the Loan Parties owing under or in respect of the Loan Documents that are due and payable to the Administrative Agent and the other Secured Parties, or any of them, on such date, ratably based on the respective aggregate amounts of all such Obligations owing to the Administrative Agent and the other Secured Parties on such date; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Company or as otherwise required by Law.

## Article IX

### ADMINISTRATIVE AGENT

#### 9.01 Appointment and Authority.

(a) Each of the Lenders hereby irrevocably appoints PNC Bank to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and neither the Company nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other

implied (or express) obligations arising under agency doctrine of any applicable Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

(b) The Administrative Agent shall also act as the “collateral agent” under the Loan Documents, and each of the Lenders hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of such Lender for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Loan Parties to secure any of the Obligations, together with such powers and discretion as are reasonably incidental thereto. In this connection, the Administrative Agent, as “collateral agent” and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 9.05 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Security Instruments, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent, shall be entitled to the benefits of all provisions of this Article IX and Article X (including Section 10.04(c)), as though such co-agents, sub-agents and attorneys-in-fact were the “collateral agent” under the Loan Documents) as if set forth in full herein with respect thereto.

**9.02 Rights as a Lender.** The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

**9.03 Exculpatory Provisions.** The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law;

(c) shall not have any duty or responsibility to disclose, and shall not be liable for the failure to disclose, to any Lender, any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any of the Loan Parties or any of their Affiliates, that is communicated to, obtained or in the possession of, the Administrative Agent, Arranger or

any of their Related Parties in any capacity, except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent herein;

(d) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or, in each case, such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct, as determined by a court of competent jurisdiction by a final and nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Company or a Lender; and

(e) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or the creation, perfection or priority of any Lien purported to be created by the Security Instruments, (v) the value or the sufficiency of any Collateral, or (vi) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

**9.04 Reliance by Administrative Agent.** The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Company), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

**9.05 Delegation of Duties.** The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and nonappealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

**9.06 Resignation of Administrative Agent.** The Administrative Agent may at any time give notice of its resignation to the Lenders and the Company. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Company, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may (but shall not be obligated to) on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above, provided that in no event shall any successor Administrative Agent be a Defaulting Lender. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(a) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Company and such Person remove such Person as Administrative Agent and, in consultation with the Company, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the "Removal Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(b) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (1) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) except for any indemnity payments or other amounts then owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or removed) Administrative Agent (other than as provided in Section 3.01(g) and other than any rights to indemnity payments or other amounts owed to the retiring or removed Administrative Agent as of the Resignation Effective Date or the Removal Effective Date, as applicable), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not



already discharged therefrom as provided above in this Section). The fees payable by the Company to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them (i) while the retiring or removed Administrative Agent was acting as Administrative Agent and (ii) after such resignation or removal for as long as any of them continues to act in any capacity hereunder or under the other Loan Documents, including (a) acting as collateral agent or otherwise holding any collateral security on behalf of any of the Lenders and (b) in respect of any actions take in connection with transferring the agency to any successor Administrative Agent.

(c) [Reserved].

**9.07 Non-Reliance on Administrative Agent and Other Lenders.** Each Lender expressly acknowledges that none of the Administrative Agent nor the Arranger has made any representation or warranty to it, and that no act by the Administrative Agent or the Arranger hereafter taken, including any consent to, and acceptance of any assignment or review of the affairs of any Loan Party of any Affiliate thereof, shall be deemed to constitute any representation or warranty by the Administrative Agent or the Arranger to any Lender as to any matter, including whether the Administrative Agent or the Arranger have disclosed material information in their (or their Related Parties') possession. Each Lender represents to the Administrative Agent and the Arranger that it has, independently and without reliance upon the Administrative Agent, the Arranger, any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis of, appraisal of, and investigation into, the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties and their Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Arranger, any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties. Each Lender represents and warrants that (i) the Loan Documents set forth the terms of a commercial lending facility and (ii) it is engaged in making, acquiring or holding commercial loans in the ordinary course and is entering into this Agreement as a Lender for the purpose of making, acquiring or holding commercial loans and providing other facilities set forth herein as may be applicable to such Lender, and not for the purpose of purchasing, acquiring or holding any other type of financial instrument, and each Lender agrees not to assert a claim in contravention of the foregoing. Each Lender represents and warrants that it is sophisticated with respect to decisions to make, acquire and/or hold commercial loans and to provide other facilities set forth herein, as may be applicable to such Lender, and either it, or the Person exercising discretion in making its decision to make, acquire and/or hold such commercial loans or to provide such other facilities, is experienced in making, acquiring or holding such commercial loans or providing such other facilities.

**9.08 No Other Duties, Etc.** Anything herein to the contrary notwithstanding, none of the Bookrunner, Arranger, Syndication Agent or Co-Documentation Agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the

other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

**9.09 Administrative Agent May File Proofs of Claim; Credit Bidding.** In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Company) shall be entitled and empowered, by intervention in such proceeding or otherwise.

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.10 and 10.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, if the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.10 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

The Secured Parties hereby irrevocably authorize the Administrative Agent, at the direction of the Required Lenders, to credit bid all or any portion of the Obligations (including accepting some or all of the Collateral in satisfaction of some or all of the Obligations pursuant to a deed in lieu of foreclosure or otherwise) and in such manner purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral (a) at any sale thereof conducted under the provisions of the Bankruptcy Code of the United States, including under Sections 363, 1123 or 1129 of the Bankruptcy Code of the United States, or any similar Laws in any other jurisdictions to which a Loan Party is subject, (b) at any other sale or foreclosure or acceptance of collateral in lieu of debt conducted by (or with the consent or at the direction of) the Administrative Agent (whether by judicial action or otherwise) in accordance with any applicable Law. In connection with any such credit bid and purchase, the Obligations owed to the Secured Parties shall be entitled to be, and shall be, credit bid on a ratable basis (with Obligations with respect to contingent or unliquidated claims receiving contingent interests in the acquired assets on a ratable basis that would vest upon the liquidation of such claims in an amount proportional to the liquidated portion of the contingent claim amount used in allocating the contingent interests) in the asset or assets so purchased (or in the Equity Interests or debt instruments of the acquisition vehicle or vehicles that are used to consummate such purchase). In connection with any such bid (i) the Administrative Agent shall be authorized to form one or more acquisition vehicles to make a bid, (ii) the Administrative Agent shall be authorized to adopt documents providing for the governance

of the acquisition vehicle or vehicles (provided that any actions by the Administrative Agent with respect to such acquisition vehicle or vehicles, including any disposition of the assets or Equity Interests thereof shall be governed, directly or indirectly, by the vote of the Required Lenders, irrespective of the termination of this Agreement and without giving effect to the limitations on actions by the Required Lenders contained in clauses (a) through (h) of Section 10.01 of this Agreement), (iii) the Administrative Agent shall be authorized to assign the relevant Obligations to any such acquisition vehicle pro rata by the Lenders, as a result of which each of the Lenders shall be deemed to have received a pro rata portion of any Equity Interests and/or debt instruments issued by such an acquisition vehicle on account of the assignment of the Obligations to be credit bid, all without the need for any Secured Party or acquisition vehicle to take any further action, and (iv) to the extent that Obligations that are assigned to an acquisition vehicle are not used to acquire Collateral for any reason (as a result of another bid being higher or better, because the amount of Obligations assigned to the acquisition vehicle exceeds the amount of debt credit bid by the acquisition vehicle or otherwise), such Obligations shall automatically be reassigned to the Lenders pro rata and the Equity Interests and/or debt instruments issued by any acquisition vehicle on account of the Obligations that had been assigned to the acquisition vehicle shall automatically be cancelled, without the need for any Secured Party or any acquisition vehicle to take any further action.

