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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2003

OR

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

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)**	**56-2010790** **(I.R.S. Employer Identification No.)**
5401 E. Independence Blvd., Charlotte, North Carolina **(Address of principal executive offices)**	**28212** **(Zip Code)**

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

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

As of May 12, 2003, there were 28,669,980 shares of Class A Common Stock and 12,029,375 shares of Class B Common Stock outstanding.

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PART I—FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements.

SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars and shares in thousands except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2003
Revenues:		
New vehicles	$ 883,192	$ 1,004,153
Used vehicles	248,447	281,196
Wholesale vehicles	96,886	103,244
Total vehicles	1,228,525	1,388,593
Parts, service and collision repair	193,845	236,066
Finance & insurance and other	43,552	48,571
Total revenues	1,465,922	1,673,230
Cost of sales	1,233,793	1,407,986
Gross profit	232,129	265,244
Selling, general and administrative expenses	179,829	218,990
Depreciation	1,872	2,435
Operating income	50,428	43,819
Other income / (expense):		
Interest expense, floor plan	(4,977)	(6,010)
Interest expense, other	(8,016)	(9,692)
Other income	85	85
Total other expense	(12,908)	(15,617)
Income from continuing operations before taxes and cummulative effect of change in accounting principle	37,520	28,202
Provision for income taxes	(14,307)	(10,405)
Income from continuing operations before cummulative effect of change in accounting principle	23,213	17,797
Discontinued operations:		
Loss from operations of discontinued dealerships, net	(1,911)	(908)
Income tax benefit	777	415
Loss from discontinued operations	(1,134)	(493)
Income before cumulative effect of change in accounting principle	22,079	17,304
Cumulative effect of change in accounting principle, net of tax benefit of $3,325	—	(5,619)
Net income	$ 22,079	$ 11,685
Basic net income (loss) per share:		
Income per share from continuing operations	$ 0.57	$ 0.43
Loss per share from discontinued operations	(0.03)	(0.01)
Income per share before cumulative effect of change in accounting principle	0.54	0.42
Cumulative effect of change in accounting principle	—	(0.14)
Net income per share	$ 0.54	$ 0.28
Weighted average common shares outstanding	40,627	40,931
Diluted net income (loss) per share:		
Income per share from continuing operations	$ 0.55	$ 0.43
Loss per share from discontinued operations	(0.03)	(0.01)
Income per share before cumulative effect of change in accounting principle	0.52	0.42
Cumulative effect of change in accounting principle	—	(0.14)
Net income per share	$ 0.52	$ 0.28
Weighted average common shares outstanding	42,563	41,757

See notes to unaudited consolidated financial statements.

SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	December 31, 2002	March 31, 2003 (Unaudited)
ASSETS		
Current Assets:		
Cash	$ 10,576	$ 16,568
Receivables, net	297,859	268,426
Inventories	929,450	918,207
Other current assets	63,742	100,586
Total current assets	1,301,627	1,303,787
Property and equipment, net	121,936	113,156
Goodwill, net	875,894	883,501
Other intangible assets, net	61,800	65,400
Other assets	14,051	16,030
Total assets	$ 2,375,308	$ 2,381,874
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable – floor plan	$ 850,162	$ 837,510
Trade accounts payable	58,560	51,908
Accrued interest	13,306	10,310
Other accrued liabilities	113,592	119,376
Current maturities of long-term debt	2,764	2,764
Total current liabilities	1,038,384	1,021,868
Long-term debt	637,545	654,791
Other long-term liabilities	16,085	17,497
Payable to the Company's Chairman	5,500	5,500
Deferred income taxes	40,616	40,566
Stockholders' Equity:		
Class A Common Stock; $.01 par value; 100,000,000 shares authorized; 37,245,706 shares issued and 29,111,542 shares outstanding at December 31, 2002; 37,347,382 shares issued and 28,689,218 shares outstanding at March 31, 2003	371	372
Class B Common Stock; $.01 par value; 30,000,000 shares authorized; 12,029,375 shares issued and outstanding at December 31, 2002 and March 31, 2003.	121	121
Paid-in capital	396,813	397,622
Retained earnings	339,457	351,142
Accumulated other comprehensive loss	(6,447)	(6,525)
Treasury Stock, at cost (8,134,164 shares held at December 31, 2002 and 8,658,164 shares held at March 31, 2003)	(93,137)	(101,080)
Total stockholders' equity	637,178	641,652
Total liabilities and stockholders' equity	$ 2,375,308	$ 2,381,874

See notes to unaudited consolidated financial statements.

SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollars and shares in thousands)
(Unaudited)

	Class A Common Stock		Class B Common Stock						
	Shares	Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2002	**37,246**	**$ 371**	**12,029**	**$ 121**	**$396,813**	**$339,457**	**$ (93,137)**	**$ (6,447)**	**$ 637,178**
Comprehensive Income:									
Net Income						11,685			11,685
Change in fair value of interest rate swap, net of tax of $50								(78)	(78)
Total comprehensive income, net of tax									11,607
Shares awarded under stock compensation plans	102	1			748				749
Income tax benefit associated with stock compensation plans					61				61
Purchase of treasury stock							(7,943)		(7,943)
Balance at March 31, 2003	**37,348**	**$ 372**	**12,029**	**$ 121**	**$397,622**	**$351,142**	**$(101,080)**	**$ (6,525)**	**$ 641,652**

See notes to unaudited consolidated financial statements.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 22,079	$ 11,685
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,090	2,561
Cumulative effect of change in accounting principle, net of tax	—	5,619
Amortization of debt issuance costs	101	228
Deferred income taxes	76	—
Equity interest in (earnings)/losses of investees	(124)	106
(Gain)/Loss on disposal of assets	323	(1,899)
Income tax benefit associated with stock compensation plans	—	61
Changes in assets and liabilities that relate to operations:		
Receivables	6,164	29,981
Inventories	(33,343)	6,779
Other assets	(4,715)	(8,360)
Notes payable—floor plan	24,864	(16,346)
Trade accounts payable and other liabilities	22,483	(3,912)
Total adjustments	17,919	14,818
Net cash provided by operating activities	39,998	26,503
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of businesses, net of cash acquired	(131,232)	(20,076)
Purchases of property and equipment	(13,905)	(18,074)
Proceeds from sales of property and equipment	10,036	2,629
Proceeds from sale of dealerships	2,945	5,185
Net cash used in investing activities	(132,156)	(30,336)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on revolving credit facilities	104,505	17,357
Proceeds from long-term debt	289	47
Payments on long-term debt	(702)	(385)
Purchases of Class A Common Stock	(2,048)	(7,943)
Issuance of shares under stock compensation plans	3,710	749
Net cash provided by financing activities	105,754	9,825
NET INCREASE IN CASH	13,596	5,992
CASH, BEGINNING OF PERIOD	—	10,576
CASH, END OF PERIOD	$ 13,596	$ 16,568
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Class A Common Stock issued for acquisitions	$ 38,000	$ —
Change in fair value of cash flow hedging instrument (net of tax benefit of of $487 for the three months ended March 31, 2002 and $50 for the three months ended March 31, 2003	$ 762	$ 78
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 17,215	$ 20,139
Cash paid for income taxes	$ 7,719	$ 4,365

See notes to unaudited consolidated financial statements.

SONIC AUTOMOTIVE, INC AND SUBSIDIARIES
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying unaudited financial information for the three months ended March 31, 2003 has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. All significant intercompany accounts and transactions have been eliminated. These unaudited consolidated financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to fairly state the financial position and the results of operations for the periods presented. The results for interim periods are not necessarily indicative of the results to be expected for the entire fiscal year. These interim financial statements should be read in conjunction with the audited consolidated financial statements of Sonic Automotive, Inc. (“Sonic”) for the year ended December 31, 2002 which were included in Sonic’s Annual Report on Form 10-K.

Stock-Based Compensation—Sonic accounts for its stock-based compensation plans under the recognition and measurement provisions of APB Opinion No. 25, “Accounting for Stock Issued to Employees”, and related Interpretations. In accordance with those provisions, because the exercise price of all options granted under those plans equaled the market value of the underlying stock at the grant date, no stock-based employee compensation cost is recorded. Using the Black-Scholes option pricing model for all options granted, the following table illustrates the effect on income and earnings per share if Sonic had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

	(Dollars in thousands except per share amounts) **For the Three Months Ended March 31,**	
	2002	**2003**
Income before cumulative effect of change in accounting principle	$ 22,079	$ 17,304
Fair value compensation cost, net of tax	(1,352)	(2,070)
Proforma income before cumulative effect of change in accounting principle	20,727	15,234
Cumulative effect of change in accounting principle, net of tax	—	(5,619)
Proforma income	$ 20,727	$ 9,615
Basic income (loss) per share:		
Income before cumulative effect of change in accounting principle	$ 0.54	$ 0.42
Fair value compensation cost, net of tax	(0.03)	(0.05)
Proforma income before cumulative effect of change in accounting principle	0.51	0.37
Cumulative effect of change in accounting principle, net of tax	—	(0.14)
Proforma income	$ 0.51	$ 0.23
Diluted income (loss) per share:		
Income before cumulative effect of change in accounting principle	$ 0.52	$ 0.42
Fair value compensation cost, net of tax	(0.03)	(0.05)
Proforma income before cumulative effect of change in accounting principle	0.49	0.37
Cumulative effect of change in accounting principle, net of tax	—	(0.14)
Proforma income	$ 0.49	$ 0.23
Shares:		
Basic	40,627	40,931
Diluted	42,563	41,757

Derivative Instruments and Hedging Activities—In order to reduce our exposure to market risks from fluctuations in interest rates, we entered into two separate interest rate swap agreements on January 15, 2002 and June 6, 2002 to effectively convert a portion of our LIBOR-based variable rate debt to a fixed rate. The swaps each have a notional principal amount of $100.0 million and mature on October 31, 2004 and June 6, 2006, respectively. Under the terms of the swap agreement entered into on January 15, 2002, we receive interest payments on the notional amount at a rate equal to the one month LIBOR rate, adjusted monthly, and make interest payments at a fixed rate of 3.88%. Under the terms of the swap agreement entered into on June 6, 2002, we receive interest payments on the notional amount at a rate equal to the one month LIBOR rate, adjusted monthly, and make interest payments at a fixed rate of 4.50%. Incremental interest expense incurred (the difference between interest received and interest paid) as a result of these interest rate swaps was $1.4 million in for the first three months of 2003 and has been included in interest expense, other in the accompanying unaudited consolidated statement of income. The interest rate swaps have been designated and qualify as cash flow hedges and, as a result, changes in the fair value of the interest rate swaps have been recorded in other comprehensive loss, net of related income taxes, in our statement of stockholders' equity. The fair value of the interest rate swaps as of March 31, 2003 is recorded in other long-term liabilities on the accompanying balance sheet. The change in fair value of the swaps during the three months ended March 31, 2003, recorded in accumulated other comprehensive loss was approximately $128,000 ($78,000 net of tax). Because the critical terms of the interest rate swaps and the underlying debt obligations were the same, no ineffectiveness was recorded.

Cumulative Effect of a Change in Accounting Principle—The Emerging Issues Task Force ("EITF") of the FASB reached a consensus on Issue No. 02-16, "Accounting by a Customer for Certain Consideration Received from a Vendor." In accordance with Issue No. 02-16, which was effective January 1, 2003, payments received from manufacturers for floor plan assistance and certain types of advertising allowances should be recorded as a reduction of the cost of inventory and recognized as a reduction of cost of sales when the inventory is sold. Previous practice was to recognize such payments as a reduction of cost of sales at the time of vehicle purchase. The cumulative effect of the adoption of the consensus reached in Issue No. 02-16 resulted in a decrease to income of $5.6 million, net of applicable income taxes of $3.3 million. Had the guidance from Issue No. 02-16 been retroactively applied, results of operations and net income per share for the three months ended March 31, 2002 would not have been materially different from the previously reported results.

Reclassifications—Loss from operations of discontinued dealerships for the three months ended March 31, 2002 reflects reclassifications from the prior year presentation to include additional dealerships sold or identified for sale subsequent to March 31, 2002 which had not been classified as held for sale as of March 31, 2002. In addition, in accordance with the consensus reached in Issue No. 02-16, certain incentives received from manufacturers not intended to reimburse specific, incremental, identifiable costs incurred in selling manufacturers' products which had previously been classified as a reduction of selling, general and administrative expenses are now recorded as a reduction of inventory cost and are included cost of sales when the associated vehicles are sold.

2. BUSINESS ACQUISITIONS AND DISPOSITIONS

Dealership Acquisitions:

During the first three months of 2003, Sonic acquired three automotive dealerships located in Colma, California, Oklahoma City, Oklahoma, and Denver, Colorado for an aggregate purchase price of approximately $20.0 million in cash. The consolidated balance sheet includes preliminary allocations of the purchase price of these acquisitions to the assets and liabilities acquired based on their estimated fair market values at the dates of acquisition and are subject to final adjustment. As a result of these allocations, we have recorded $3.6 million of intangible assets representing rights acquired under franchise agreements, and $13.7 million of goodwill, of which approximately $10.5 million is expected to be tax deductible.

Dealership Dispositions:

In addition to the acquisitions described above, during the first three months of 2003, Sonic sold or otherwise disposed of the assets of two dealership franchises, resulting in the closing of two dealerships. The sale of these dealerships resulted in a net gain of $1.9 million which is included in loss from discontinued operations on the accompanying unaudited consolidated statement of income for the three months ended March 31, 2003.

