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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1999

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	56-201079
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5401 E. Independence Blvd., Charlotte, North Carolina 28212
(Address of principal executive offices) (Zip Code)

(704) 532-3320
(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 X No

As of August 13, 1999, there were 23,446,847 shares of Class A Common Stock and 12,300,000 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)

<TABLE>
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	THREE MONTHS ENDED JUNE 30, 1998	THREE MONTHS ENDED JUNE 30, 1999
<S>	<C>	<C>
REVENUES:		
Vehicle sales	$ 339,531	$ 632,154
Parts, service and collision repair	39,175	74,401
Finance and insurance (Note 1)	7,426	16,975
Total revenues	386,132	723,530
COST OF SALES (Note 1)	337,868	629,269
GROSS PROFIT	48,264	94,261
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	34,475	67,429
DEPRECIATION AND AMORTIZATION	1,010	2,244
OPERATING INCOME	12,779	24,588
OTHER INCOME AND EXPENSE:		
Interest expense, floor plan	3,679	4,926
Interest expense, other	1,677	3,748
Other income	7	316
Total other expense	5,349	8,358
INCOME BEFORE INCOME TAXES	7,430	16,230
PROVISION FOR INCOME TAXES	2,762	6,129
NET INCOME	$ 4,668	$ 10,101
BASIC EARNINGS PER SHARE (Note 6)	$ 0.21	$ 0.34
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	22,555	30,095
DILUTED EARNINGS PER SHARE (Note 6)	$ 0.20	$ 0.30
WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING	23,717	34,088

</TABLE>

See notes to unaudited consolidated financial statements.

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

(Unaudited)

<TABLE>
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	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1999
<S>	<C>	<C>
REVENUES:		
Vehicle sales	$ 569,110	$ 1,153,421
Parts, service and collision repair	68,311	134,026
Finance and insurance (Note 1)	12,690	29,535
Total revenues	650,111	1,316,982
COST OF SALES (Note 1)	567,689	1,144,646
GROSS PROFIT	82,422	172,336
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	60,392	124,643
DEPRECIATION AND AMORTIZATION	1,825	4,151
OPERATING INCOME	20,205	43,542
OTHER INCOME AND EXPENSE:		
Interest expense, floor plan	6,555	9,397
Interest expense, other	2,761	7,391
Other income	15	324
Total other expense	9,301	16,464
INCOME BEFORE INCOME TAXES	10,904	27,078
PROVISION FOR INCOME TAXES	4,100	10,290
NET INCOME	$ 6,804	$ 16,788
BASIC EARNINGS PER SHARE (Note 6)	$ 0.30	$ 0.62
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	22,527	27,259
DILUTED EARNINGS PER SHARE (Note 6)	$ 0.29	$ 0.54
WEIGHTED AVERAGE NUMBER OF DILUTED SHARES OUTSTANDING	23,274	31,044

</TABLE>

See notes to unaudited consolidated financial statements.

SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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	DECEMBER 31, 1998	JUNE 30, 1999 (UNAUDITED)
	(IN THOUSANDS)	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 51,834	$ 60,526
Receivables (net of allowance for doubtful accounts of $700,000 and $1,104,000 at December 31, 1998 and June 30, 1999, respectively)	39,902	48,232
Inventories (Note 3)	264,971	368,197
Deferred income taxes	1,702	1,702
Due from affiliates (Note 5)	1,471	5,119
Other current assets	4,961	4,948
Total current assets	364,841	488,724
PROPERTY AND EQUIPMENT, NET	26,250	