**9.10 Collateral and Guaranty Matters.** Without limiting the provision of Section 9.09, each of the Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (i) upon termination of the Aggregate Commitments and payment in full of all Obligations (other than contingent indemnification obligations), (ii) in connection with a Property Substitution or Prepayment Release in accordance with Section 2.19; or (iii) subject to Section 10.01, if approved, authorized or ratified in writing by the Required Lenders; and

(b) to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty if such Person ceases to be required to provide such a Subsidiary Guaranty pursuant to Section 6.14 as a result of a transaction permitted under the Loan Documents.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty pursuant to this Section 9.10. In each case as specified in this Section 9.10, the Administrative Agent will, at the Company's expense, execute and deliver to the applicable Loan Party such documents as such Loan Party may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Security Instruments or to subordinate its interest in such item, or to release such Subsidiary Guarantor from its obligations under the Subsidiary Guaranty, in each case in accordance with the terms of the Loan Documents and this Section 9.10.

**9.11 [Reserved].**

**9.12 [Reserved].**

**9.13 Certain ERISA Matters.**

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of,

the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Company or any other Loan Party, that at least one of the following is and will be true:

(i) such Lender is not using “plan assets” (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Commitments or this Agreement,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of any Company or any other Loan Party, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such Lender’s entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related hereto or thereto).

#### **9.14 Erroneous Payments.**

(a) If the Administrative Agent notifies a Lender or Secured Party, or any Person who has received funds on behalf of a Lender or Secured Party (any such Lender Secured Party or other recipient, a “Payment Recipient”), that the Administrative Agent has determined in its sole discretion (whether or not after receipt of any notice under immediately succeeding clause

(b) that any funds received by such Payment Recipient from the Administrative Agent or any of its Affiliates were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Lender, Secured Party or other Payment Recipient on its behalf) (any such funds, whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise, individually and collectively, an "Erroneous Payment") and demands the return of such Erroneous Payment (or a portion thereof), such Erroneous Payment shall at all times remain the property of the Administrative Agent and shall be segregated by the Payment Recipient and held in trust for the benefit of the Administrative Agent, and such Lender or Secured Party shall (or, with respect to any Payment Recipient who received such funds on its behalf, shall cause such Payment Recipient to) promptly, but in no event later than two Business Days thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Administrative Agent in same day funds at the greater of the Overnight Bank Funding Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect. A notice of the Administrative Agent to any Payment Recipient under this clause (a) shall be conclusive, absent manifest error.

(b) Without limiting immediately preceding clause (a), each Lender or Secured Party, or any Person who has received funds on behalf of a Lender or Secured Party, hereby further agrees that if it receives a payment, prepayment or repayment (whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise) from the Administrative Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, (y) that was not preceded or accompanied by a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates), or (z) that such Lender or Secured Party, or other such recipient, otherwise becomes aware was transmitted, or received, in error or by mistake (in whole or in part) in each case:

(i) (A) in the case of immediately preceding clauses (x) or (y), an error shall be presumed to have been made (absent written confirmation from the Administrative Agent to the contrary) or (B) an error has been made (in the case of immediately preceding clause (z)), in each case, with respect to such payment, prepayment or repayment; and

(ii) such Lender or Secured Party shall (and shall cause any other recipient that receives funds on its respective behalf to) promptly (and, in all events, within one Business Day of its knowledge of such error) notify the Administrative Agent of its receipt of such payment, prepayment or repayment, the details thereof (in reasonable detail) and that it is so notifying the Administrative Agent pursuant to this Section 9.14(b).

(c) Each Lender or Secured Party hereby authorizes the Administrative Agent to set off, net and apply any and all amounts at any time owing to such Lender or Secured Party under any Loan Document, or otherwise payable or distributable by the Administrative Agent to such Lender or Secured Party from any source, against any amount due to the Administrative Agent under immediately preceding clause (a) or under the indemnification provisions of this Agreement.

(d) In the event that an Erroneous Payment (or portion thereof) is not recovered by the Administrative Agent for any reason, after demand therefor by the Administrative Agent in accordance with immediately preceding clause (a), from any Lender that has received such

Erroneous Payment (or portion thereof) (and/or from any Payment Recipient who received such Erroneous Payment (or portion thereof) on its respective behalf) (such unrecovered amount, an “Erroneous Payment Return Deficiency”), upon the Administrative Agent’s notice to such Lender at any time, (i) such Lender shall be deemed to have assigned its Loans (but not its Commitments) of the relevant class of Loans (as applicable) with respect to which such Erroneous Payment was made (the “Erroneous Payment Impacted Class”) in an amount equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Administrative Agent may specify) (such assignment of the Loans (but not Commitments) of the Erroneous Payment Impacted Class, the “Erroneous Payment Deficiency Assignment”) at par plus any accrued and unpaid interest (with the assignment fee to be waived by the Administrative Agent in such instance), and is hereby (together with the Borrower) deemed to execute and deliver an Assignment and Assumption with respect to such Erroneous Payment Deficiency Assignment, and such Lender shall deliver any Notes evidencing such Loans to the Borrower or the Administrative Agent, (ii) the Administrative Agent as the assignee Lender shall be deemed to acquire the Erroneous Payment Deficiency Assignment, (iii) upon such deemed acquisition, the Administrative Agent as the assignee Lender shall become a Lender hereunder with respect to such Erroneous Payment Deficiency Assignment and the assigning Lender shall cease to be a Lender hereunder with respect to such Erroneous Payment Deficiency Assignment, excluding, for the avoidance of doubt, its obligations under the indemnification provisions of this Agreement and its applicable Commitments which shall survive as to such assigning Lender and (iv) the Administrative Agent may reflect in the Register its ownership interest in the Loans subject to the Erroneous Payment Deficiency Assignment. The Administrative Agent may, in its discretion, sell any Loans acquired pursuant to an Erroneous Payment Deficiency Assignment and upon receipt of the proceeds of such sale, the Erroneous Payment Return Deficiency owing by the applicable Lender shall be reduced by the net proceeds of the sale of such Loan (or portion thereof), and the Administrative Agent shall retain all other rights, remedies and claims against such Lender (and/or against any recipient that receives funds on its respective behalf). For the avoidance of doubt, no Erroneous Payment Deficiency Assignment will reduce the Commitments of any Lender and such Commitments shall remain available in accordance with the terms of this Agreement. In addition, each party hereto agrees that, except to the extent that the Administrative Agent has sold a Loan (or portion thereof) acquired pursuant to an Erroneous Payment Deficiency Assignment, and irrespective of whether the Administrative Agent may be equitably subrogated, the Administrative Agent shall be contractually subrogated to all the rights and interests of the applicable Lender or Secured Party under the Loan Documents with respect to each Erroneous Payment Return Deficiency (the “Erroneous Payment Subrogation Rights”).