In conjunction with dealership dispositions in the current quarter, Sonic has indemnified the buyers from certain liabilities and costs arising from operations or events that occurred prior to sale but which may or may not be known at the time of sale, including environmental liabilities and liabilities associated from the breach of representations or warranties made under the agreements. The estimated maximum liability associated with current quarter dispositions was $5.2 million. These indemnifications expire within a period of one year to eighteen months following the date of the sale. The estimated fair value of the guarantees associated with these indemnifications was not material.

In addition to the dispositions described above, as of March 31, 2003, Sonic had approved the sale or disposition of assets of 13 additional dealership franchises, which will result in the closing of 11 dealerships. These franchises are generally smaller franchises with unprofitable operations. Long lived assets to be disposed of in connection with dealerships not yet sold, consisting primarily of

SONIC AUTOMOTIVE, INC AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS—(Continued)

property, equipment and goodwill, totaled approximately $18.8 million at March 31, 2003 and have been classified in other current assets in the accompanying consolidated balance sheet. Other assets and liabilities to be disposed in connection with these dispositions include inventories and related notes payable floor plan.

3. INVENTORIES

Inventories consist of the following:

	(Dollars in thousands)	
	December 31, 2002	March 31, 2003
New vehicles	$ 733,757	$ 700,396
Used vehicles	111,884	128,557
Parts and accessories	50,860	49,568
Other	32,949	39,686
Total	$ 929,450	$ 918,207

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	(Dollars in thousands)	
	December 31, 2002	March 31, 2003
Land	$ 5,983	$ 4,767
Building and improvements	42,201	55,685
Office equipment and fixtures	31,616	32,021
Parts and service equipment	22,485	22,709
Company vehicles	8,211	8,362
Construction in progress	33,637	13,378
Total, at cost	144,133	136,922
Less accumulated depreciation	(22,197)	(23,766)
Property and equipment, net	$ 121,936	$ 113,156

Interest capitalized in conjunction with construction projects was approximately $0.9 million for the three months ended March 31, 2003 and approximately $0.4 million for the three months ended March 31, 2002.

In addition to the amounts shown above, Sonic incurred approximately $61.4 million in real estate and construction costs as of March 31, 2003 and $39.2 million as of December 31, 2002 on facilities that are or were expected to be completed and sold within one year in sale-leaseback transactions. Accordingly, these costs are included in other current assets on the accompanying consolidated balance sheets. Under the terms of the sale-leaseback transactions, Sonic sells the properties to an unaffiliated third party and enters into long-term operating leases on the facilities.

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5. LONG-TERM DEBT

Long-term debt consists of the following:

	(Dollars in thousands)	
	December 31, 2002	March 31, 2003
Senior Subordinated Notes bearing interest at 11%, maturing August 1, 2008	$ 182,360	$ 182,360
Convertible Senior Subordinated Notes bearing interest at 5.25%, maturing May 7, 2009	130,100	130,100
$500 million revolving credit facility bearing interest at 2.55 percentage points above LIBOR and maturing in October 2006, collateralized by all assets of Sonic	330,718	348,075
$50 million revolving construction line of credit with Toyota Credit bearing interest at 2.25 percentage points above LIBOR and maturing December 31, 2007, collateralized by Sonic's guarantee and a lien on all of the borrowing subsidiaries' real estate and other assets.	—	—
$100 million revolving real estate acquisition line of credit with Toyota Credit bearing interest at 2.00 percentage points above LIBOR and maturing the borrowing subsidiaries' real estate and other assets.	—	—
Other notes payable (primarily equipment notes)	4,137	3,798
	$ 647,315	$ 664,333
Less unamortized discount	(7,006)	(6,778)
Less current maturities	(2,764)	(2,764)
Long-term debt	$ 637,545	$ 654,791

6. PER SHARE DATA

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

	(Shares in thousands) Three Months Ended March 31,	
	2002	2003
Basic weighted average number of common shares outstanding	40,627	40,931
Dilutive effect of stock options	1,934	825
Dilutive effect of warrants	2	1
Weighted average number of common shares outstanding, including effect of dilutive securities	42,563	41,757

In addition to the stock options included in the table above, options to purchase 2,725,712 shares of Class A common stock were outstanding during the three months ended March 31, 2003 but were not included in the computation of diluted net income per share because the options were antidilutive. There were no antidilutive options at March 31, 2002.

The total amount of stock options outstanding at March 31, 2002 and 2003 were 4,391,328 and 5,461,693, respectively.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of the results of operations and financial condition should be read in conjunction with the Sonic Automotive, Inc. and Subsidiaries Unaudited Consolidated Financial Statements and the related notes thereto appearing elsewhere in this report, as well as the audited financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in our Annual Report on Form 10-K for the year ended December 31, 2002.

Overview

We are one of the largest automotive retailers in the United States. As of May 12, 2003 we operated 186 dealership franchises, representing 34 different brands of cars and light trucks at 141 locations, and 47 collision repair centers in 15 states. Our dealerships provide comprehensive services including sales of both new and used cars and light trucks, sales of replacement parts, performance of vehicle maintenance, warranty, paint and collision repair services, and arrangement of extended warranty contracts, financing and insurance for our customers. Our brand diversity allows us to offer a broad range of products at a wide range of prices from lower priced, or economy vehicles, to luxury vehicles. We believe that this diversity reduces the risk of changes in customer preferences, product supply shortages and aging products. In addition, although vehicle sales are cyclical and are affected by many factors, including general economic conditions, consumer confidence, levels of discretionary personal income, interest rates and available credit, our parts, service and collision repair services are not closely tied to vehicle sales and are not dependent upon near-term vehicle sales volume. As a result, we believe the diversity of these products and services reduces the risk of periodic economic downturns.

The following table depicts the breakdown of our new vehicle revenues by brand for the three months ended March 31, 2002 and 2003:

	Percentage of New Vehicle Revenues Three Months Ended March 31,	
	2002	**2003**
Brand (1)		
Honda	14.5%	15.9%
Ford	19.7%	14.4%
Cadillac	3.9%	12.2%
Toyota	12.2%	11.0%
General Motors (2)	11.3%	10.3%
BMW	11.4%	9.8%
Lexus	5.4%	4.2%
Chrysler (3)	4.9%	3.9%
Volvo	3.2%	3.2%
Mercedes	3.8%	3.0%
Other Luxury (4)	2.4%	3.8%
Other (5)	7.3%	8.3%
Total	100.0%	100.0%

(1) In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", revenue data in prior years reflects the reclassification of the results of operations of dealerships sold or identified for sale subsequent to March 31, 2002 which were not previously included in discontinued operations but have been included during the three months ended March 31, 2003
(2) Includes Buick, Chevrolet, GMC, Oldsmobile, and Pontiac
(3) Includes Chrysler, Dodge, Jeep, and Plymouth
(4) Includes Acura, Audi, Hummer, Infiniti, Land Rover, Porsche, and Saab
(5) Includes Hyundai, Isuzu, KIA, Lincoln, Mazda, Mercury, Mitsubishi, Nissan, Subaru, and Volkswagen

We sell similar products and services, use similar processes in selling our products and services and sell our products and services to similar classes of customers. As a result of this and the way we manage our business, we have aggregated our results into a single segment for purposes of reporting financial condition and results of operations.

We have accounted for all of our dealership acquisitions using the purchase method of accounting and, as a result, we do not include in our consolidated financial statements the results of operations of these dealerships prior to the date they were acquired. Our consolidated financial statements discussed below reflect the results of operations, financial position and cash flows of each of our dealerships acquired prior to March 31, 2003. As a result of the effects of our acquisitions and other potential factors in the future, the historical consolidated financial information described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" is not necessarily indicative of the results of operations, financial position and cash flows which would have resulted had such acquisitions occurred at the beginning of the periods presented, nor is it indicative of future results of operations, financial position and cash flows.

Results of Operations

Revenues

New Vehicles:

	For the Three Months Ended			
	3/31/2003	3/31/2002	Units or $ Change	% Change
New Vehicle Units				
Same Store	29,859	31,435	(1,576)	(5.0)%
Acquisitions	5,844	943	4,901	519.7 %
Total As Reported	35,703	32,378	3,325	10.3 %
New Vehicle Revenues (in thousands)				
Same Store	$ 807,227	$848,879	(41,651)	(4.9)%
Acquisitions	196,926	34,313	162,613	473.9 %
Total As Reported	$1,004,153	$883,192	120,961	13.7 %
New Vehicle Unit Price				
Same Store	$ 27,035	$ 27,004	30	0.1 %

The decline in same store new vehicle unit sales during the first quarter 2003 was primarily due to decreases in our sales of domestic brands, which are generally more sensitive to economic conditions than import and luxury brands. Sales of new units of domestic brands declined 2,297 units, or 16.5%, while sale of import brands increased by 721 units, or 4.1%. Regional performance continued to be negatively affected by weaker economic conditions in our Northern California region, evidenced by higher unemployment rates compared to the rest of the country. Same store unit sales in that region declined by 284 units, or 4.7%. Our Houston, Oklahoma and Ohio regions experienced same store unit declines of 525 units, or 10.4%, 347 units, or 21.2% and 134 units, or 8.4%, respectively, primarily due to a predominance of domestic brand stores in those markets. In addition, same store new vehicle sales were further impacted by inclement weather in the Dallas, Mid-Atlantic and Carolinas regions. These decreases were partially offset by increases in unit sales in regions whose portfolios are dominated by import brands, primarily San Diego/Nevada, where unit sales increased 216 units, or 12.2%, and South Carolina/Georgia where unit sales increased 162 units, or 11.5%. We expect declines in same store new vehicles sales to continue during the remainder of 2003.

SONIC AUTOMOTIVE, INC AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS—(Continued)

Used Vehicles:

	For the Three Months Ended			
	3/31/2003	3/31/2002	Units or $ Change	% Change
Used Vehicle Units				
Same Store	14,316	16,187	(1,871)	(11.6)%
Acquisitions	4,045	492	3,553	722.2 %
Total As Reported	18,361	16,679	1,682	10.1 %
Used Vehicle Revenues (in thousands)				
Same Store	$ 210,305	$ 240,711	(30,406)	(12.6)%
Acquisitions	70,891	7,736	63,155	816.4 %
Total As Reported	$ 281,196	$ 248,447	32,749	13.2 %
Used Vehicle Unit Price				
Same Store	$ 14,690	$ 14,871	(180)	(1.2)%

A significant factor negatively impacting same store used vehicle unit sales during the first quarter 2003 compared to the same period last year, has been the withdrawal of certain key lenders, particularly in the sub-prime category, as well as tightened credit standards from remaining lenders which have affected consumers' ability to finance used vehicle purchases and have thus reduced retail activity. Our Oklahoma region, which has historically been heavily dependent on used vehicle sales, especially the sub-prime market, was particularly affected by these trends. Same store unit sales in that region declined 419 units or 24.8%. Unit sales in our Carolinas region declined 478 units, or 33.8%. These two regions accounted for 47.9% of the total decline in same store unit sales in the first quarter 2003 compared to the same period last year. While we expect same store used vehicle declines to continue, the role of same store vehicle declines has been improving and we expect such declines to continue to improve in subsequent quarters.

Wholesale Vehicles:

The decline in same store wholesale revenues during the first quarter 2003 declined due to a decrease in units sold of 2,673 partially offset by an increase in average price per unit of $488, primarily resulting from wholesaling higher end models in order to liquidate aged units and maintain appropriate inventory levels.

Parts, Service and Collision Repair:

	For the Three Months Ended			
	3/31/2003	3/31/2002	$ Change	% Change
Parts, Service and Collision Repair (in thousands)				
Same Store	$ 186,720	$ 188,445	(1,725)	(0.9)%
Acquisitions	49,346	5,400	43,946	813.8 %
Total As Reported	$ 236,066	$ 193,845	42,221	21.8 %

The decline in same store parts, service and collision repair revenues resulted partially from declines in our Ford stores of $3.7 million, or 12.5%. These declines were the result of a combination of factors including a significant decrease in wholesale parts sales in our Houston market resulting from Ford Motor Company's decision to open a parts depot in that area in the latter half of 2002, as well as unusually high parts and service sales in the first quarter of 2002 generated by the Firestone tire recall. This decrease was partially offset by revenue increases at our BMW stores of $1.6 million, or 6.9%, resulting primarily from warranty sales arising in part from BMW expanding their factory warranty coverage to all new vehicle maintenance and revenue increases at our Honda stores of $0.7 million, or 2.6%, resulting from Honda extending their factory warranty coverage on two models. We believe lower collision revenues in first quarter 2003 are primarily a result of customers choosing not to perform minor repair work that historically would have been covered by lower deductible policies, as well as a change in insurance company trends whereby vehicles are being declared totaled rather than repaired at a greater percentage than in prior years.

Finance and Insurance:

	For the Three Months Ended			
	3/31/2003	3/31/2002	$ Change	% Change
Finance & Insurance Revenue (in thousands)				
Same Store	$ 40,286	$ 41,990	(1,704)	(4.1)%
Acquisitions	8,285	1,562	6,723	430.4 %
Total As Reported	$ 48,571	$ 43,552	5,019	11.5 %
Total F&I per Unit				
Same Store	$ 912	$ 882	30	3.4 %

Same store finance and insurance revenues decreased during the first quarter 2003 primarily due to lower retail vehicle unit sales. Finance and insurance revenues in our Northern California region declined $0.8 million, or 9.5%. Revenues in our Houston, Oklahoma and Ohio regions declined $0.3 million, or 6.4%, $0.3 million, or 11.5%, and $0.1 million, or 6.8%, respectively, compared to the first quarter 2002. These declines were offset by strong performance in our San Diego/Nevada region, driven by a higher import brand mix, where revenues increased $0.6 million, or 20.8%. Despite a decrease in retail vehicle same store sales of approximately 7.2% in the first quarter 2003 compared to the first quarter 2002, same store finance and insurance revenues from those dealerships declined only 4.1%, reflecting an increase in finance and insurance revenues per unit of 3.4%.