36,019		
GOODWILL, NET (Notes 1 and 2)	180,081	258,509
OTHER ASSETS	4,931	5,950
TOTAL ASSETS	$ 576,103	$ 789,202

</TABLE>

See notes to unaudited consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

<TABLE>
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	DECEMBER 31, 1998	JUNE 30, 1999 (UNAUDITED)
	(IN THOUSANDS)	
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable - floor plan	$ 228,158	$ 303,965
Trade accounts payable	14,994	17,922
Accrued interest	7,058	7,702
Other accrued liabilities	27,763	30,048
Payable to affiliates (Note 5)	628	572
Payable for acquisitions	2,385	275
Current maturities of long-term debt	4,700	604
Total current liabilities	285,686	361,088
LONG-TERM DEBT (Note 4)	131,337	123,437
PAYABLE FOR ACQUISITIONS	275	275
PAYABLE TO THE COMPANY'S CHAIRMAN (Note 5)	5,500	5,500
PAYABLE TO AFFILIATES (Note 5)	3,625	3,400
DEFERRED INCOME TAXES	4,066	5,660
INCOME TAX PAYABLE	3,185	3,104
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS' EQUITY (Note 6):		
Preferred Stock, $.10 par, 3.0 million shares authorized; 300,000 shares designated as Class A Convertible Preferred Stock, liquidation preference $1,000 per share, of which 22,179 shares are issued and outstanding at December 31, 1998 and 22,830 shares are issued and outstanding at June 30, 1999	20,431	20,991
Class A Common Stock, $.01 par, 100.0 million shares authorized; 11,959,274 shares issued and outstanding at December 31, 1998 and 21,565,585 shares issued and outstanding at June 30, 1999	120	216
Class B Common Stock, $.01 par (convertible into Class A Common Stock), 30.0 million shares authorized; 12,400,000 shares issued and outstanding at December 31, 1998 and 12,300,000 shares issued and outstanding at June 30, 1999	124	123
Paid-in capital	87,011	213,877
Retained earnings	34,743	51,531
Total stockholders' equity	142,429	286,738
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 576,103	$ 789,202

</TABLE>

See notes to unaudited consolidated financial statements.

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

<TABLE>
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	PREFERRED STOCK SHARES	PREFERRED STOCK AMOUNT	CLASS A COMMON STOCK SHARES	CLASS A COMMON STOCK AMOUNT	CLASS B COMMON STOCK SHARES	CLASS B COMMON STOCK AMOUNT	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT DECEMBER 31, 1998	22	$ 20,431	11,959	$ 120	12,400	$ 124	$ 87,011	$ 34,743	$ 142,429
Issuance of Preferred Stock (Note 2)	44	38,849	-	-	-	-	-	-	38,849
Issuance of Common Stock (Note 2)	-	-	6,243	62	-	-	87,474	-	87,536
Shares awarded under stock compensation plans	-	-	161	2	-	-	1,134	-	1,136
Conversion of Preferred Stock	(44)	(38,289)	3,103	31	-	-	38,258	-	-
Conversion of Class B Common Stock	-	-	100	1	(100)	(1)	-	-	-
Net income	-	-	-	-	-	-	-	16,788	16,788
BALANCE AT JUNE 30,1999	22	$ 20,991	21,566	$ 216	12,300	$ 123	$213,877	$ 51,531	$ 286,738

</TABLE>

See notes to unaudited consolidated financial statements.

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

<TABLE>
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	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,804	$

		16,788
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,851	4,151
Amortization of discount on senior notes	-	127
Loss on disposal of property and equipment	104	52
Changes in assets and liabilities that relate to operations:		
Receivables	(8,493)	(5,860)
Inventories	29,384	(13,588)
Other assets	(1,245)	(1,686)
Accounts payable and other current liabilities	458	(614)
Total adjustments	22,059	(17,418)
Net cash provided by (used in) operating activities	28,863	(630)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of businesses, net of cash acquired	(7,808)	(77,199)
Purchases of property and equipment	(1,261)	(8,813)
Proceeds from sales of property and equipment (Note 5)	-	10,596
Net cash used in investing activities	(9,069)	(75,416)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (payments) proceeds of notes payable - floor plan	(25,867)	16,451
Proceeds from long-term debt	23,688	71,138
Payments on long-term debt	(8,645)	(85,344)
Public offering of common stock	-	85,286
Issuance of shares under stock compensation plans	224	1,136
Advances to affiliated companies	(270)	(3,929)
Net cash (used in) provided by financing activities	(10,870)	84,738
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,924	8,692
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	18,304	51,834
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 27,228	$ 60,526
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Preferred Stock issued for acquisitions (Note 2)	$ 11,763	$ 34,961
Common Stock issued for acquisitions (Note 2)	$ -	$ 2,250

</TABLE>

See notes to unaudited consolidated financial statements.