(e) The parties hereto agree that an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by the Borrower or any other Loan Party, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower or any other Loan Party for the purpose of making such Erroneous Payment.

(f) To the extent permitted by applicable law, no Payment Recipient shall assert any right or claim to an Erroneous Payment, and hereby waives, and is deemed to waive, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payment received, including without limitation waiver of any defense based on "discharge for value" or any similar doctrine

(g) Each party's obligations, agreements and waivers under this Section 9.14 shall survive the resignation or replacement of the Administrative Agent, the termination of the Commitments and/or the repayment, satisfaction or discharge of all Obligations (or any portion thereof) under any Loan Document.

## Article X

### MISCELLANEOUS

**10.01 Amendments, Etc..** Subject to Section 3.03(c) and the last paragraph of this Section 10.01, no amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Company or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Company or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent (such acknowledgement not to be unreasonably withheld or delayed), and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

- (a) waive any condition set forth in Section 4.01(a) without the written consent of each Lender;
- (b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;
- (c) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) or any scheduled or mandatory reduction of the Aggregate Commitments hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;
- (d) reduce the principal of, or the rate of interest specified herein on, any Loan, or (subject to clause (ii) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary (i) to amend the definition of "Default Rate" or to waive any obligation of the Company to pay interest at the Default Rate or (ii) to amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest on any Loan or to reduce any fee payable hereunder;
- (e) change Section 2.13 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;
- (f) change any provision of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;
- (g) release all or substantially all of the value of the Subsidiary Guaranty without the written consent of each Lender;
- (h) release all or substantially all of the Collateral in any transaction or series of related transactions, except as specifically required by the Loan Documents, without the written consent of each Lender; or
- (i) except to the extent expressly permitted herein, (x) subordinate, or have the effect of subordinating, the Liens in favor of the Administrative Agent or (y) subordinate, or have the effect of subordinating, the Obligations hereunder to any other Indebtedness or

other obligation, in each case of clauses (x) and (y), without the written consent of each Lender;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (ii) the PNC Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the respective parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of all Lenders other than Defaulting Lenders), except that (x) the Commitment or Loans of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification described in clauses (a) through (h) of this Section 10.01 requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender disproportionately adversely relative to other affected Lenders shall require the consent of such Defaulting Lender.

Notwithstanding any provision herein to the contrary, if the Administrative Agent and the Company acting together identify any ambiguity, omission, mistake, typographical error or other defect in any provision of this Agreement or any other Loan Document (including the schedules and exhibits thereto), then the Administrative Agent and the Company shall be permitted to amend, modify or supplement such provision to cure such ambiguity, omission, mistake, typographical error or other defect, and such amendment shall become effective without any further action or consent of any other party to this Agreement.

#### **10.02 Notices; Effectiveness; Electronic Communication.**

(a) Notices; Effectiveness; Electronic Communications. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile or electronic mail as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Company, any other Loan Party, the Administrative Agent, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire (including, as appropriate, notices delivered solely to the Person designated by a Lender on its Administrative Questionnaire then in effect for the delivery of notices that may contain material non-public information relating to the Company).

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including



e-mail, FpML messaging, and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Company may each, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii), if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Company, any Lender, or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Company's, any Loan Party's or the Administrative Agent's transmission of Borrower Materials or notices through the Platform, any other electronic messaging service, or through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Company, any Loan Party, any Lender, or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of the Company and the Administrative Agent, may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the Company and the Administrative Agent. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, facsimile number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public

Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to the Company or its securities for purposes of United States Federal or state securities laws.

(e) Reliance by Administrative Agent and Lenders. The Administrative Agent, and the Lenders shall be entitled to rely and act upon any notices (including telephonic notices, Committed Loan Notices and Notice of Loan Prepayment) purportedly given by or on behalf of the Company even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Company shall indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Company. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

**10.03 No Waiver; Cumulative Remedies; Enforcement.** No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.02 for the benefit of all the Lenders; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) any Lender from exercising setoff rights under applicable Laws (subject to the terms of Section 2.13), or (c) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.02 and (ii) in addition to the matters set forth in clauses (a), (b) and (c) of the preceding proviso and subject to Section 2.13, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

#### **10.04 Expenses; Indemnity; Damage Waiver.**

(a) Costs and Expenses. The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and each of its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or

thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights, including any audit fees incurred when conducting any audit of any Loan Party or any Collateral during the continuance of any Event of Default (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans. The Company shall also pay for (or reimburse the Administrative Agent for any costs of) any real estate appraisals, limited updated appraisals, and environmental reports, and any review of such appraisals, limited updated appraisals, and environmental reports by the Administrative Agent's internal or external consultants relating to the Mortgaged Properties, in each case to the extent any such appraisal, limited updated appraisal, or environmental report is required to be delivered to (or received by) the Administrative Agent pursuant to the terms of the Agreement, or is otherwise delivered or requested by the Company or any Subsidiary.

(b) **Indemnification by the Company.** The Company shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Company or any other Loan Party) other than such Indemnitee and its Related Parties arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, or the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials at, on, under or emanating from any property owned, leased or operated by the Company or any of its Subsidiaries, or any Environmental Liability related in any way to the Company or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Company or any other Loan Party, and regardless of whether any Indemnitee is a party thereto, **IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE INDEMNITEE**; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Company or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Company or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. Without limiting the provisions of Section 3.01(c), this Section 10.04(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) Reimbursement by Lenders. To the extent that the Company for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), or such Related Party, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the Total Credit Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender), such payment to be made severally among them based on such Lenders' Applicable Percentage or other applicable share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Company shall not assert, and the Company hereby waives, and acknowledges that no other Person shall have, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby, except to the extent such damages are found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnitee's gross negligence or willful misconduct.

(e) Payments. All amounts due under this Section shall be payable not later than ten Business Days after demand therefor.

(f) Survival. The agreements in this Section and the indemnity provisions of Section 10.02(e) shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

**10.05 Payments Set Aside.** To the extent that any payment by or on behalf of the Company is made to the Administrative Agent or any other Lender, or the Administrative Agent or any other Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under

clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

#### **10.06 Successors and Assigns.**

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Company nor any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of Section 10.06(b), (ii) by way of participation in accordance with the provisions of Section 10.06(d), or (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 10.06(f) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or contemporaneous assignments to related Approved Funds (determined after giving effect to such assignments) that equal at least the amount specified in paragraph (b)(i)(B) of this Section in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Company otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans and the Commitment assigned.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Company (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Company shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender;

(C) [Reserved]; and

(D) [Reserved].