Gross Profit and Gross Margins

	For the Three Months Ended			
	3/31/2003	3/31/2002	$ Change	% Change
Gross Profit (in thousands)				
Same Store	$ 212,118	$ 224,129	(12,011)	(5.4)%
Acquisitions	53,126	8,000	45,126	564.1 %
Total As Reported	$ 265,244	$ 232,129	33,115	14.3 %

Our overall gross profit margin and gross profit as a percentage of revenues ("gross margins") generally vary depending on changes in our revenue mix. Although sales of new vehicles comprise the majority of our total revenues, new vehicles generally carry the lowest margin of any product or service we offer, generally averaging between 7.5% and 8.5%. As a result, sales of new vehicles generate a relatively small portion of total gross profits. Retail sales of used vehicles generally carry a slightly higher gross margin than new vehicles, averaging between 11.0% and 11.5%. Parts, service, and collision repair carry the next highest margins, averaging between 45.0% and 47.0%. Commission revenues from the sale of finance, insurance and extended warranty products carry the highest margin at 100.0%. As our mix of revenues shifts between lower margin products and services to higher margin products and services, overall gross margins fluctuate accordingly.

During the first quarter of 2003, gross margins increased slightly to 15.9% from 15.8% in the first quarter of 2002. We experienced an increase in the percentage of revenues contributed by parts, service and collision repair services to 14.1% in the first quarter 2003 from 13.2% in the first quarter 2002. In addition, the gross profit percentage earned on our parts, service, and collision repair services increased to 48.0% in the first quarter 2003 from 46.7% in the first quarter 2002, primarily attributable to manufacturer's extending warranty periods on certain models. This was offset by a decline in the gross profit percentage earned on our new vehicles to 7.1% in the first quarter 2003 from 7.8% in the first quarter 2002 primarily as a result of challenging market conditions as well as management's aggressive effort to maintain market share as part of our long term growth strategy and reduce new vehicle inventory levels.

Selling, General and Administrative Expenses

	For the Three Months Ended			
	3/31/2003	3/31/2002	$ Change	% Change
SG&A (in thousands)				
Same Store	$ 166,690	$ 166,247	443	0.3%
Acquisitions	52,300	13,582	38,718	285.1%
Total As Reported	$ 218,990	$ 179,829	39,161	21.8%

Of our total selling, general and administrative expenses, approximately 60.3% were variable, comprised primarily of non-salaried sales compensation and advertising, and approximately 39.7% were fixed, comprised primarily of fixed compensation and rent expense. We manage these variable expenses so that they are generally related to gross profit and can be adjusted in response to changes in gross profit. Salespersons, sales managers, service managers, parts managers, service advisors, service technicians and all other non-clerical dealership personnel are paid either a commission or a modest salary plus commission. In addition, dealership management compensation is tied to individual dealership profitability.

Total selling, general and administrative expenses as a percentage of gross profit increased to 82.6% in the first quarter of 2003 from 77.5% in the first quarter 2002. This resulted from an increase in fixed expenses as a percentage of gross profit to 33.3% in 2003 from 31.4% in 2002 due primarily to significant declines in gross profit at some of our domestic line dealerships which resulted in fewer gross profit dollars to cover fixed expenses. Fixed expenses as a percentage of gross profit also increased as a result of increases in rent and rent related expenses of $7.4 million related to new facilities and completed construction projects sold in sale-leaseback transactions.

Variable expenses as a percentage of gross profit increased to 49.3% in the first quarter 2003 from 46.0% in first quarter of 2002. This was primarily due to increases in compensation expense as a percentage of gross profits to 38.9% in 2003 from 37.0% in 2002. Total gross profits grew 14.3% in first quarter 2003 compared to first quarter 2002. Gross profit from parts, service and collision repair operations increased 25.2%, while gross profits from retail vehicle sales increased only 6.1%. A larger portion of compensation expenses is directly related to parts, service and collision repair operations, therefore compensation as a percentage of total gross profit has grown compared to 2002

Depreciation

	For the Three Months Ended			
	3/31/2003	3/31/2002	$ Change	% Change
Depreciation (in thousands)				
Same Store	$ 1,866	$ 1,583	283	17.9%
Acquisitions	569	289	280	96.9%
Total As Reported	$ 2,435	$ 1,872	563	30.1%

Depreciation expense increased as a result of capital expenditures made in the previous 12 months. During the 12 months ending March 31, 2003, the balance of depreciable property and equipment related to continuing operations increased approximately $26.6 million, or 28.9%. As a percentage of total revenues, depreciation expense was 0.1% in both the first quarter 2003 and the first quarter 2002.

Floor Plan Interest Expense

Floor plan interest expense increased by $1.0 million, or 20.8% in the first quarter 2003 compared to the same period last year. The change reflects an increase due to acquisitions of $1.4 million offset by a same store decrease of $0.4 million. The same store average interest rate incurred for the three months ended March 31, 2003 was 2.9% versus 3.6% for the three months ended March 31, 2002. The interest rate decrease was offset by an increase in the average balance on a same store basis from $516.2 million for the three months ended March 31, 2002 to $580.5 million for the three months ended March 31, 2003.

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Other Interest Expense

Other interest expense increased by $1.7 million, or 20.9% in the first quarter 2003 compared to the same period last year. Interest expense increased $1.8 million as a result of the issuance of $149.5 million in 5.25% convertible senior subordinated notes in May 2002 and increased $1.0 million from the conversion of $100.0 million of our variable rate debt to fixed rates through interest rate swap agreements entered into June 6, 2002. These increases in interest expense were partially offset by a decrease of interest expense of $0.6 million on our senior subordinated notes resulting primarily from a decrease in average balance from $200 million to $182.4 million as a result of debt repurchases. In addition, the increase in interest expense was partially offset by an increase in the capitalization of interest on construction projects of $0.5 million in the first quarter 2003 compared to the same period last year.

Liquidity and Capital Resources

We require cash to finance acquisitions and fund debt service and working capital requirements. We rely on cash flows from operations, borrowings under our various credit facilities and offerings of debt and equity securities to meet these requirements. Because the majority of our consolidated assets are held by our subsidiaries, the majority of our cash flows from operations is generated by these subsidiaries. As a result, our cash flow and ability to service debt depends to a substantial degree on the results of operations of these subsidiaries and their ability to provide us with cash. Uncertainties in the economic environment as well as uncertainties associated with the ultimate resolution of geopolitical conflicts may therefore affect our overall liquidity.

Floor Plan Facilities:

The weighted average interest rate for our floor plan facilities was 3.2% for the three months ended March 31, 2003 and 3.5% for the three months ended March 31, 2002. Our floor plan interest expense is substantially offset by amounts received from manufacturers, in the form of floor plan assistance. Prior to January 1, 2003, floor plan assistance was recorded as a reduction of cost of sales when received. In accordance with guidance from Emerging Issues Task Force Issue No. 02-16, beginning January 1, 2003, floor plan assistance received is capitalized in inventory and charged against cost of sales when the associated inventory is sold. In the first three months of 2003, we received approximately $8.3 million in manufacturer assistance, which resulted in an effective borrowing rate under our floor plan facilities of 0%. 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. We were in compliance with all restrictive covenants as of March 31, 2003.

Long-Term Debt and Credit Facilities:

At March 31, 2003, the outstanding balance and additional borrowing availability on our credit facilities were as follows:

	Interest Rate (1)	Outstanding Balance	Additional Borrowing Availability
Revolving Credit Facility (matures October 2006)	LIBOR + 2.55%	$348,075	$ 151,925
Senior Subordinated Notes (matures August 2008)	11.00%	$182,360	$ —
Convertible Senior Subordinated Notes (2) (matures May 2009)	5.25%	$130,100	$ —
Mortgage Facility: (3)			
Construction Loan (matures December 2007)	LIBOR + 2.25%	$ —	$ 50,000
Permanent Loan (matures December 2012)	LIBOR + 2.00%	$ —	$ 100,000

(1) LIBOR was 1.30% at March 31, 2003.
(2) Notes were not convertible at any time during the three months ended March 31, 2003.
(3) There were no borrowings on the Mortgage Facility during the three months ended March 31, 2003. Total combined borrowings under the Construction and Permanent loans is limited to $100,000.

We were in compliance with all of the restrictive and financial covenants under all our credit facilities at March 31, 2003.

Dealership Acquisitions and Dispositions:

In the first three months of 2003, we acquired three dealerships for a combined purchase price of $20.0 million in cash. The total purchase price for acquisitions was based on out internally determined valuation of the dealerships and their assets. The purchase price was financed by cash generated from operations and by borrowings under our Revolving Credit Facility.

Sale-Leaseback Transactions:

In an effort to generate additional cash flow, we typically seek to structure our operations to minimize the ownership of real property. As a result, facilities either constructed by us or obtained in acquisitions are typically sold to third parties in sale-leaseback transactions. The resulting leases generally have initial terms of 10-15 years and include a series of five-year renewal options. We have no continuing obligations under these arrangements other than lease payments. The majority of our sale-leaseback transactions are done with Capital Automotive REIT. During the first quarter of 2003, we sold $0.5 million in dealership properties in sale-leaseback transactions.

Capital Expenditures:

Our capital expenditures include the construction of new dealerships and collision repair centers, building improvements and equipment purchased for use in our dealerships. Capital expenditures in the first three months of 2003 were approximately $18.1 million, of which approximately $15.7 million related to the construction of new dealerships and collision repair centers. Once completed, these new dealership and collision repair center facilities are generally sold in sale-leaseback transactions. After considering proceeds from real estate sales and sale-leaseback transactions, as well as the balance of projects in progress expected to be sold in sale-leaseback transactions, capital expenditures were $6.7 million for the first quarter of 2003. We do not expect any significant gains or losses from these sales.

Stock Repurchase Program:

Our Board of Directors has authorized Sonic to expend up to $145.0 million to repurchase shares of its Class A common stock or redeem securities convertible into Class A common stock. In the first three months of 2003, we repurchased 524,000 shares for approximately $7.9 million. At March 31, 2003, we had $30.1 million remaining under the board authorization.

Cash Flows:

For the three month period ended March 31, 2003, net cash provided by operating activities was approximately $26.5 million, which was generated primarily by net income plus non-cash items such as depreciation, amortization and deferred income taxes. A decrease in receivables of $30.0 million was partially offset by a decrease in floor plan notes payable of $16.3 million. Cash used for investing activities in the first three months of 2003 was approximately $30.3 million, the majority of which was related to dealership acquisitions and capital expenditures on construction in progress projects. In the first three months of 2003, net cash provided by financing activities was approximately $9.8 million and primarily related to net borrowings on our revolving credit facilities of approximately $17.4 million which was used primarily to finance acquisitions during the quarter, offset by repurchases of Class A common stock of $7.9 million.

Future Liquidity Outlook:

We believe our best source of liquidity for future growth remains cash flows generated from operations combined with our availability of borrowings under our floor plan financing (or any replacements thereof) and other credit arrangements. Though uncertainties in the economic environment as well as uncertainties associated with geopolitical conflicts may affect our ability to generate cash from operations, we expect to generate more than sufficient cash flow to fund our debt service and working capital requirements and any seasonal operating requirements, including our currently anticipated internal growth for our existing businesses, for the foreseeable future. Once these needs are met, we may use remaining cash flow to support our acquisition strategy or repurchase shares of our Class A common stock or publicly traded debt securities, as market conditions warrant.

Guarantees:

In conjunction with dealership dispositions in the current quarter, we have indemnified the buyers from certain liabilities and costs arising from operations or events that occurred prior to sale but which may or may not be known at the time of sale, including environmental liabilities and liabilities associated from the breach of representations or warranties made under the agreements. The estimated maximum liability associated with current quarter dispositions was $5.2 million. These indemnifications expire within a period of one year to eighteen months following the date of the sale. The estimated fair value of the guarantees associated with these indemnifications was not material.

Seasonality:

Our operations are subject to seasonal variations. The first and fourth quarters generally contribute less revenue and operating profits than the second and third quarters. Weather conditions, the timing of manufacturer incentive programs and model changeovers cause seasonality in new vehicle demand. Parts and service demand remains more stable throughout the year.

SONIC AUTOMOTIVE, INC AND SUBSIDIARIES
QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. Our variable rate floor plan notes payable, revolving credit facility borrowings and other variable rate notes expose us to risks caused by fluctuations in the underlying interest rates. The total outstanding balance of such instruments was approximately $1.0 billion at March 31, 2003 and approximately $1.1 billion at March 31, 2002. A change of 100 basis points in the underlying interest rate would have caused a change in interest expense of approximately $2.6 million in the first quarter 2003 and approximately $2.1 million in the first quarter 2002. Of the total change in interest expense, approximately $2.0 million in the first quarter 2003 and approximately $1.3 million in first quarter 2002 would have resulted from floor plan notes payable.

Our exposure with respect to floor plan notes payable is mitigated by floor plan assistance payments received from manufacturers that are generally based on rates similar to those incurred under our floor plan financing arrangements. These payments are capitalized as inventory and charged against cost of sales when the associated inventory is sold. During the three months ended March 31, 2003, the amounts we received from manufacturer floor plan assistance exceeded our floor plan interest expense by approximately $1.2 million. As a result, the effective rate incurred under our floor plan financing arrangements was reduced to 0% after considering these incentives. A change in interest rates of 100 basis points would have had an estimated impact on floor plan assistance of approximately $2.0 million in the first quarter 2003.

In addition to our variable rate debt, we also have lease agreements on a portion of our dealership facilities where the monthly lease payment fluctuates based on LIBOR interest rates. Many of our lease agreements have interest rate floors whereby our lease expense would not fluctuate significantly in periods when LIBOR is relatively low.

In order to reduce our exposure to market risks from fluctuations in interest rates, we entered into two separate interest rate swap agreements on January 15, 2002 and June 6, 2002 to effectively convert a portion of our LIBOR-based variable rate debt to a fixed rate. The swaps each have a notional principal amount of $100.0 million and mature on October 31, 2004 and June 6, 2006, respectively. Under the terms of the swap agreement entered into on January 15, 2002, we receive interest payments on the notional amount at a rate equal to the one month LIBOR rate, adjusted monthly, and make interest payments at a fixed rate of 3.88%. Under the terms of the swap agreement entered into on June 6, 2002, we receive interest payments on the notional amount at a rate equal to the one month LIBOR rate, adjusted monthly, and make interest payments at a fixed rate of 4.50%. Incremental interest expense incurred (the difference between interest received and interest paid) as a result of these interest rate swaps was $1.4 million in for the first three months of 2003 and has been included in interest expense, other in the accompanying unaudited consolidated statement of income. The interest rate swaps have been designated and qualify as cash flow hedges and, as a result, changes in the fair value of the interest rate swaps have been recorded in other comprehensive loss, net of related income taxes, in our statement of stockholders' equity.

Item 4: Controls and Procedures

Our management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of the filing date of this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer have concluded that the design and operation of our disclosure controls and procedures are effective. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date the evaluation was completed.

SONIC AUTOMOTIVE, INC AND SUBSIDIARIES

Forward Looking Statements

The following Quarterly Report on Form 10-Q contains numerous “forward-looking statements” within the meaning of the Private Litigation Securities 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, and can generally be identified by words such as “may,” “will,” “should,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “foresee,” and other similar words or phrases. Specific events addressed by these forward looking statements include, but are not limited to:

- future acquisitions;
- industry trends;
- general economic trends, including employment rates and consumer confidence levels;
- vehicle sales rates and same store sales growth;
- our financing plans; and
- our business and growth strategies.

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 Exhibit 99.1 to this quarterly report on Form 10-Q and elsewhere in this report, as well as:

- our ability to generate sufficient cash flows or obtain additional financing to support acquisitions, capital expenditures, our share repurchase program, and general operating activities;
- the reputation and financial condition of vehicle manufacturers whose brands we represent, and their ability to design, manufacture, deliver and market their vehicles successfully;
- our relationships with manufacturers, which may affect our ability to complete additional acquisitions;
- changes in laws and regulations governing the operation of automobile franchises, accounting standards, taxation requirements, and environmental laws;
- general economic conditions in the markets in which we operate, including fluctuations in interest rates, employment levels, and the level of consumer spending;
- high competition in the automotive retailing industry which not only creates pricing pressures on the products and services we offer, but on businesses we seek to acquire; and
- our ability to successfully integrate recent and potential future acquisitions.

SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES
OTHER INFORMATION

PART II—OTHER INFORMATION

Item 6: Exhibits and Reports on Form 8-K.

(a) Exhibits:

10.1*	Second Amended and Restated Credit Agreement dated as of February 5, 2003 (the “Second Amended and Restated Credit Agreement”) between Sonic, as Borrower, Ford Motor Credit Company (“Ford Credit”), as Agent and Lender, DaimlerChrysler Services North America LLC (“Chrysler Financial”), as Lender, Toyota Motor Credit Corporation (“Toyota Credit”), as Lender, and Bank of America, N.A. (“Bank of America”), as Lender (incorporated by reference to Exhibit 10.1 to Sonic’s Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (the “2002 Annual Report”).
10.2*	Second Amended and Restated Promissory Note dated February 5, 2003 executed by Sonic in favor of Ford Credit pursuant to the Second Amended and Restated Credit Agreement (incorporated by reference to Exhibit 10.2 to the 2002 Annual Report).
10.3*	Second Amended and Restated Promissory Note dated February 5, 2003 executed by Sonic in favor of Chrysler Financial pursuant to the Second Amended and Restated Credit Agreement (incorporated by reference to Exhibit 10.3 to the 2002 Annual Report).
10.4*	Amended and Restated Promissory Note dated February 5, 2003 executed by Sonic in favor of Toyota Credit pursuant to the Second Amended and Restated Credit Agreement (incorporated by reference to Exhibit 10.4 to the 2002 Annual Report).
10.5*	Promissory Note dated February 5, 2003 executed by Sonic in favor of Bank of America pursuant to the Second Amended and Restated Credit Agreement (incorporated by reference to Exhibit 10.5 to the 2002 Annual Report).
10.6*	Guaranty dated June 20, 2001 by the subsidiaries of Sonic named therein, as Guarantors, in favor of Ford Credit, as Agent for the Lenders under the Credit Agreement dated as of June 20, 2001 between Sonic, as Borrower, Ford Credit, as Agent and Lender, Chrysler Financial Company, L.L.C., as Lender, and Toyota Credit, as Lender (incorporated by reference to Exhibit 10.5 to Sonic’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001).
10.7*	Reaffirmation of Guaranty dated as of February 5, 2003 by the subsidiaries of Sonic named therein, as Guarantors, in favor of Ford Credit, as Agent for the Lenders under the Second Amended and Restated Credit Agreement (incorporated by reference to Exhibit 10.7 to the 2002 Annual Report).
10.8*	Second Amended and Restated Security Agreement dated as of February 5, 2003 by Sonic in favor of Ford Credit, as Agent for the Lenders under the Second Amended and Restated Credit Agreement (incorporated by reference to Exhibit 10.8 to the 2002 Annual Report).
10.9*	Second Amended and Restated Security Agreement dated as of February 5, 2003 by the subsidiaries of Sonic named therein in favor of Ford Credit, as Agent for the Lenders under the Second Amended and Restated Credit Agreement (incorporated by reference to Exhibit 10.9 to the 2002 Annual Report).
10.10	Sonic Automotive, Inc. 1997 Stock Option Plan, Amended and Restated as of April 22, 2003. (1)
10.11	Employment Agreement dated March 31, 2003 between Sonic and E. Lee Wyatt. (1)
99.1	Risk Factors.
99.2	Certification of Mr. Theodore M. Wright pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.3	Certification of Mr. O. Bruton Smith pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

(b) Reports on Form 8-K

On February 10, 2003, we filed a Current Report on Form 8-K with the SEC to announce pursuant to Item 5 of Form 8-K an amendment to our revolving credit facility. A copy of the press release issued in connection with this announcement was attached as an exhibit to the Current Report on Form 8-K.

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SONIC AUTOMOTIVE, INC AND SUBSIDIARIES

SIGNATURES

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

SONIC AUTOMOTIVE, INC.

Date: May 13, 2003	By:	/s/ O. BRUTON SMITH
		O. Bruton Smith **Chairman and Chief Executive Officer**
Date: May 13, 2003	By:	/s/ THEODORE M. WRIGHT
		Theodore M. Wright **President and Chief Financial Officer** **(Principal Financial and Accounting Officer)**

SONIC AUTOMOTIVE, INC AND SUBSIDIARIES

CERTIFICATION

I, O. Bruton Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sonic Automotive, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

(a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

By: /s/ O. BRUTON SMITH

O. Bruton Smith,
Chairman and Chief Executive Officer

SONIC AUTOMOTIVE, INC AND SUBSIDIARIES

CERTIFICATION

I, Theodore M. Wright, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sonic Automotive, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

(a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

By: /s/ THEODORE M. WRIGHT

Theodore M. Wright
President and Chief Financial Officer

Exhibit 10.10

SONIC AUTOMOTIVE, INC.
1997 STOCK OPTION PLAN

Amended and Restated as of April 22, 2003

1. Purposes of Plan. The purposes of the Plan, which shall be known as the Sonic Automotive, Inc. 1997 Stock Option Plan and is hereinafter referred to as the "Plan", are (i) to provide incentives for key employees, directors, consultants and other individuals providing services to Sonic Automotive, Inc. (the "Company") and its subsidiaries and other related entities (each of which is referred to herein as a "Subsidiary") by encouraging their ownership of the Class A Common Stock, $.01 par value per share, of the Company (the "Stock") and (ii) to aid the Company in retaining such key employees, directors, consultants and other individuals upon whose efforts the Company's success and future growth depends, and attracting other such employees, directors, consultants and other individuals.

2. Administration. The Plan shall be administered by a committee of the Board of Directors of the Company or subcommittee thereof (the "Committee"). The Committee shall be appointed from time to time by the Board of Directors of the Company (the "Board of Directors") and shall consist of not fewer than two of its members. In the event that no such Committee exists or is appointed, then the powers to be exercised by the Committee hereunder shall be exercised by the Board of Directors.

For purposes of administration, the Committee, subject to the terms of the Plan, shall have plenary authority to establish such rules and regulations, to make such determinations and interpretations, and to take such other administrative actions, as it deems necessary or advisable. All determinations and interpretations made by the Committee shall be final, conclusive and binding on all persons, including those granted options hereunder ("Optionees") and their legal representatives and beneficiaries.

Notwithstanding any other provisions of the Plan, the Committee may impose such conditions on any options as may be required to satisfy the requirements of Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Act") or Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

The Committee shall hold its meetings at such times and places as it may determine. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by all members shall be as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary (who need not be a member of the Committee). No member of the Committee shall be liable for any act or omission with respect to his service on the Committee, if he acts in good faith and in a manner he reasonably believes to be in or not opposed to the best interests of the Company.

3. Stock Available for Options. There shall be available for options under the Plan a total of Nine Million (9,000,000) shares of Stock, subject to any adjustments which may be made pursuant to Section 5(f) hereof. Shares of Stock used for purposes of the Plan may be either authorized and unissued shares, or previously issued shares held in the treasury of the Company, or both. Shares of Stock covered by options which have terminated or expired prior to exercise, or which have been tendered as payment upon exercise of other options pursuant to Section 5(c), shall be available for further option grants hereunder.

4. Eligibility. Options under the Plan may be granted to key employees of the Company or any Subsidiary, including officers or directors of the Company or any Subsidiary, and to consultants and other individuals providing services to the Company or any Subsidiary. On and after June 5, 2000, options may no longer be granted under this Plan to "non-employee directors" within the meaning of Rule 16b-3 of the Act. Options may be granted to eligible persons whether or not they hold or have held options previously granted under the Plan or otherwise granted or assumed by the Company; provided, however, that the maximum number of shares of Stock with respect to which options may be granted under the Plan to any person during any calendar year shall be 500,000 shares of Stock (subject to adjustment in the same manner as provided in Section 5(f) with respect to shares of Stock subject to options then outstanding). In selecting recipients for options, the Committee may take into consideration any factors it may deem relevant, including its estimate of the individual's present and potential contributions to the success of the Company and its Subsidiaries. Service as a director, officer or consultant of or to the Company or any Subsidiary shall be considered employment for purposes of the Plan (and the period of such service shall be considered the period of employment for purposes of Section 5(d) of the Plan); provided, however, that incentive stock options may be granted under the Plan only to an individual who is an "employee" (as such term is used in Section 422 of the Code) of the Company or a Subsidiary which constitutes a "subsidiary corporation" within the meaning of Section 424(f) of the Code.

5. Terms and Conditions of Options. The Committee shall, in its discretion, prescribe the terms and conditions of the options to be granted hereunder, which terms and conditions need not be the same in each case, subject to the following:

(a) Option Price. The price at which each share of Stock may be purchased upon exercise of an option granted under the Plan shall be determined by the Committee in its discretion, but shall not be less than the fair market value per share of Stock on the date of grant of the option. In the case of any option intended to be an incentive stock option granted to an individual owning (directly or by attribution as provided in Section 424(d) of the Code), on the date of grant, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary (which individual shall hereinafter be referred to as a "10% Stockholder"), the price at which each share of Stock may be purchased upon exercise of the option shall not be less than 110% of the fair market value per share of Stock on the date of grant of the option. The date of the grant of an option shall be the date specified by the Committee in its grant of the option. Except as otherwise provided in Section 5(f) of this Plan, the option price of an outstanding option under this Plan may not be repriced. Notwithstanding the foregoing, an option may be granted with an exercise price lower than that set forth above

if such option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

For purposes of this Section 5(a), “fair market value” shall mean the last sale price regular way on the last trading day prior to the date of option grant, or, in case no sales take place on such date, the average of the closing high bid and low asked prices regular way, in either case on the principal national securities exchange on which the Stock is listed or admitted to trading, or if the Stock is not listed or admitted to trading on any national securities exchange, the last sale price reported on the National Market System of the National Association of Securities Dealers Automated Quotation system (“NASDAQ”) on such date, or the average of the closing high bid and low asked prices of the Stock in the over-the-counter market reported on NASDAQ on such date, as furnished to the Committee by any New York Stock Exchange member selected from time to time by the Committee for such purpose. If there is no bid or asked price reported on any such date, the fair market value shall be determined by the Committee in accordance with the regulations promulgated under Section 2031 of the Code, or by any other appropriate method selected by the Committee.

(b) Option Period. The period for exercise of an option shall be determined by the Committee in its discretion but in no event shall the exercise period be more than ten years from the date of grant, or in the case of an option intended to be an incentive stock option granted to a 10% Stockholder, more than five years from the date of grant. Options may, in the discretion of the Committee, be made exercisable in installments during the option period. Any shares not purchased on any applicable installment date may be purchased thereafter at any time before the expiration of the option period, subject to Section 5(d) below.