(iv) Assignment and Assumption. The parties to each permitted assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of \$3,500, provided however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Certain Persons. No such assignment shall be made (A) to any Loan Party or any Affiliates or Subsidiaries of any Loan Party, or (B) to any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B), or (C) to a natural Person (or a holding company investment vehicle or trust for, or owned and operated for the primary benefit of a natural Person).

(vi) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations, or other compensating actions, including funding, with the consent of the Company and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent or any Lender hereunder (and interest accrued thereon) and

(y) acquire (and fund as appropriate) its full pro rata share of all Loans in accordance with its Applicable Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable Law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment; provided, that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Upon request, the Company (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Company (and such agency being solely for tax purposes), shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it (or the equivalent thereof in electronic form) and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Company, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. In addition, the Administrative Agent shall maintain on the Register information regarding the designation, and revocation of designation, of any Lender as a Defaulting Lender. The Register shall be available for inspection by the Company at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender may request and receive from the Administrative Agent a copy of the Register.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Company, or the Administrative Agent, sell participations to any Person (other than a natural Person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of a natural Person, a Defaulting Lender or the Company or any of the Company's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Company, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be

responsible for the indemnity under Section 10.04(c) without regard to the existence of any participation.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. The Company agrees that each Participant shall be entitled to the benefits of Sections 3.01 and 3.04 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section (it being understood that the documentation required under Section 3.01(e) shall be delivered to the Lender who sells the participation) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Sections 3.05 and 10.13 as if it were an assignee under paragraph (b) of this Section and (B) shall not be entitled to receive any greater payment under Sections 3.01 or 3.04, with respect to any participation, than the Lender from whom it acquired the applicable participation would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Company's request and expense, to use reasonable efforts to cooperate with the Company to effectuate the provisions of Section 3.05 with respect to any Participant. Each Participant agrees to be subject to Section 2.13 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as non-fiduciary agent of the Company, maintain a register on which it enters the name and address of each Participant and the principal amounts (and .stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) [Reserved].

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under any of its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments and Certain Other Documents. The words "delivery," "execute," "execution," "signed," "signature," and words of like import in any Loan Document or any other document executed in connection herewith shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as



provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary neither the Administrative Agent nor any Lender is under any obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent or such Lender pursuant to procedures approved by it and provided further without limiting the foregoing, upon the request of any party, any electronic signature shall be promptly followed by such manually executed counterpart.

(h) [Reserved].

**10.07 Treatment of Certain Information; Confidentiality.** Each of the Administrative Agent, and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates, its auditors and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to the Company and its obligations, this Agreement or payments hereunder, (g) on a confidential basis to (i) any rating agency in connection with rating the Company or its Subsidiaries or the credit facilities provided hereunder or (ii) the CUSIP Service Bureau or any similar agency in connection with the application, issuance, publishing and monitoring of CUSIP numbers of other market identifiers with respect to the credit facilities provided hereunder, (h) with the consent of the Company or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section, (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than the Company or (z) is independently discovered or developed by a party hereto without utilizing any Information received from the Company or violating the terms of this Section 10.07. In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information contained in this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Administrative Agent and the Lenders in connection with the administration of this Agreement, the other Loan Documents, and the Commitments.

For purposes of this Section, “Information” means all information received from the Company or any Subsidiary relating to the Company or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Company or any Subsidiary, provided that, in the case of information received from the Company or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent and the Lenders acknowledges that (a) the Information may include material non-public information concerning the Company or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including United States Federal and state securities Laws.

**10.08 [Reserved].**

**10.09 Interest Rate Limitation.** Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Company. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

**10.10 Counterparts; Integration; Effectiveness.** This Agreement and the other Loan Documents may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement and the other Loan Documents shall become effective when they shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement or any other Loan Document by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement or such other Loan Document.

**10.11 Survival of Representations and Warranties.** All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

**10.12 Severability.** If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Without limiting the foregoing provisions of this Section 10.12, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Lenders shall be limited by Debtor Relief Laws, as determined in good faith by the Administrative Agent, then such provisions shall be deemed to be in effect only to the extent not so limited.

**10.13 Replacement of Lenders.** If the Company is entitled to replace a Lender pursuant to the provisions of Section 3.05, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Company may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the

restrictions contained in, and consents required by, Section 10.06), all of its interests, rights (other than its existing rights to payments pursuant to Sections 3.01 and 3.04) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

- (a) the Company shall have paid to the Administrative Agent the assignment fee specified in Section 10.06(b);
- (b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company (in the case of all other amounts);
- (c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter;
- (d) such assignment does not conflict with applicable Laws; and
- (e) in the case of an assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

Each party hereto agrees that (a) an assignment required pursuant to this Section 10.13 may be effected pursuant to an Assignment and Assumption executed by the Company, the Administrative Agent and the assignee and (b) the Lender required to make such assignment need not be a party thereto in order for such assignment to be effective and shall be deemed to have consented to and be bound by the terms thereof; provided that, following the effectiveness of any such assignment, the other parties to such assignment agree to execute and deliver such documents necessary to evidence such assignment as reasonably requested by the applicable Lender, provided, further that any such documents shall be without recourse to or warranty by the parties thereto.

Notwithstanding anything in this Section 10.13 to the contrary, the Lender that acts as the Administrative Agent may not be replaced hereunder except in accordance with the terms of Section 9.06.

#### **10.14 Governing Law; Jurisdiction; Etc.**

(a) GOVERNING LAW. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NORTH CAROLINA.

(b) SUBMISSION TO JURISDICTION. THE COMPANY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NORTH CAROLINA SITTING IN MECKLENBURG COUNTY AND OF THE UNITED STATES FOR THE WESTERN DISTRICT, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR

ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NORTH CAROLINA STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE COMPANY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE COMPANY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

#### **10.15 Waiver of Jury Trial; Binding Arbitration.**

(a) Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

(b) Binding Arbitration.

(i) Agreement to Arbitrate. Upon demand of any party, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Agreement or any other Loan Document (“Disputes”), between or among parties hereto and to the other Loan Documents shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include tort claims, counterclaims, claims brought as class actions, claims arising from Loan Documents executed in the future, disputes as to whether a matter is subject to arbitration, or claims concerning any aspect of the past, present or future relationships

arising out of or connected with the Loan Documents. The parties hereto do not waive any applicable Federal or state substantive Law (including the protections afforded to banks under 12 U.S.C. Section 91 or any similar applicable state Law) except as provided herein. A judgment upon the award may be entered in any court having jurisdiction.