(c) Exercise of Options. In order to exercise an option, the Optionee shall deliver to the Company written notice specifying the number of shares of Stock to be purchased, together with full payment of the purchase price therefor; provided that, for the purpose of assisting an Optionee to exercise an option, the Company may make loans to the Optionee or guarantee loans made by third parties to the Optionee, on such terms and conditions as the Board of Directors may authorize. The purchase price may be paid in (i) cash (or a certified or bank cashier’s check payable to the order of the Company); (ii) shares of Stock owned by the Optionee, (iii) nonstatutory options granted under the Plan and held by the Optionee (provided, however, that the purchase price of Stock acquired under an incentive stock option may not be paid in options); or (iv) any combination of the foregoing methods. Shares of Stock tendered in payment on the exercise of an option shall be valued at their fair market value determined as described in Section 5(a) above, provided that the date of determination shall be the date of exercise. The fair market value of options tendered in payment upon exercise of other options shall be the fair market value of the underlying Stock, determined as aforesaid, less the total exercise price of the options. In addition, at the request of the Optionee, and subject to applicable laws and regulations, the Company may (but shall not be required to) cooperate in a “cashless exercise” of an option (i.e., the assignment to the Company of the proceeds from a sale of Stock acquired upon exercise of the option or from the

proceeds of a loan from a brokerage firm). If the Optionee so requests, shares of Stock purchased upon exercise of an option may be issued in the name of the Optionee or another person. An Optionee shall have none of the rights of a stockholder until the shares of Stock are issued to him.

(d) Effect of Termination of Employment.

(i) An option may not be exercised after the Optionee has ceased to be in the employ of the Company or any Subsidiary for any reason other than the Optionee's death, Disability or Involuntary Termination Without Cause. A cessation of employment, for purposes of incentive stock options only, shall be deemed to occur on the ninety-first day of a leave of absence unless the Optionee's reemployment rights are guaranteed by law or by contract. "Cause" shall mean any act, action or series of acts or actions or any omission, omissions, or series of omissions which result in, or which have the effect of resulting in, (i) the commission of a crime by the Optionee involving moral turpitude, which crime has a material adverse impact on the Company or any Subsidiary or which is intended to result in the personal enrichment of the Optionee at the expense of the Company or one of its Subsidiaries, (ii) a material violation of the Optionee's responsibilities, or the Optionee's gross negligence or willful misconduct, or (iii) the continuous, willful failure of the person in question to follow the reasonable directives of the Board of Directors. "Disability" shall mean the inability or failure of a person to perform those duties for the Company or any Subsidiary traditionally assigned to and performed by such person because of the person's then-existing physical or mental condition, impairment or incapacity. The fact of disability shall be determined by the Committee, which may consider such evidence as it considers desirable under the circumstances, the determination of which shall be final and binding upon all parties. "Involuntary Termination Without Cause" shall mean either (i) the dismissal of, or the request for the resignation of, a person, by court order, order of any court-appointed liquidator or trustee of the Company, or the order or request of any creditors' committee of the Company constituted under the federal bankruptcy laws, provided that such order or request contains no specific reference to Cause; or (ii) the dismissal of, or the request for the resignation of, a person, by a duly constituted corporate officer of the Company or any Subsidiary, or by the Board, for any reason other than for Cause.

(ii) During the three months after the date of the Optionee's Involuntary Termination Without Cause, the Optionee shall have the right to exercise the options granted under the Plan, but only to the extent the options were exercisable on the date of the cessation of the Optionee's employment.

(iii) During the twelve months after the Optionee's employment with the Company or any Subsidiary ceases as a result of the Optionee's Disability, the Optionee shall have the right to exercise the options granted under the Plan, but only to the extent the options were exercisable on the date of the cessation of the Optionee's employment.

(iv) In the event of the death of the Optionee while employed or, in the event of the death of the Optionee after cessation of employment described in subparagraph (ii) or (iii), above, but within the three-month or twelve-month period described in subparagraph (ii) or (iii), above, the options granted under the Plan shall be exercisable until the expiration of twelve months following the Optionee's death, but only to the extent the option was exercisable on the date of the cessation of the Optionee's employment. During such extended period, the option may be exercised by the person or persons to whom the deceased Optionee's rights under the Option Agreement shall pass by will or by the laws of descent and distribution. The provisions of this subparagraph (iv) shall apply to any outstanding options which are incentive stock options to the extent permitted by Sections 421 and 422(d) of the Code and such outstanding options in excess thereof shall, immediately upon the death of the Optionee, be treated for all purposes of the Plan as nonstatutory stock options and shall be exercisable as such as provided in this subparagraph (iv).

In no event shall any option be exercisable beyond the applicable exercise period determined pursuant to Section 5(b) of the Plan. Nothing in the Plan or in any option granted pursuant to the Plan (in the absence of an express provision to the contrary) shall confer on any individual any right to continue in the employ of the Company or any Subsidiary or interfere in any way with the right of the Company or Subsidiary to terminate his employment at any time.

(e) Nontransferability of Options. Except as otherwise set forth herein, during the lifetime of an Optionee, options held by such Optionee shall be exercisable only by him, and no option shall be transferable other than by will or the laws of descent and distribution. Notwithstanding the foregoing, the Committee, in its absolute discretion, may grant nonstatutory stock options that may be transferred without consideration, in whole or in part, by the Optionee to (i) the Optionee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, or any person sharing the Optionee's household (other than a tenant or employee) ("Family Members"); (ii) a trust in which Family Members have more than 50% of the beneficial interest; (iii) a foundation in which Family Members (or the Optionee) control the management of assets; or (iv) any other entity in which Family Members (or the Optionee) own more than 50% of the voting interests. In all cases, the Committee must be notified in advance in writing of the terms of any proposed transfer to a permitted transferee and such transfers may occur only with the consent of and subject to the rules and conditions imposed by the Committee. The transferee and the transferred options shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer. The provisions of the Plan, including, but not limited to, those set forth in Section 5(b) and (d), shall continue to apply with respect to the Optionee and the option shall be exercisable by the transferee only to the extent and for

the periods specified herein and in any applicable option agreement. To the extent required by applicable law, the Optionee shall remain subject to withholding taxes upon exercise of any transferred option by the transferee.

(f) Adjustments for Change in Stock Subject to Plan. In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering or any other change in the corporate structure or shares of the Company, unless the Committee should determine otherwise, corresponding adjustments automatically shall be made to the number and kind of shares available for issuance under this Plan, the number and kind of shares covered by outstanding options under this Plan, and the exercise price per share for outstanding options. In addition, the Committee may make such other adjustments as it determines to be equitable.

(g) Acceleration of Exercisability of Options Upon Occurrence of Certain Events. In connection with any merger or consolidation in which the Company is not the surviving corporation and which results in the holders of the outstanding voting securities of the Company (determined immediately prior to such merger or consolidation) owning less than a majority of the outstanding voting securities of the surviving corporation (determined immediately following such merger or consolidation), or any sale or transfer by the Company of all or substantially all of its assets or any tender offer or exchange offer for or the acquisition, directly or indirectly, by any person or group of all or a majority of the then-outstanding voting securities of the Company, all outstanding options under the Plan shall become exercisable in full, notwithstanding any other provision of the Plan or of any outstanding options granted thereunder, on and after (i) the fifteenth day prior to the effective date of such merger, consolidation, sale, transfer or acquisition or (ii) the date of commencement of such tender offer or exchange offer, as the case may be. The provisions of the foregoing sentence shall apply to any outstanding options which are incentive stock options to the extent permitted by Section 422(d) of the Code and such outstanding options in excess thereof shall, immediately upon the occurrence of the event described in clause (i) or (ii) of the foregoing sentence, be treated for all purposes of the Plan as nonstatutory stock options and shall be immediately exercisable as such as provided in the foregoing sentence. Notwithstanding the foregoing, in no event shall any option be exercisable after the date of termination of the exercise period of such option determined pursuant to Sections 5(b) and 5(d).

(h) Registration, Listing and Qualification of Shares of Stock. Each option shall be subject to the requirement that if at any time the Board of Directors shall determine that the registration, listing or qualification of shares of Stock covered thereby upon any securities exchange or under any federal or state law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such option or the purchase of shares of Stock thereunder, no such option may be exercised unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board of Directors. The Company may require that any person exercising an option shall make such representations and agreements and furnish

such information as it deems appropriate to assure compliance with the foregoing or any other applicable legal requirement.

(i) Other Terms and Conditions. The Committee may impose such other terms and conditions, not inconsistent with the terms hereof, on the grant or exercise of options, as it deems advisable.

(j) Reload Options. If upon the exercise of an option granted under the Plan (the "Original Option") the Optionee pays the purchase price for the Original Option pursuant to Section 5(c) in whole or in part in shares of Stock owned by the Optionee for at least six months, the Company shall grant to the Optionee on the date of such exercise an additional option under the Plan (the "Reload Option") to purchase that number of shares of Stock equal to the number of shares of Stock so held for at least six months transferred to the Company in payment of the purchase price in the exercise of the Original Option. The price at which each share of Stock covered by the Reload Option may be purchased shall be the market value per share of Stock (as specified in Section 5(c)) on the date of exercise of the Original Option. The Reload Option shall not be exercisable until one year after the date the Reload Option is granted or after the expiration date of the Original Option. Upon the payment of the purchase price for a Reload Option granted hereunder in whole or in part in shares of Stock held for more than six months pursuant to Section 5(c), the Optionee is entitled to receive a further Reload Option in accordance with this Section 5(j). Shares of Stock covered by a Reload Option shall not reduce the number of shares of Stock available under the Plan pursuant to Section 3.

6. Additional Provisions Applicable to Incentive Stock Options. The Committee may, in its discretion, grant options under the Plan which constitute "incentive stock options" within the meaning of Section 422 of the Code to eligible employees of the Company and its "subsidiary corporations" within the meaning of Section 424(f) of the Code, provided, however, that the aggregate market value of the Stock (determined as of the date the incentive stock option is granted) with respect to which incentive stock options are exercisable for the first time by the Optionee during any calendar year shall not exceed $100,000 or such other limitation set forth in Section 422(d) of the Code.

7. Effectiveness of Plan. The Plan became effective when it was adopted and approved by the Board of Directors and the stockholders of the Company on October 9, 1997. The Plan has since been amended and restated a number of times. This amendment and restatement of the Plan shall be effective as of April 22, 2003, subject to approval by the stockholders of the Company at the 2003 Annual Meeting of Stockholders of the increase in the number of shares of Stock reserved for issuance under the Plan as reflected in Section 3.

8. Amendment and Termination. The Board of Directors may at any time amend the Plan or the terms of any option outstanding under the Plan; provided, however, that, except as contemplated in Section 5(f), the Board of Directors shall not, without approval by a majority of the votes cast by the stockholders of the Company at a meeting of stockholders at which a proposal to amend the Plan is voted upon, (i) increase the maximum number of shares of Stock for which options may be granted under the Plan, or (ii) except as otherwise provided in the Plan, amend the requirements as to the class of employees eligible to receive options. The Board of Directors may terminate the Plan at any time. Unless the Plan shall theretofore have been terminated, the Plan shall terminate, and no option shall be granted hereunder after, October 9, 2007. No amendment or termination of the Plan or any option outstanding under the Plan may, without the consent of an Optionee, adversely affect the rights of such Optionee under any option held by such Optionee.

9. Withholding. It shall be a condition to the obligation of the Company to issue shares of Stock upon exercise of an option that the Optionee (or any beneficiary or person entitled to act under Section 5(d) hereof) remit to the Company, or make arrangements satisfactory to the Company to pay through payroll withholding or otherwise, such amount as may be requested by the Company to meet any federal, state or local tax withholding obligations with respect to such exercise. If the amount requested is not paid, the Company may refuse to issue such shares of Stock.

10. Other Actions. Nothing contained in the Plan shall be construed to limit the authority of the Company to exercise its corporate rights and powers, including, but not by way of limitation, the right of the Company to grant or assume options for proper corporate purposes other than under the Plan with respect to any employee or other person, firm, corporation or association.

Exhibit 10.11

EMPLOYMENT AGREEMENT

This Employment Agreement (this "**Agreement**") made this 31st day of March, 2003 between SONIC AUTOMOTIVE, INC., a Delaware corporation (the "**Employer**"), and E. LEE WYATT, JR. (the "**Employee**").

R E C I T A L S

WHEREAS, the Employer desires to retain the services of the Employee; and

WHEREAS, the Employee is prepared to perform those duties as set forth in this Agreement.

NOW, THEREFORE, the parties intending to be legally bound agree as follows:

1. Term of Employment. The Employer hereby employs the Employee, and the Employee hereby accepts employment from the Employer, for the period commencing April 7, 2003 (the "**Commencement Date**") and ending on the third (3rd) anniversary of the Commencement Date, unless sooner terminated pursuant to the provisions of paragraph 5 hereof (the "**Employment Period**").

2. Duties of the Employee. The Employee shall be employed by the Employer as Senior Vice President and Chief Financial Officer, reporting to Theodore M. Wright, as President, or such other person as the Chief Executive Officer of the Employer shall designate. The Employee's duties shall include the duties customarily performed by a chief financial officer of a New York Stock Exchange listed corporation, and such additional duties as may from time to time be assigned by the President or the Chief Executive Officer of the Employer. The Employee shall serve the Employer faithfully in the performance of the Employee's duties and shall devote his full time and best efforts to his employment, including the regularly established working hours and such additional time as the requirements of the Employer and the performance of the Employee's duties require. The Employee

agrees to observe and comply with all the rules and regulations of the Employer as adopted and furnished to the Employee by the Employer's Board of Directors from time to time.

3. Compensation. For all services rendered by the Employee under this Agreement, he shall be entitled to compensation in accordance with the following:

(a) Base Salary. During the Employment Period, the Employee shall receive an annual base salary ("**Annual Base Salary**") at the rate of THREE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS ($375,000.00), which shall be paid subject to applicable withholding taxes and other payroll deductions and otherwise in accordance with the payroll policies and procedures of the Employer in effect from to time to time. The Annual Base Salary will be reviewed annually and may be adjusted as determined by the Compensation Committee of the Employer's Board of Directors (the "**Compensation Committee**") in its sole discretion based on both objective and subjective performance criteria and on the financial performance of the Employer.

(b) Bonus. In addition to the Annual Base Salary as hereinabove provided, the Employer shall be eligible for an annual performance-based cash bonus as determined by the Compensation Committee, in consultation with the Employer's senior management, in its sole discretion based upon objective and/or subjective performance criteria and on the financial performance of the Employer. Such bonus will be payable in accordance with the policies and procedures of the Employer in effect from time to time with respect to cash bonuses paid to employees. Notwithstanding the foregoing, for calendar year 2003, the Employee's bonus shall be in accordance with the Employer's Incentive Compensation Plan and shall be in an amount equal to a percentage of the Employee's Annual Base Salary paid in calendar year 2003, with a target amount of 120% and a maximum potential amount of 180%, in each case of Annual Base Salary paid to the Employee in calendar year 2003; provided; however, the Employee's bonus for calendar year 2003 shall be in a minimum amount of Two Hundred Thousand Dollars ($200,000). Such bonus will be payable in the first quarter of calendar year 2004.

4. Fringe Benefits. During the Employment Period, the Employee shall receive the following fringe benefits of the Employer:

(a) The use of one demonstrator vehicle annually in accordance with the personnel policies of the Employer in effect from time to time.

(b) Medical, hospitalization, disability and life insurance benefits as are provided generally to employees of the Employer, as well as participation in the Employer's 401(k) Plan, Employee Stock Purchase Plan and Deferred Compensation Plan, all in accordance with the Employer's personnel policies in effect from time to time.

(c) Prompt reimbursement for all reasonable employment, travel, entertainment and other business related expenses incurred by the Employee in accordance with the policies, practices and procedures of the Employer in effect from time to time.

(d) An annual paid vacation of fifteen (15) days, with the other terms of such vacation to be in accordance with the policies and procedures of the Employer in effect from time to time.

(e) Reimbursement for reasonable out-of-pocket expenses incurred by the Employee in the relocation of his household belongings from Greensboro, North Carolina to Charlotte, North Carolina, as well as reimbursement for the real estate commission (not to exceed six percent (6%)) incurred by the Employee on the sale of his present residence in Greensboro, North Carolina. Such reimbursements shall be "grossed up" for any Federal and North Carolina state income taxes imposed on such reimbursements, based upon the Employee's effective Federal and state tax rates. The tax gross-up calculation shall be determined by the Employer's accounting firm and shall be subject to the reasonable approval of the Employee. The reimbursements under this paragraph 4(e) shall be repayable by the Employee to the Employer if the Employee's employment is terminated within the twelve-month period from the Commencement Date by the Employer for Cause pursuant to paragraph 5(b) below, or if the Employee voluntarily resigns his employment with the Employer within such period.

5. Termination of Employment. This Agreement shall terminate as follows:

(a) Death or Disability. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period. If the Employer determines in good faith that the Employee has become unable to perform the essential functions of his position, with or without reasonable accommodation, due to illness or other physical disability and that such inability to perform is reasonably likely to continue for ninety (90) days or more, then the Employer shall give to the Employee written notice of its intention to terminate the Employee's employment. In such event, the Employee's employment with the Employer shall terminate effective on the thirtieth (30th) day after receipt of such notice by the Employee provided that, within the thirty (30) days after such receipt, the Employee shall not have returned to full time performance of the Employee's duties.

(b) Cause. The Employer may terminate the Employee's employment at any time, without notice and with immediate effect for Cause. For purposes of this Agreement "**Cause**" shall mean

(i) a material breach by the Employee of the Employee's obligations as set forth herein (other than due to disability) which material breach is not remedied within five (5) business days after receipt of written notice from the Employer specifying such a breach;

(ii) the conviction of the Employee of a felony;

(iii) actions by the Employee involving moral turpitude;

(iv) willful failure of the Employee to comply with reasonable directives of the Employer's Board of Directors;

(v) chronic absenteeism of the Employee;

(vi) willful misconduct of the Employee resulting in damage to the Employer; or

(vii) the Employee's illegal use of controlled substances.

(c) Without Cause. Either the Employee or the Employer may terminate this Agreement at any time, for any reason or without any reason. Such a termination shall be deemed a termination "without cause."

(d) By the Employee for Good Reason. The Employee may terminate this Agreement for Good Reason (as defined below), upon thirty (30) days' prior written notice of termination by the Employee to the Employer, which notice expressly states that the Employee is terminating this Agreement and the Employee's employment pursuant hereto for Good Reason, setting forth, with reasonable particularity, the grounds for such Good Reason; provided, however, such termination shall not occur if the Employer shall cure or correct the circumstances or events upon which such Good Reason is based prior to the expiration of such thirty (30) day period. For purposes hereof, the term "**Good Reason**" shall mean, without the express written consent of the Employee:

(i) the assignment to the Employee of duties which are a reduction of, or which are inferior to, the Employee's positions, duties or responsibilities with the Corporation during the preceding six (6) month period; or

(ii) the reduction of the Employee's then current Annual Base Salary.

6. Obligations of the Employer Upon Termination.

(a) Generally. Except as provided in paragraph 6(b) below, upon termination of the Employee's employment for any reason, the Employee shall be entitled only to payment of his Annual Base Salary, together with those fringe benefits described in paragraphs 4(a), 4(b) and 4(c) hereof, through the effective date of such termination.

(b) Without Cause or for Good Reason. If the Employee's employment is terminated by the Employer without cause prior to the expiration of the Employment Period pursuant to paragraph 5(c) above or by Employer for Good Reason prior to the expiration of the Employment Period pursuant to paragraph 5(d) above, and provided the Employee complies with the Restrictive Covenants (as defined and described in paragraph 8 below), then the Employer shall be obligated to pay to the Employee severance pay in an amount equal to the sum of (i) the Annual Base Salary for a one-year period plus (ii) an amount equal to the average of the annual bonuses paid to the Employee prior to termination, or if such termination takes place prior to December 31, 2003, the guaranteed minimum bonus specified in paragraph 3(b) above. Any such severance pay shall be payable to the Employee, subject to applicable withholding taxes and other regular payroll deductions, in twelve (12) equal monthly installments commencing as of the first full month following the date of such termination of employment, and will be offset against (and thereby reduce) any other severance to which the Employee might be entitled from the Employer pursuant to any agreement or policy.

7. Stock Options. The Employee shall be eligible to participate in the Sonic Automotive, Inc. Amended and Restated 1997 Stock Option Plan (the "**Stock Option Plan**"). Subject to the approval of the Compensation Committee as soon as reasonably possible after the date of this Agreement, the Employee's initial grant under the Stock Option Plan shall be an option to purchase seventy-five thousand (75,000) shares of the Employer's Class A Common Stock and shall become exercisable in three (3) equal annual installments, beginning with the first anniversary of the date of

grant. Any further grants of options under the Stock Option Plan shall be subject to the approval of the Compensation Committee. The terms and conditions of any options granted to the Employee pursuant to the Stock Option Plan, including the initial grant specified above, shall otherwise be governed by the provisions of the Stock Option Plan.

8. Restrictive Covenants. For purposes of this Agreement, "**Restrictive Covenants**" mean the provisions of this paragraph 8. It is stipulated and agreed that the Employer is engaged in the business of owning and operating automobile and/or truck dealerships, which business includes, without limitation, the marketing, selling and leasing of new and used vehicles, the servicing of automobiles and trucks, including collision repair, and the provision of financing and insurance to automobile and truck customers (the "**Business**"). It is further stipulated and agreed that, as a result of the Employee's employment by the Employer and as a result of the Employee's continued employment hereunder, the Employee has and will have access to valuable, highly confidential, privileged and proprietary information relating to the Employer's Business, including, without limitation, existing and future inventory information, customer lists, sales methods and techniques, costs and costing methods, pricing techniques and strategies, sales agreements with customers, profits and product line profitability information, financial information, unpublished present and future marketing strategies and promotional programs, and other information regarded by the Employer as proprietary and confidential (the "**Confidential Information**"). It is further acknowledged that the unauthorized use or disclosure by the Employee of any of the Confidential Information would seriously damage the Employer in its Business.

In consideration of the provisions of this paragraph 8, the compensation and benefits referred to in paragraphs 3 and 4 hereof, which the Employee acknowledges are legally sufficient to support enforceability by the Employer of the Restrictive Covenants against the Employee, the Employee agrees as follows:

(a) During the term of this Agreement and after its termination or expiration for any reason, the Employee will not, without the Employer's prior written consent, use, divulge, disclose, furnish or make accessible to any third person, company or other entity, any aspect of the Confidential Information (other than as required in the ordinary discharge of the Employee's duties hereunder).

(b) During the term of this Agreement and for a period of two years after the later of the date of the expiration or termination of this Agreement for any reason or the termination of the Employee's employment with the Employer for any reason (the "**Restrictive Period**"), the Employee shall not, directly or indirectly:

(i) Employ or solicit the employment of, or hire or retain as an agent, consultant or in any other capacity, or engage in any business enterprise with, any person who at any time during the twelve (12) calendar months immediately preceding the termination or expiration of this Agreement for any reason was employed by the Employer;

(ii) Provide or solicit the provision of products or services, similar to those provided by the Employer to any person or entity within the Restricted Territory (as hereinafter defined) who purchased or leased automobiles, trucks or services from the Employer at any time during the twelve (12) calendar months immediately preceding the termination or expiration of this Agreement for any reason;

(iii) Interfere or attempt to interfere with the terms or other aspects of the relationship between the Employer and any person or entity from whom the Employer has purchased automobiles, trucks, parts, supplies, inventory or services at any time during the twelve (12) calendar months immediately preceding the termination or expiration of this Agreement for any reason;

(iv) Engage in competition with the Employer or its respective successors and assigns by engaging, directly or indirectly, in a business involving the sale or leasing of automobiles or trucks or which is otherwise substantially similar to the Business or any of its component parts, within the Restricted Territory; or

(v) Provide information to, solicit or sell for, organize or own any interest in (either directly or thorough any parent, affiliate or subsidiary corporation, partnership, or other entity), or become employed or engaged by, or act as agent for, or provide or arrange for any financing to, any person, corporation or other entity that is directly or indirectly engaged in a business in the Restricted Territory which is substantially similar to the Business or any of its component parts, or which is otherwise competitive with the Employer's business; provided, however, that nothing herein shall preclude the Employee from holding not more than three percent (3%) of the outstanding shares of any publicly held company which may be so engaged in a trade or business identical or similar to the Business of the Employer, so long as such ownership does not provide to the Employee the ability to influence the management of such company in any material respect. As used herein, "**Restricted Territory**" means:

(1) all Standard Metropolitan Statistical Areas, as determined by the United States Office of Management and Budget, in which the Employer has an office, store or other place of business on the date of the expiration or termination of this Agreement for any reason or the termination of the Employee's employment with the Employer for any reason; and

(2) all counties in all states in which the Employer has an office, store or other place of business on the date of the expiration or termination of this Agreement for any reason or the termination of the Employee's employment with the Employer for any reason.

(c) If the Employer retains the services of the Employee after the expiration of the term of this Agreement and the parties do not thereafter enter into another written agreement, it is hereby mutually agreed that the Restrictive Covenants, as well as the provisions of paragraphs 9 and 10 below, shall continue to govern the relations between the Employer and the Employee.

9. Remedies. It is stipulated that a breach by the Employee of the Restrictive Covenants would cause irreparable damage to the Employer. The Employer, in addition to any other rights or remedies which the Employer may have, shall be entitled to an injunction restraining the Employee from violating or continuing any violation of such Restrictive Covenants. Such right to obtain injunctive relief may be exercised at the option of the Employer, concurrently with, prior to, after or in lieu of, the exercise of any other rights or remedies which the Employer may have as a result of any such breach or threatened breach. The Employee agrees that upon breach of any of the Restrictive Covenants, the Employer shall be entitled to an accounting and repayment of all profits, royalties, compensation, and/or other benefits that the Employee directly or indirectly has realized or may realize as a result of, or in connection with, any such breach. The Employee further agrees that the Restrictive Period shall be extended by a period of time equal to any period of time in which any employee is in violation of the Restrictive Covenants.

10. Acknowledgment of Reasonableness. The Employee has carefully read and considered the provisions of this Agreement and has had the opportunity for consultation with an attorney of the Employee's choice and agrees that the restrictions set forth herein are fair and reasonably required for the protection of the Employer. In the event that any provision relating to the

Restrictive Period, the Restricted Territory or the scope of the restrictions shall be declared by a court of competent jurisdiction to exceed the maximum period of time, geographical area or scope that such court deems reasonable and enforceable under applicable law, such time period, geographical area or scope of restriction held reasonable and enforceable by the court shall thereafter be the Restricted Period, Restricted Territory and/or scope under this Agreement.

11. Surrender of Books and Records. The Employee acknowledges that all files, records, lists, designs, specifications, books, products, plans and other materials owned or used by the Employer in connection with conduct of its business shall at all times remain the property of the Employer, and that upon termination or expiration of this Agreement for any reason or the termination of the Employee's employment with the Employer for any reason, the Employee will immediately surrender to the Employer all such materials.