(ii) General Rules of Arbitration. Any arbitration proceeding will (A) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the Loan Documents between the parties, (B) be conducted by the American Arbitration Association (the “AAA”), or such other administrator as the parties shall mutually agree upon, in accordance with the commercial dispute resolution procedures of the AAA, unless the claim or counterclaim is at least \$1,000,000 exclusive of claimed interest, arbitration fees and costs, in which case the arbitration shall be conducted in accordance with the AAA’s optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to, as applicable, as the “Arbitration Rules”) and (C) proceed in a location in Charlotte, North Carolina selected by the AAA. The expedited procedures set forth in Rule 51, et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000. All applicable statutes of limitations shall apply to any Dispute. If there is any inconsistency between the terms hereof and the Arbitration Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Notwithstanding anything in the foregoing to the contrary, any arbitration proceeding demanded hereunder shall begin within ninety (90) days after such demand thereof and shall be concluded within one hundred twenty (120) days after such demand. These time limitations may not be extended unless a party hereto shows cause for extension and then such extension shall not exceed a total of sixty (60) days.

(iii) Arbitrators. Any arbitration proceeding in which the amount in controversy is \$5,000,000 or less will be decided by a single arbitrator selected according to the Arbitration Rules, and who shall not render an award of greater than \$5,000,000. Any dispute in which the amount in controversy exceeds \$5,000,000 shall be decided by majority vote of a panel of three arbitrators; provided that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the jurisdiction of the state where the hearing will be conducted or a neutral retired judge of the jurisdiction, state or federal, of the state where the hearing will be conducted, in either case with a minimum of ten years’ experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. In any arbitration proceeding, the arbitrator will decide (by documents only or with a hearing at the arbitrator’s discretion) any pre-hearing motions that are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive Law of the State of North Carolina and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure or other applicable Law.

(iv) Preservation of Certain Remedies. Notwithstanding the preceding binding arbitration provisions, the parties hereto and the other Loan Documents preserve, without diminution, certain remedies that such Persons may employ or exercise freely, either alone, in conjunction with or during a Dispute. Each such Person shall have and hereby reserves the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (A) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted in the Loan Documents or under applicable Law or by judicial foreclosure and

sale, including a proceeding to confirm the sale, (B) all rights of self-help including peaceful occupation of property and collection of rents, set off, and peaceful possession of property, (C) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and in filing an involuntary bankruptcy proceeding, and (D) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

**10.16 USA PATRIOT Act Notice.** Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Company that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies the Company, which information includes the name and address of the Company and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Company in accordance with the Act. The Company shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Act.

**10.17 MIRE Events.** Any increase, extension or renewal of the credit facility evidenced by this Agreement shall be subject to flood insurance due diligence and flood insurance compliance reasonably satisfactory to the Administrative Agent and all Lenders.

**10.18 No Advisory or Fiduciary Responsibility.** In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Company acknowledges and agrees, and acknowledges its Affiliates’ understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Arranger are arm’s-length commercial transactions between the Company and its Affiliates, on the one hand, and the Administrative Agent and the Arranger, on the other hand, (B) the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Company is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent and the Arranger each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Company or any of its Affiliates, or any other Person and (B) neither the Administrative Agent nor the Arranger has any obligation to the Company or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent and the Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company and its Affiliates, and neither the Administrative Agent nor the Arranger has any obligation to disclose any of such interests to the Company or its Affiliates. To the fullest extent permitted by law, the Company hereby waives and releases any claims that it may have against the Administrative Agent and the Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

**10.19 [Reserved] .**

**10.20 Electronic Execution of Assignments and Certain Other Documents .** The words “execute,” “execution,” “signed,” “signature,” and words of like import in or related to any document to be signed in connection with this Agreement or any Loan Document and the transactions contemplated hereby (including without limitation Assignment and Assumptions, amendments or other modifications, Committed Loan Notices, waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the

Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary neither the Administrative Agent nor any Lender is under any obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent or such Lender pursuant to procedures approved by it and provided further without limiting the foregoing, upon the request of any party, any electronic signature shall be promptly followed by such manually executed counterpart.

**10.21 Acknowledgment and Consent to Bail-In of Affected Financial Institutions.** Solely to the extent any Lender that is an Affected Financial Institution is a party to this Agreement and notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an Affected Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
  - (i) a reduction in full or in part or cancellation of any such liability;
  - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
  - (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of the applicable Resolution Authority.

**10.22 Acknowledgement Regarding Any Supported QFCs .** To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Swap Contract or any other agreement or instrument that is a QFC (such support, “QFC Credit Support”, and each such QFC, a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States): In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

[SIGNATURE PAGES REMOVED FROM THIS EXHIBIT]



ENTITY	Domestic	Foreign	ASSUMED NAME
AnTrev, LLC	NC		
Arngar, Inc.	NC		Cadillac of South Charlotte
Autobahn, Inc.	CA		Autobahn Motors
Avalon Ford, Inc.	DE	CA	
Car Cash of North Carolina, Inc.	NC		
Cornerstone Acceptance Corporation	FL	NC OH TN TX	
EP: AM Realty GA, LLC	GA		
EP: EchoPark AL, LLC	AL		
EP: EchoPark Automotive, Inc.	DE	AL AZ CA CO FL GA KS KY MD MO NC NV NY SC TN TX UT VA LA OK OH	EchoPark
EP: EchoPark AZ, LLC	AZ		EchoPark
EP: EchoPark CA, LLC	CA		EchoPark EchoPark Automotive
EP: EchoPark Driver Education, LLC	CO		
EP: EchoPark FL, LLC	FL		EchoPark EchoPark Automotive
EP: EchoPark GA LLC fka AM GA, LLC	GA		EchoPark
EP: EchoPark KS, LLC	KS		
EP: EchoPark KY, LLC	KY		EchoPark EchoPark Auto Sales
EP: EchoPark LA, LLC	LA		EchoPark
EP: EchoPark MD, LLC	MD		EchoPark Carbiz
EP: EchoPark MO, LLC	MO		
EP: EchoPark NC, LLC	NC		EchoPark
EP: EchoPark NV, LLC	NV		EchoPark
EP: EchoPark NY, LLC	NY		EchoPark Used Car King Used Car King Cicero Used Car King West Used Car King Cortland
EP: EchoPark OH, LLC	OH		
EP: EchoPark OK, LLC	OK		
EP: EchoPark PA, LLC	PA		
EP: EchoPark Realty CA, LLC	CA		
EP: EchoPark Realty NY, LLC	NY		
EP: EchoPark Realty TX, LLC	TX		
EP: EchoPark SC, LLC	SC		
EP: EchoPark TN, LLC	TN		EchoPark
EP: EchoPark TX, LLC	TX		EchoPark Tactical Fleet
EP: EchoPark UT, LLC	UT		EchoPark Utah
EP: EP Realty AL, LLC	AL		
EP: EP Realty AZ, LLC	AZ		
EP: EP Realty KS, LLC	KS		
EP: EP Realty KY, LLC	KY		