12. Entire Agreement. This Agreement contains the entire agreement of the parties hereto, and shall not be modified or changed in any respect except by a writing executed by the parties hereto.

13. Successors and Assigns. The rights and obligations of the Employee under this Agreement shall inure to the benefit of the Employer, its successors and assigns, and shall be binding upon the Employee and his respective successors, heirs and assigns. The Employer shall have the right to assign, transfer, or convey this Agreement to its affiliated companies, successor entities, or assignees or transferees of substantially all of the Employer's business activities. This Agreement, being personal in nature to the Employee, may not be assigned by the Employee without the Employer's prior written consent.

14. Notices. All notices required and permitted to be given hereunder shall be in writing and shall be deemed to have been given (a) if delivered by hand, when so delivered, (b) if sent

by Federal Express or other overnight express service, one (1) business day after delivery to such service, or (c) if mailed by certified or registered mail, return receipt requested, three (3) days after delivery to the post office; in each case all notices shall be addressed to the intended recipient as follows or at such other address as is provided by either party to the other:

If to the Employer:	With a copy to:
Sonic Automotive, Inc. Attention: President 5401 E. Independence Blvd. Charlotte, NC 28212	Sonic Automotive, Inc. Attention: General Counsel 6415 Idlewild Road, Suite 109 Charlotte, NC 28212
If to the Employee:	With a copy to:
E. Lee Wyatt, Jr. 3629 Lewiston Road Greensboro, NC 27410	____________________ ____________________ ____________________ ____________________

15. Governing Law. This Agreement shall, in all respects, be governed by and construed according to the laws of the State of North Carolina.

16. Arbitration. Any dispute or controversy arising out of or relating to this Agreement shall be settled exclusively by arbitration in Charlotte, North Carolina, in accordance with the terms of the Employer's standard arbitration agreement, which is attached hereto and is incorporated as Exhibit A. This exclusive arbitration remedy shall not apply to the Employer's right to seek injunctive relief or other judicial enforcement of the Restrictive Covenants, as contained in paragraphs 8 and 9 above.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the date first above written.

EMPLOYEE:

/s/ E. LEE WYATT, JR.

E. Lee Wyatt, Jr.

EMPLOYER:

SONIC AUTOMOTIVE, INC.

By: /s/ THEODORE M. WRIGHT

Name: **Theodore M. Wright**
Title: **President**

Exhibit A – Attached

SONIC AUTOMOTIVE, INC AND SUBSIDIARIES
EXHIBIT 99.1

RISK FACTORS

Risks Related to Our Indebtedness

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

As of March 31, 2003, our total outstanding indebtedness was approximately $1,495.1 million, including the following:

- $348.1 million under a revolving credit facility;
- $837.5 million under standardized secured inventory floor plan facilities;
- $126.6 million in 5 1/4% convertible senior subordinated notes due 2009 representing $130.1 million in aggregate principal amount outstanding less unamortized discount of approximately $3.5 million;
- $179.1 million in 11% senior subordinated notes due 2008 representing $182.4 million in aggregate principal amount outstanding less unamortized discount of approximately $3.3 million; and
- $3.8 million of other secured debt.

As of March 31, 2003, we had approximately $151.9 million available for additional borrowings under the revolving credit facility. On February 5, 2003, we amended certain terms of the revolving credit facility. In addition to extending the maturity of the facility to 2006, the borrowing limit was reduced to $500 million. This amendment is not expected to significantly affect our availability of borrowing under this facility because the borrowing base calculation remains the same under the revolving credit facility as amended. We also had approximately $100.0 million available under a construction/mortgage credit facility for real estate acquisitions and new dealership construction. We also have significant additional capacity under the floor plan facilities. In addition, the indentures relating to our senior subordinated notes, convertible senior subordinated notes and other debt instruments allow us to incur additional indebtedness, including secured indebtedness.

The degree to which we are leveraged could have important consequences to the holders of our securities, including the following:

- our ability to obtain additional financing for acquisitions, capital expenditures, working capital or general corporate purposes may be impaired in the future;
- a substantial portion of our current cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for our operations and other purposes;
- some of our borrowings are and will continue to be at variable rates of interest, which exposes us to the risk of increasing interest rates;
- the indebtedness outstanding under our revolving credit facility and floor plan facilities are secured by a pledge of substantially all the assets of our dealerships; and
- we may be substantially more leveraged than some of our competitors, which may place us at a relative competitive disadvantage and make us more vulnerable to changing market conditions and regulations.

In addition, our debt agreements contain numerous covenants that limit our discretion with respect to business matters, including mergers or acquisitions, paying dividends, incurring additional debt, making capital expenditures or disposing of assets.

An acceleration of our obligation to repay all or a substantial portion of our outstanding indebtedness would have a material adverse effect on our business, financial condition or results of operations.

Our revolving credit facility, floor plan facilities and the indenture governing our senior subordinated notes contain numerous financial and operating covenants. A breach of any of these covenants could result in a default under the applicable agreement or indenture. If a default were to occur, we may be unable to adequately finance our operations and the value of our common stock would be materially adversely affected. In addition, a default under one agreement or indenture could result in a default and acceleration of our repayment obligations under the other agreements or indentures, including the indenture governing our outstanding convertible senior subordinated notes, under the cross default provisions in those agreements or indentures. If a cross default were to occur, we may not be able to pay our debts or borrow sufficient funds to refinance them. Even if new financing were available, it may not be on terms acceptable to us. 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 and indentures.

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

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 depends to a substantial degree on the results of operations of 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 otherwise. We may use this cash 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. In addition, the ability of our subsidiaries to pay dividends or make loans to us are subject to contractual limitations under the floor plan facilities, minimum net capital requirements under manufacturer franchise agreements and laws of the state in which a subsidiary is organized and depend to a significant degree on the results of operations of our subsidiaries and other business considerations.

Risks Related to Our Relationships with Vehicle Manufacturers

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

Each of our dealerships operates under a franchise agreement with the applicable automobile manufacturer or distributor. Without a franchise agreement, we cannot obtain new vehicles from a manufacturer. As a result, we are significantly dependent on our relationships with these manufacturers.

Manufacturers exercise a great degree of control over the operations of our dealerships through the franchise agreements. The franchise agreements govern, among other things, our ability to purchase vehicles from the manufacturer and to sell vehicles to customers. Each of our franchise agreements provides for termination or non-renewal for a variety of causes, including any unapproved change of ownership or management. Manufacturers may also have a right of first refusal if we seek to sell dealerships.

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

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

Our dealerships depend on the manufacturers for certain sales incentives, warranties and other programs that are intended to promote and support dealership new vehicle sales. Manufacturers routinely modify their incentive programs in response to changing market conditions. Some of the key incentive programs include:

- customer rebates or below market financing on new vehicles;
- dealer incentives on new vehicles;
- warranties on new and used vehicles; and
- sponsorship of used vehicle sales by authorized new vehicle dealers.

A reduction or discontinuation of a manufacturer's incentive programs may materially adversely affect our profitability.

We depend on manufacturers to supply us with sufficient numbers of popular and profitable new models.

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. Our operating results may be materially adversely affected if we do not obtain a sufficient supply of these vehicles.

Adverse conditions affecting one or more key manufacturers may negatively impact our profitability.

During the first quarter of 2003, approximately 77.5% of our new vehicle revenue was derived from the sale of new vehicles manufactured by Ford, Honda, Chrysler, General Motors (including Cadillac), BMW and Toyota. Our success depends to a great extent on these manufacturers':

- financial condition;
- marketing;
- vehicle design;
- publicity concerning a particular manufacturer or vehicle model;
- production capabilities;
- management; and
- labor relations.

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 profitability.

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

Some of our franchise agreements prohibit transfers of any ownership interests of a dealership and, in some cases, its parent. A number of manufacturers impose restrictions on the transferability of our Class A common stock and our ability to maintain franchises if a person acquires a significant percentage of the voting power of our common stock. Our existing franchise 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. Violations of these levels by an investor are generally outside of our control and may result in the termination or non-renewal of existing franchise agreements or impair our ability to negotiate new franchise agreements for dealerships we acquire. 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 acquiror from acquiring control of us. This could adversely affect the market price of our Class A common stock.

The current holders of our Class B common stock maintain voting control over us. However, we are unable to prevent our stockholders from transferring shares of our common stock, including transfers by holders of the Class B common stock. If such transfer results in a change in control, it could result in the termination or non-renewal of one or more of our existing franchise agreements, the triggering of provisions in our agreements with certain manufacturers requiring us to sell our dealerships franchised with such manufacturers and/or a default under our credit arrangements.

Manufacturers' restrictions on acquisitions could limit our future growth.

We are required to obtain the approval of the applicable manufacturer before we can acquire an additional dealership franchise of that manufacturer. In determining whether to approve an acquisition, manufacturers may consider many factors such as our financial condition and manufacturer-determined consumer satisfaction index, or "CSI" scores. Obtaining manufacturer approval of acquisitions also takes a significant amount of time, typically three to five months. We cannot assure you that manufacturers will approve future acquisitions or do so on a timely basis, which could impair the execution of our growth strategy.

Certain manufacturers also limit the number of its dealerships that we may own, our national market share of that manufacturer's products or the number of dealerships we may own in a particular geographic area. In addition, under an applicable franchise agreement or under state law, a manufacturer may have a right of first refusal to acquire a dealership that we seek to acquire.

A manufacturer may condition approval of an acquisition on the implementation of material changes in our operations or extraordinary corporate transactions, facilities improvements or other capital expenditures. If we are unable or unwilling to comply with these conditions, we may be required to sell the assets of that manufacturer's dealerships or terminate our franchise agreement.

Our failure to meet a manufacturer's consumer satisfaction, financial and sales performance requirements may adversely affect our ability to acquire new dealerships and our profitability.

Many manufacturers attempt to measure customers' satisfaction with their sales and warranty service experiences through CSI scores. The components of CSI vary from manufacturer to manufacturer and are modified periodically. Franchise agreements also may impose financial and sales performance standards. Under our agreements with certain manufacturers, a dealership's CSI scores, sales and financial performance may be considered a factor 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 in the future. A manufacturer may refuse to consent to an 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 growth 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.

Risks Related to Our Acquisition Strategy

Failure to effectively integrate acquired dealerships with our existing operations could adversely affect our future operating results.

Our future operating results depend on our ability to integrate the operations of recently acquired dealerships, as well as dealerships we acquire in the future, with our existing operations. In particular, we need to integrate our management information systems, procedures and organizational structures, which can be difficult. Our growth strategy has focused on the pursuit of strategic acquisitions that either expand or complement our business. We acquired 11 in 2000, 12 in 2001, 31 in 2002 and three to date in 2003.

We cannot assure you that we will effectively and profitably integrate the operations of these dealerships without substantial costs, delays or operational or financial problems, due to:

- the difficulties of managing operations located in geographic areas where we have not previously operated;
- the management time and attention required to integrate and manage newly acquired dealerships;
- the difficulties of assimilating and retaining employees; and
- the challenges of keeping customers.

These factors could have a material adverse effect on our financial condition and results of operations.

We may not adequately anticipate all of the demands that growth through acquisitions will impose.

The automobile retailing industry is considered a mature industry in which minimal growth is expected in total unit sales. Accordingly, our ability to generate higher revenue and earnings in future periods depends in large part on our ability to acquire additional dealerships, manage geographic expansion, control costs in our operations and consolidate both past and future dealership acquisitions into our existing operations. In pursuing a strategy of acquiring other dealerships, we face risks commonly encountered with growth through acquisitions. These risks include, but are not limited to:

- incurring significantly higher capital expenditures and operating expenses;
- failing to assimilate the operations and personnel of acquired dealerships;
- entering new markets with which we are unfamiliar;
- potential undiscovered liabilities and operational difficulties at acquired dealerships;
- disrupting our ongoing business;
- diverting our limited management resources;
- failing to maintain uniform standards, controls and policies;
- impairing relationships with employees, manufacturers and customers as a result of changes in management;

- increased expenses for accounting and computer systems, as well as integration difficulties;
- failure to obtain a manufacturer's consent to the acquisition of one or more of its dealership franchises or renew the franchise agreement on terms acceptable to us; and
- incorrectly valuing entities to be acquired.

We may not adequately anticipate all of the demands that growth will impose on our systems, procedures and structures.

We may not be able to capitalize on acquisition opportunities because our financial resources available for acquisitions are limited.

We intend to finance our 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 the need for manufacturer consent to the issuance of equity securities. Using cash to complete acquisitions could substantially limit our operating or financial flexibility. If we are unable to obtain financing on acceptable terms, we may be required to reduce the scope of our presently anticipated expansion, which could materially adversely affect our overall growth strategy.

In addition, we are dependent to a significant extent on our ability to finance our new vehicle inventory with "floor plan financing." Floor plan financing arrangements allow us to borrow money to buy a particular vehicle from the manufacturer and pay off the loan when we sell that particular vehicle. We must obtain new floor plan financing or obtain consents to assume existing floor plan financing in connection with our acquisition of dealerships.

Substantially all the assets of our dealerships are pledged to secure our floor plan indebtedness and the indebtedness under the revolving credit facility. In addition, substantially all the real property and assets of our subsidiaries that are constructing new dealerships are pledged under our construction/mortgage facility with Toyota Credit. These pledges may impede our ability to borrow from other sources. Moreover, because Toyota Credit is associated with Toyota Motor Sales, U.S.A., Inc., any deterioration of our relationship with one could adversely affect our relationship with the other. The same is true of our relationships with Chrysler, GM and Ford and the floor plan financing divisions of each of these manufacturers.

We may not be able to continue executing our acquisition strategy without the costs of future acquisitions escalating.

We have grown our business primarily through acquisitions. We may not be able to consummate any future acquisitions at acceptable prices and terms or identify suitable candidates. In addition, increased competition for acquisition candidates could result in fewer acquisition opportunities for us and higher acquisition prices. The magnitude, timing, pricing and nature of future acquisitions will depend upon various factors, including:

- the availability of suitable acquisition candidates;
- competition with other dealer groups for suitable acquisitions;
- the negotiation of acceptable terms;
- our financial capabilities;
- our stock price; and

- the availability of skilled employees to manage the acquired companies.

We may not be able to determine the actual financial condition of dealerships we acquire until after we complete the acquisition and take control of the dealerships.

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 investigation 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 our largest acquisitions, do not have financial statements audited or prepared in accordance with generally accepted accounting principles. 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.

Although O. Bruton Smith, our chairman and chief executive officer, has previously assisted us with obtaining acquisition financing, we cannot assure you that he will be willing or able to do so in the future.

Our obligations under the revolving credit facility are secured with a pledge of shares of common stock of Speedway Motorsports, Inc., a publicly traded owner and operator of automobile racing facilities. These shares of Speedway Motorsports common stock are beneficially owned by Sonic Financial Corporation, an entity controlled by Mr. Smith. Presently, the $500 million borrowing limit of the revolving credit facility is subject to a borrowing base calculation that is based, in part, on the value of the Speedway Motorsports shares pledged by Sonic Financial. Consequently, a withdrawal of this pledge by Sonic Financial or a significant decrease in the value of Speedway Motorsports common stock could reduce the amount we can currently borrow under the revolving credit facility.

Mr. Smith has also guaranteed additional indebtedness incurred to complete certain dealership acquisitions. Mr. Smith may not be willing or able to provide similar guarantees or credit support in the future. This could impair our ability to obtain acquisition financing on favorable terms.

Risks Related to the Automotive Retail Industry

Increasing competition among automotive retailers reduces our profit margins on vehicle sales and related businesses. Further, the use of the Internet in the car purchasing process could materially adversely affect us.

Automobile 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 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. In addition, the popularity of short-term vehicle leasing in the past few years also has resulted, as these leases expire, in a large increase in the number of late model used vehicles available in the market, which puts added pressure on new and used vehicle margins. We typically rely on advertising, merchandising, sales expertise, service reputation and dealership location to sell new vehicles. Our revenues and profitability could be materially adversely affected if manufacturers decide to enter the retail market directly.

Our financing and insurance ("F&I") business and other related businesses, which have higher margins than sales of new and used vehicles, are subject to strong competition from various financial institutions and other third parties. This competition is increasing as these products are now being marketed and sold over the Internet.

The Internet has become a significant part of the sales process in our industry. Customers are using the Internet to compare pricing for cars and related F&I services, which may further reduce margins for new and used cars and profits for related F&I services. If Internet new vehicle sales are allowed to be conducted without the involvement of franchised dealers, our business could be materially adversely affected. In addition, other franchise groups have aligned themselves with Internet car sellers or are investing heavily in the development of their own Internet capabilities, which could materially adversely affect our business.

Our franchise 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 dealers increase their market share in our markets.

As we seek to acquire dealerships in new markets, we may face increasingly significant competition as we strive to gain market share through acquisitions or otherwise. Our gross margins may decline over time as we expand into markets where we do not have a leading position.

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. Our revenues will be materially and adversely affected if there is a severe or sustained downturn in overall levels of consumer spending. Retail vehicle sales are cyclical and historically have experienced periodic downturns characterized by oversupply and weak demand. These cycles are often dependent on general economic conditions and consumer confidence, as well as the level of discretionary personal income and credit availability. The economic outlook appears uncertain in the aftermath of the terrorist attacks in the U.S. on September 11, 2001, the subsequent war on terrorism and other geopolitical conflicts. Future recessions may have a material adverse effect on our retail business, particularly sales of new and used automobiles. In addition, severe or sustained increases in gasoline prices may lead to a reduction in automobile purchases or a shift in buying patterns from luxury and sport utility vehicle models (which typically provide high margins to retailers) to smaller, more economical vehicles (which typically have lower margins).

A decline of available financing in the sub-prime lending market has, and may continue to, adversely affect our sales of used vehicles.

A significant portion of vehicle buyers, particularly in the used car market, 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. Our recent experience suggests that sub-prime lenders have tightened their credit standards and may continue to apply these higher standards in the future. This has adversely affected our used vehicle sales. If sub-prime lenders continue to apply these higher standards or if there is any further tightening of credit standards used by sub-prime lenders or if there is any additional decline in the overall availability of credit in the sub-prime lending market, the ability of these consumers to purchase vehicles could be limited and could have a material adverse effect on our used car business, revenues and profitability.

The seasonality of our business magnifies the importance of second and third quarter operating results.

Our business is subject to seasonal variations in revenues. In our experience, demand for automobiles is generally lower during the first quarter of each year. We therefore receive a disproportionate amount of revenues generally in the second, third and fourth quarters and expect our revenues and operating results to be generally lower in the first quarter. Consequently, if conditions surface during the second, third and fourth quarters that impair vehicle sales, such as higher fuel costs, depressed economic conditions or similar adverse conditions, our revenues for the year could be disproportionately adversely affected.

General Risks Related to Investing in Our Securities

Concentration of voting power and anti-takeover provisions of our charter, Delaware law and our dealer agreements may reduce the likelihood of any potential change of control.

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 by the Board of Directors or a Class B common stockholder or otherwise benefiting the Class B common stockholders constituting a:

- “going private” transaction;
- disposition of 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 common stock would own less than 50% of the common stock following such transaction.

The holders of Class B common stock currently hold less than a majority of our outstanding common stock, but a majority of our voting power. This may prevent or discourage a change of control of us even if the action was favored by holders of Class A common stock.

Our charter and bylaws make it more difficult for our stockholders to take corporate actions at stockholders’ meetings. In addition, options under our 1997 Stock Option Plan become immediately exercisable on 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, restrictions imposed by our dealer agreements may impede or prevent any potential takeover bid. Generally, our franchise agreements allow the manufacturers the right to terminate the agreements upon a change of control of our company and impose restrictions upon the transferability of any significant percentage of our stock to any one person or entity who 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, provisions of our lending arrangements create an event of default on a change in control. These agreements, corporate governance documents and laws may have the effect of delaying or preventing a change in control or preventing stockholders from realizing a premium on the sale of their shares if we were acquired.

The outcome of legal and administrative proceedings we are or may become involved in could have an adverse effect on our business, results of operations and profitability.

In 2001, the Florida Attorney General’s Office notified two of our wholly-owned dealership subsidiaries located in Florida that the Florida Attorney General was investigating whether the manner in which finance and insurance products were sold to certain customers violated Chapter 501 of Florida Statutes. In April 2002, the Florida Department of Insurance informed the same two dealership subsidiaries that it had also initiated an investigation into whether the same conduct that was the subject of the Attorney General’s investigation violated certain provisions of Florida’s insurance code.

The two dealership subsidiaries have entered into agreements with the Florida Department of Insurance, n/k/a the Florida Department of Financial Affairs, which will, after the completion of a refund program, resolve the investigation by this Department. Under the program, certain customers will have the opportunity to apply for refunds for the purchase of specified finance and insurance products from the two dealerships. The Florida Attorney General's Office, being aware of the above refund program, has entered into an agreement with the two dealerships to conclude its investigation of those dealerships.

Additionally, several private civil actions have been filed against these dealership subsidiaries stating allegations similar to those underlying the original investigations by the Attorney General's Office and the Department of Insurance. One private civil action filed against one of the dealership subsidiaries purports to represent a class of customers as potential plaintiffs, although no motion for class certification has been filed. Another private civil action has been filed against Sonic Automotive, Inc., which also purports to represent a class of customers as potential plaintiffs, although no motion for class certification has been filed.

In addition, in September of 2002, the Los Angeles County District Attorney's office served a search warrant on one of our wholly-owned dealership subsidiaries located in Los Angeles County relating to alleged deceptive practices of the dealership's finance and insurance department. Our dealership is cooperating with the District Attorney in its investigation. No charges have been filed and no proceedings have been instituted to date by the District Attorney. A private civil action has also been filed against the dealership stating allegations similar to those underlying the District Attorney's investigation. The plaintiffs in this private civil action purport to represent a class of customers as potential plaintiffs, although no motion for class certification has been filed.

We intend to vigorously defend ourselves and assert available defenses with respect to each of the foregoing matters, and do not believe that the ultimate resolution of these matters will have a material adverse affect on our business, results of operations, financial condition, cash flows or prospects. However, because the refund program entered into with the Florida Department of Financial Affairs is ongoing, the investigation by the Los Angeles County District Attorney's Office is continuing and has not resulted in formal charges to date, and because the private civil actions are also in the early stages of litigation, we cannot assure you as to the outcomes of these proceedings.

We are also involved, and expect to continue to be involved, in numerous other legal proceedings arising out of the conduct of our business, including litigation with customers, employment related lawsuits and actions brought by governmental authorities. The results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters, including the matters specifically discussed above, could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

Our business may be adversely affected by unfavorable conditions in our local markets, even if those conditions are not prominent nationally.

Our performance is subject to local economic, competitive and other conditions prevailing in geographic areas where we operate. For example, our current results of operations depend substantially on general economic conditions and consumer spending habits in the Southeast and Northern California and, to a lesser extent, the Houston and Columbus markets. Sales in our Northern California market represented approximately 16.6% of our sales for the year ended December 31, 2002 and approximately 15.8% of our sales for the quarter ended March 31, 2003. We may not be able to expand geographically and any geographic expansion may not adequately insulate us from the adverse effects of local or regional economic conditions.

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 senior management, and service and sales personnel. Additionally, manufacturer franchise agreements may require the prior approval of the applicable manufacturer before any change is made in franchise general managers. We do not have employment agreements with most of our senior management team, our dealership 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.

In addition, as we expand we may need to hire additional managers. The market for qualified employees in the industry and in the regions in which we operate, particularly for general managers and sales and service personnel, is highly competitive and may subject us to increased labor costs during periods of low unemployment. The loss of the services of key employees or the inability to attract additional qualified managers could have a material adverse effect on 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.

Governmental regulation and environmental regulation compliance costs may adversely affect our profitability.

We are subject to a wide range of federal, state and local laws and regulations, such as local licensing requirements, retail financing and consumer protection laws and regulations, and wage-hour, anti-discrimination and other employment practices laws and regulations. Our facilities and operations are also subject to federal, state and local laws and regulations relating to environmental protection and human health and safety, including those governing wastewater discharges, air emissions, the operation and removal of underground and aboveground storage tanks, the use, storage, treatment, transportation, release, recycling and disposal of solid and hazardous materials and wastes and the cleanup of contaminated property or water. The violation of these laws and regulations can result in administrative, civil or criminal penalties against us or in a cease and desist order against our operations that are not in compliance. Our future acquisitions may also be subject to regulation, including antitrust reviews. We believe that we comply in all material respects with all laws and regulations applicable to our business, but future regulations may be more stringent and require us to incur significant additional compliance costs.

Our past and present business operations are subject to environmental laws and regulations. We may be required by these laws to pay the full amount of the costs of investigation and/or remediation of contaminated properties, even if we are not at fault for disposal of the materials or if such disposal was legal at the time. Like many of our competitors, we have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with these laws and regulations. In addition, soil and groundwater contamination exists at certain of our properties. We cannot assure you that our other properties have not been or will not become similarly contaminated. In addition, we could become subject to potentially material new or unforeseen environmental costs or liabilities because of our acquisitions.

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

O. Bruton Smith serves as the chairman and chief executive officer of Speedway Motorsports. Accordingly, we compete with Speedway Motorsports for the management time of Mr. Smith.

We have in the past and will likely in the future enter into transactions with Mr. Smith, entities controlled by Mr. Smith 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 independently verified 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.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This report contains numerous “forward-looking statements” within the meaning of the Private Litigation Securities 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, and can generally be identified by words such as “may,” “will,” “should,” “believe,” “expect,” "anticipate," "intend," "plan," "foresee," and other similar words or phrases. Specific events addressed by these forward looking statements include, but are not limited to:

- future acquisitions;
- industry trends;
- general economic trends, including employment rates and consumer confidence levels;
- vehicle sales rates and same store sales growth;
- our financing plans; and
- our business and growth strategies.

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 this report, as well as:

- our ability to generate sufficient cash flows or obtain additional financing to support acquisitions, capital expenditures and general operating activities;
- the reputation and financial condition of vehicle manufacturers whose brands we represent, and their ability to design, manufacture, deliver and market their vehicles successfully;
- our relationships with manufacturers which may affect our ability to complete additional acquisitions;
- changes in laws and regulations governing the operation of automobile franchises, accounting standards, taxation requirements and environmental laws;
- general economic conditions in the markets in which we operate, including fluctuations in interest rates, employment levels, and the level of consumer spending;
- significant changes in the assumptions used to estimate various self-funded insurance reserves;
- high competition in the automotive retailing industry which not only creates pricing pressures on the products and services we offer, but on businesses we seek to acquire; and
- our ability to successfully integrate recent and potential future acquisitions.

Exhibit 99.2

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 Quarterly Report of Sonic Automotive, Inc. (the “Company”) on Form 10-Q for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Theodore M. Wright, 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:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ THOEDORE M. WRIGHT

Thoedore M. Wright
Chief Financial Officer
May 13, 2003

Exhibit 99.3

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 Quarterly Report of Sonic Automotive, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, O. 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:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ O. BRUTON SMITH

O. Bruton Smith
Chief Executive Officer
May 13, 2003