ENTITY	Domestic	Foreign	ASSUMED NAME
EP: EP Realty LA, LLC	LA		
EP: EP Realty MD, LLC	MD		
EP: EP Realty MO, LLC	MO		
EP: EP Realty NC, LLC	NC		
EP: EP Realty NV, LLC	NV		
EP: EP Realty OH, LLC	OH		
EP: EP Realty PA, LLC	PA		
EP: EP Realty SC, LLC	SC		
EP: EP Realty TN, LLC	TN		
EP: EP Strategic Holding, LLC	DE		
EP: EP TF California, LLC	CA		Tactical Fleet
EP: EP TF North Carolina, LLC	NC		Tactical Fleet
EP: EP TF Realty TX, LLC	TX		
EP: EP TF Texas, LLC	TX		Tactical Fleet
EP: SAI Momentum ARM, LLC	TX		Momentum Maserati Momentum Alfa Romeo Momentum Alfa Romeo Maserati Essence Maserati Essence Alfa Romeo Essence Maserati Alfa Romeo eCarOne voffer DealEvo Momentum Alfa Romeo Maserati eCarOne EchoPark
EP: TT Denver, LLC	CO		
EP: TTRE CO 1, LLC	CO		
Car Cash of North Carolina, Inc.	NC		
FAA Beverly Hills, Inc.	CA		Beverly Hills BMW
FAA Capitol N, Inc.	CA		
FAA Concord H, Inc.	CA		Concord Honda
FAA Concord T, Inc.	CA		Concord Toyota
FAA Dublin N, Inc.	CA		
FAA Dublin VWD, Inc.	CA		
FAA Holding LLC	CA		
FAA Las Vegas H, Inc.	NV		Honda West
FAA Poway H, Inc.	CA		Poway Honda
FAA Poway T, Inc.	CA		
FAA San Bruno, Inc.	CA		
FAA Santa Monica V, Inc.	CA		
FAA Serramonte H, Inc.	CA		Honda of Serramonte
FAA Serramonte L, Inc.	CA		Lexus of Marin Lexus of Serramonte
FAA Serramonte, Inc.	CA		
FAA Stevens Creek, Inc.	CA		
FAA Torrance CPJ, Inc.	CA		
FirstAmerica Automotive, LLC	DE	CA	
Fort Mill Ford, Inc.	SC		Fort Mill Ford

ENTITY	Domestic	Foreign	ASSUMED NAME
Franciscan Motors, Inc.	CA		
Frontier Oldsmobile-Cadillac, Inc.	NC		
Kramer Motors Incorporated	CA		
L Dealership Group, LLC	TX	CA	
Marcus David Corporation	NC		Town and Country Toyota
Massey Cadillac, Inc. (TN-MI)	TN		
Mountain States Motors Co., Inc.	CO		
North Point Imports, LLC	GA		North Point Volvo Cars
Ontario L, LLC	CA		Crown Lexus
Philpott Motors, LLC	TX		Philpott Motors Hyundai
			Philpott Ford
RFJ: Bonham CHR, LLC	TX		Bonham Chrysler
RFJ: Dave Smith Motors, Inc.	ID		Dave Smith Motors
			Dave Smith Chevrolet, Cadillac, GMC, Buick, Chrysler, Dodge, Jeep, Ram
			Dave Smith Alfa Romeo, Dave Smith Maserati
RFJ: Frontier Leasing and Sales, Inc.	ID		Greenville Chrysler, Dodge, Jeep, Ram
RFJ: Greenville CHR, LLC	TX		Greenville Hyundai
RFJ: Greenville HY, LLC	TX		Nissan of Greenville
RFJ: Greenville NIS, LLC	TX		Honda of Jefferson City
RFJ: Jefferson City H, LLC	DE	MO	Hyundai of Jefferson City
RFJ: Jefferson City HY, LLC	DE	MO	Nissan of Jefferson City
RFJ: Jefferson City N, LLC	DE	MO	Jordan Ford
RFJ: Mishawaka – F LLC	IN		Jordan Lexus of Mishawaka
RFJ: Mishawaka – L LLC	IN		Jordan Toyota
RFJ: Mishawaka – T LLC	IN		Northwest Motorsport
RFJ: Northwest Motorsport, LLC	WA		Toyota of Mount Pleasant
RFJ: Paris-T, LLC	TX		
RFJ: RFJ Auto Group, LLC	DE	TX WA	
RFJ: RFJ Auto Management, LLC	DE		
RFJ: RFJ Auto Partners H-Holdings, LLC	DE		
RFJ: RFJ Auto Partners Holdings, LLC	DE	TX	
RFJ: RFJ Auto Partners Northern Holdings, LLC	DE		
RFJ: RFJ Auto Partners T-Holdings, LLC	DE	IN	
RFJ: RFJ Auto Properties, LLC	DE		
RFJ: RFJ Auto T-Properties, LLC	DE		
RFJ: RFJ/Fenton Auto Properties, LLC	DE		
RFJ: RFJ Spokane Auto Properties, LLC	DE		
SAI RFJ Holding, Inc.	DE		
RFJ: Santa Fe-M, LLC	NM	Cayman Is.	Enchanted Mazda
RFJ: Santa Fe-T, LLC	NM		Toyota of Santa Fe
RFJ: Sherman HY, LLC	TX		Texoma Hyundai
RFJ: Spokane-N, LLC	DE	WA	Dave Smith Nissan, Nissan of Spokane
RFJ: Vernon CHR, LLC	TX		Vernon Chrysler Dodge Jeep Ram
RFJ: Vernon FL, LLC	TX		Vernon Ford
RFJ: Vernon-G, LLC	TX		Vernon Chevrolet Buick GMC

ENTITY	Domestic	Foreign	ASSUMED NAME
Santa Clara Imported Cars, Inc.	CA		Honda of Stevens Creek
SRM Assurance, Ltd.	Cayman Is.		
Stevens Creek Cadillac, Inc.	CA		
The Sonic Automotive Family Emergency Fund ("SAFE")	NC		
Town and Country Ford, Incorporated	NC		
Windward, Inc.	HI	CA	
SAI AL HC1, Inc.	AL		
SAI AL HC2, Inc.	AL		
SAI Ann Arbor Imports, LLC	MI		
SAI Atlanta B, LLC	GA		Global Imports (BMW) Global Imports MINI
SAI Broken Arrow C, LLC	OK		
SAI Calabasas A, LLC	CA		
SAI Chamblee V, LLC	GA		Dyer and Dyer Volvo Cars Polestar Atlanta
SAI Charlotte M, LLC	NC		
SAI Chattanooga N, LLC	TN		Nissan of Chattanooga East Clearwater Toyota
SAI Clearwater T, LLC	FL		
SAI Cleveland N, LLC	TN		
SAI Columbus Motors, LLC	OH		
SAI Columbus T, LLC	OH		
SAI Columbus VWK, LLC	OH		
SAI Denver B, Inc.	CO		Bodyworks Murray Motorworks BMW of Denver Downtown Mercedes-Benz of Denver BMW of Fairfax Volkswagen of Fallston
SAI Denver M, Inc.	CO		
SAI Fairfax B, LLC	VA		
SAI Fallston VW, LLC	MD		
SAI FL HC1, Inc.	FL		
SAI FL HC2, Inc.	FL		
SAI FL HC3, Inc.	FL		
SAI FL HC4, Inc.	FL		
SAI FL HC8, Inc.	FL		
SAI FL HC9, Inc.	FL		
SAI Fort Myers B, LLC	FL		BMW of Fort Myers MINI of Fort Myers
SAI Fort Myers H, LLC	FL		
SAI Fort Myers M, LLC	FL		Mercedes-Benz of Fort Myers Volkswagen of Fort Myers
SAI Fort Myers VW, LLC	FL		
SAI GA HC1, LLC	GA	OK	
SAI Glenwood Springs A, Inc.	CO		Audi Volkswagen Glenwood Springs Audi Glenwood Springs Glenwood Springs Volkswagen Subaru of Grand Junction Rocky Mountain Subaru Grand Junction Volkswagen Audi Birmingham
SAI Glenwood Springs V, Inc.	CO		
SAI Grand Junction S, Inc.	CO		
SAI Grand Junction VW, Inc.	CO		
SAI Irondale Imports, LLC	AL		

ENTITY	Domestic	Foreign	ASSUMED NAME
			BMW of Birmingham
			Jaguar Birmingham
			Land Rover Birmingham
			MINI of Birmingham
			Porsche Birmingham
			MINI of Birmingham Authorized Service
SAI Irondale L, LLC	AL		Lexus of Birmingham
			Tom Williams Collision Center
SAI Long Beach B, Inc.	CA		Long Beach BMW
			Long Beach MINI
			Mercedes-Benz of McKinney
SAI McKinney M, LLC	TX		
SAI MD HC1, Inc.	MD		
SAI Momentum CDJR Sealy, LLC	TX		Momentum Chrysler Dodge Jeep Ram of Sealy, TX
SAI Monrovia B, Inc.	CA		BMW of Monrovia
			MINI of Monrovia
SAI Montgomery B, LLC	AL		BMW of Montgomery
SAI Montgomery BCH, LLC	AL		Classic Cadillac
			Classic Buick GMC
SAI Montgomery CH, LLC	AL		Capitol Chevrolet
			Capitol HyundaiGenesis of Montgomery
SAI Nashville CSH, LLC	TN		
SAI Nashville H, LLC	TN		Crest Honda
SAI Nashville M, LLC	TN		Mercedes-Benz of Nashville
SAI Nashville Motors, LLC	TN		Audi Nashville
			Porsche of Nashville
			Audi Downtown Nashville
SAI Oklahoma City C, LLC	OK		
SAI Oklahoma City H, LLC	OK		
SAI Oklahoma City T, LLC	OK		
SAI Orlando CS, LLC	FL		Massey Cadillac
SAI Peachtree, LLC	GA		
SAI Pensacola A, LLC	FL		Audi Pensacola
SAI Philpott T, LLC	TX		Philpott Toyota
SAI River Oaks P, LLC	TX		Porsche River Oaks
			Momentum Porsche
SAI Riverside C, LLC	OK		
SAI Roaring Fork LR, Inc.	CO		Land Rover Roaring Fork
SAI Rockville Imports, LLC	MD		Audi Rockville
			Porsche Bethesda
SAI Rockville L, LLC	MD		
SAI S. Atlanta JLR, LLC	GA		Jaguar South Atlanta
			Land Rover South Atlanta
			Jaguar Land Rover South Atlanta
SAI Santa Clara K, Inc.	CA		
SAI SIC, Inc.	GA		
SAI Stone Mountain T, LLC	GA		

ENTITY	Domestic	Foreign	ASSUMED NAME
SAI TN HC1, LLC	TN		
SAI TN HC2, LLC	TN		
SAI TN HC3, LLC	TN		
SAI Tulsa N, LLC	OK		
SAI Tulsa T, LLC	OK		
SAI Tysons Corner H, LLC	VA		
SAI Tysons Corner I, LLC	VA		
SAI VA HC1, Inc.	VA		
SAI Vehicle Subscription, Inc.	DE	TX	
SAI VS GA, LLC	GA		
SAI VS TX, LLC	TX		
SAI West Houston B, LLC	TX		BMW of West Houston
Sonic – Buena Park H, Inc.	CA		Buena Park Honda
Sonic – Cadillac D, LLC	TX		
Sonic – Calabasas A, Inc.	CA		
Sonic – Calabasas V, Inc.	CA		
Sonic – Capitol Cadillac, Inc.	MI		
Sonic – Capitol Imports, Inc.	SC		
Sonic – Carson F, Inc.	CA		
Sonic – Carson LM, Inc.	CA		
Sonic – Clear Lake Volkswagen, LLC	TX		
Sonic – Denver T, Inc.	CO		Mountain States Toyota
Sonic – Downey Cadillac, Inc.	CA		
Sonic – Fort Mill Chrysler Jeep, Inc.	SC		
Sonic – Fort Mill Dodge, Inc.	SC		
Sonic – Fort Worth T, LLC	TX		
Sonic – Harbor City H, Inc.	CA		Carson Honda
Sonic – Houston V, LLC	TX		
Sonic – Integrity Dodge LV, LLC	NV		
Sonic – Jersey Village Volkswagen, LLC	TX		
Sonic – Lake Norman Chrysler Jeep, LLC	NC		
Sonic – Las Vegas C West, LLC	NV		Cadillac of Las Vegas
Sonic – Lloyd Nissan, Inc.	FL		
Sonic – LS Chevrolet, LLC	TX		Lone Star Chevrolet
Sonic – LS, LLC	DE	TX	
Sonic – Lute Riley, LLC	TX		Lute Riley Honda
Sonic – Massey Chevrolet, Inc.	CA		
Sonic – Newsome Chevrolet World, Inc.	SC		
Sonic – Newsome of Florence, Inc.	SC		
Sonic – North Charleston Dodge, Inc.	SC		
Sonic – North Charleston, Inc.	SC		
Sonic – Plymouth Cadillac, Inc.	MI		
Sonic – Richardson F, LLC	TX		North Central Ford
Sonic – Shottenkirk, LLC	FL		Pensacola Honda
Sonic – Stevens Creek B, Inc.	CA		Stevens Creek BMW
			Stevens Creek Pre-Owned
			Stevens Creek BMW Pre-owned
Sonic – Volvo LV, LLC	NV		

ENTITY	Domestic	Foreign	ASSUMED NAME
Sonic – West Covina T, Inc.	CA		
Sonic – Williams Cadillac, Inc.	AL		
Sonic 2185 Chapman Rd., Chattanooga, LLC	TN		Economy Honda Superstore
Sonic Advantage PA, LLC	TX		Momentum Luxury Cars Audi West Houston Porsche West Houston
Sonic Automotive – 1495 Automall Drive, Columbus, Inc.	OH		
Sonic Automotive – 1720 Mason Ave., DB, Inc.	FL		
Sonic Automotive - 1720 Mason Ave., DB, LLC	FL		
Sonic Automotive – 2490 South Lee Highway, LLC	TN		
Sonic Automotive – 3401 N. Main, TX, LLC	TX		Baytown Auto Collision Center Ron Craft Cadillac Ron Craft Chevrolet Ron Craft Chevrolet Cadillac Baytown Ford <del>Casa Ford</del>
Sonic Automotive – 4701 I-10 East, TX, LLC	TX		
Sonic Automotive – 6008 N. Dale Mabry, FL, Inc.	FL		
Sonic Automotive – 9103 E. Independence, NC, LLC	NC		Infiniti of Charlotte
Sonic Automotive 2424 Laurens Rd., Greenville, Inc.	SC		
Sonic Automotive 2752 Laurens Rd., Greenville, Inc.	SC		Century BMW Century MINI
Sonic Automotive Aviation, LLC	NC		
Sonic Automotive F&I, LLC	NV	NC	
Sonic Automotive of Chattanooga, LLC	TN		BMW of Chattanooga
Sonic Automotive of Nashville, LLC	TN		MINI of Nashville BMW of Nashville BMW Certified Pre-Owned Nashville
Sonic Automotive of Nevada, Inc.	NV		
Sonic Automotive of Texas, LLC	TX		
Sonic Automotive Support, LLC	NV		
Sonic Automotive West, LLC	NV		
Sonic Calabasas M, Inc.	CA		Mercedes-Benz of Calabasas
Sonic Development, LLC	NC	AL CA CO FL GA MD MI NV OH OK SC TN TX VA	
Sonic Divisional Operations, LLC	NV	AL AZ CA CO FL GA KS KY MD MI MO NY NC OH OK SC TN TX UT VA WI LA	CBS
Sonic eStore, Inc.	NC		Central Buying Solutions
Sonic FFC 1, Inc.	DE	TX	
Sonic FFC 2, Inc.	DE	TX	
Sonic FFC 3, Inc.	DE	TX	
Sonic Fremont, Inc.	CA		

ENTITY	Domestic	Foreign	ASSUMED NAME
Sonic Houston JLR, LLC	TX		Jaguar Houston North Land Rover Houston North
Sonic Houston LR, LLC	TX		Land Rover Houston Central Jaguar Houston Central
Sonic Momentum B, LLC	TX		Momentum BMW Momentum MINI Momentum Collision Center
Sonic Momentum JVP, LLC	TX		Momentum Porsche Land Rover Southwest Houston Jaguar Southwest Houston
Sonic Momentum VWA, LLC	TX		Momentum Volkswagen Audi Central Houston
Sonic of Texas, Inc.	TX		
Sonic Resources, Inc.	NV		
Sonic Santa Monica M, Inc.	CA		W.I. Simonson
Sonic Santa Monica S, Inc.	CA		
Sonic Walnut Creek M, Inc.	CA		Mercedes-Benz of Walnut Creek
Sonic Wilshire Cadillac, Inc.	CA		
SRE Alabama – 2, LLC	AL		
SRE Alabama – 5, LLC	AL		
SRE Alabama 6, LLC	AL		
SRE California – 1, LLC	CA		
SRE California – 2, LLC	CA		
SRE California – 3, LLC	CA		
SRE California – 4, LLC	CA		
SRE California – 5, LLC	CA		
SRE California – 6, LLC	CA		
SRE California – 7 SCB, LLC	CA		
SRE California – 8 SCH, LLC	CA		
SRE California – 9 BHB, LLC	CA		
SRE California 10 LBB, LLC	CA		
SRE California 11 PH, LLC	CA		
SRE Colorado – 1, LLC	CO		
SRE Colorado – 2, LLC	CO		
SRE Colorado – 3, LLC	CO		
SRE Colorado – 4 RF, LLC	CO		
SRE Colorado – 5 CC, LLC	CO		
SRE Colorado 6, LLC	CO		
SRE Colorado 7, LLC	CO		
SRE Colorado 8, LLC	CO		
SRE Florida – 1, LLC	FL		
SRE Florida – 2, LLC	FL		
SRE Georgia 4, LLC	GA		
SRE Georgia 5, LLC	GA		
SRE Georgia 6, LLC	GA		

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ENTITY	Domestic	Foreign	ASSUMED NAME
SRE Holding, LLC	NC		
SRE Maryland – 1, LLC	MD		
SRE Nevada – 2, LLC	NV		
SRE North Carolina – 2, LLC	NC		
SRE North Carolina – 3, LLC	NC		
SRE Ohio 1, LLC	OH		
SRE Ohio 2, LLC	OH		
SRE Oklahoma – 1, LLC	OK		
SRE Oklahoma – 2, LLC	OK		
SRE Oklahoma – 5, LLC	OK		
SRE South Carolina – 2, LLC	SC		
SRE South Carolina – 3, LLC	SC		
SRE South Carolina – 4, LLC	SC		
SRE Tennessee – 1, LLC	TN		
SRE Tennessee – 2, LLC	TN		
SRE Tennessee – 3, LLC	TN		
SRE Tennessee – 4, LLC	TN		
SRE Tennessee – 5, LLC	TN		
SRE Tennessee 6, LLC	TN		
SRE Tennessee 7, LLC	TN		
SRE Tennessee 8, LLC	TN		
SRE Texas – 1, LLC	TX		
SRE Texas – 2, LLC	TX		
SRE Texas – 3, LLC	TX		
SRE Texas – 4, LLC	TX		
SRE Texas – 5, LLC	TX		
SRE Texas – 6, LLC	TX		
SRE Texas – 7, LLC	TX		
SRE Texas – 8, LLC	TX		
SRE Texas 9, LLC	TX		
SRE Texas 10, LLC	TX		
SRE Texas 11, LLC	TX		
SRE Texas 12, LLC	TX		
SRE Texas 13, LLC	TX		
SRE Texas 14, LLC	TX		
SRE Texas 15, LLC	TX		
SRE Texas 16, LLC	TX		
SRE Texas 17, LLC	TX		
SRE Texas 18, LLC	TX		
SRE Virginia - 1, LLC	VA		
SRE Virginia – 2, LLC	VA		

*AL AZ CO TX**MD*

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements (Nos. 333-81059, 333-81053, 333-69907, 333-69899, 333-65447, 333-49113, 333-69901, 333-95791, 333-46272, 333-46274, 333-102052, 333-102053, 333-109411, 333-117065, 333-124370, 333-142435, 333-142436, 333-159674, 333-159675, 333-180814, 333-180815, 333-204027, 333-217504, 333-232177, 333-256891) on Form S-8 of Sonic Automotive, Inc. of our reports dated February 28, 2022, with respect to the consolidated financial statements of Sonic Automotive, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Charlotte, North Carolina  
February 25, 2022

CERTIFICATION

I, Heath R. Byrd, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sonic Automotive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2022

By: /s/ HEATH R. BYRD

Heath R. Byrd

Executive Vice President and Chief Financial Officer

CERTIFICATION

I, David Bruton Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sonic Automotive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2022

By: /s/ DAVID BRUTON SMITH

David Bruton Smith

Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Sonic Automotive, Inc. (the Company) on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Heath R. Byrd, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ HEATH R. BYRD

Heath R. Byrd

Executive Vice President and Chief Financial Officer

February 25, 2022

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Sonic Automotive, Inc. (the Company) on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David Bruton Smith, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID BRUTON SMITH

David Bruton Smith  
Chief Executive Officer  
February 25, 2022