The following Notes to Unaudited Consolidated Financial Statements and

Management's Discussion and Analysis of Financial Condition and Results of Operations contain estimates and forward-looking statements as indicated herein by the use of such terms as "estimated", "expects", "approximate", "projected" or similar terms. Such statements reflect management's current views, are based on certain assumptions and are subject to risks and uncertainties. No assurance can be given that actual results or events will not differ materially from those projected, estimated, assumed, or anticipated in any such forward-looking statements. Important factors that could cause actual results to differ from those projected or estimated are discussed herein and in other filings with the Securities and Exchange Commission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION - The accompanying unaudited financial information for the three and six months ended June 30, 1998 and 1999 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. and its subsidiaries (collectively, "Sonic") for the year ended December 31, 1998.

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

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

Commissions expense related to finance and insurance commission revenue is charged to cost of sales upon recognition of such revenue, net of estimated chargebacks. Estimated commission expense charged to cost of sales was approximately $1.3 million and $2.9 million for the three months ended June 30, 1998 and June 30, 1999, respectively, and approximately $2.2 million and $5.2 million for the six months ended June 30, 1998 and June 30, 1999, respectively.

RECLASSIFICATION - Certain balances reported in 1998 have been reclassified to conform with current period presentation.

GOODWILL - Goodwill represents the excess purchase price over the estimated fair value of the tangible and separately measurable intangible net assets acquired. The cumulative gross goodwill balance at December 31, 1998 was $182.5 million and at June 30, 1999 was $265.3 million. As a percentage of total assets and stockholders' equity, goodwill, net of accumulated amortization, represented 31.3% and 126.4%, respectively, at December 31, 1998, and 32.8% and 90.2%, respectively, at June 30, 1999. Generally accepted accounting principles require that goodwill and all other intangible assets be amortized over the period benefited. We have determined that the period benefited by the goodwill will be no less than 40 years. Accordingly we are amortizing goodwill over a 40 year period. Earnings reported in periods immediately following an acquisition would be overstated if we attributed a 40 year benefit to an intangible asset that should have had a shorter benefit period. In later years, we would be burdened by a continuing charge against earnings without the associated benefit to income valued by management in arriving at the consideration paid for the businesses acquired. Earnings in later years also could be significantly affected if management then determined that the remaining balance of goodwill was impaired. We periodically compare the carrying value of goodwill with the anticipated undiscounted future cash flows from operations of the business we have acquired in order to evaluate the recoverability of goodwill. We have concluded that the anticipated future cash flows associated with intangible assets recognized in our acquisitions will continue indefinitely, and there is no pervasive evidence that any material portion will dissipate over a period shorter than 40 years. We will incur additional goodwill in future acquisitions.

(ALL TABLES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

2. BUSINESS ACQUISITIONS

PENDING ACQUISITIONS

Sonic has signed definitive agreements to acquire 13 dealerships for an estimated $55.2 million in cash and approximately $11.2 million of Class A common stock. The aggregate purchase price is subject to adjustment based on the actual net book value of the assets acquired. The cash portion of the purchase price will be paid with a combination of borrowings under Sonic's $150 million acquisition line of credit with Ford Motor Credit Company (the "Revolving Facility") and with cash generated from Sonic's existing operations.

ACQUISITIONS COMPLETED SUBSEQUENT TO JUNE 30, 1999 (THROUGH AUGUST 13, 1999):

Subsequent to June 30, 1999, Sonic acquired 9 dealerships for approximately $65.8 million in cash, 11,683 shares of Sonic's Class A Convertible preferred stock, Series III, having a liquidation value of $1,000 per share, and 1,398,902 shares of Sonic's Class A common stock having an estimated fair value at the time of issuance of approximately $20.0 million. The cash portion of the purchase price was financed with a combination of cash borrowed under the Revolving Facility and cash generated from Sonic's existing operations. The acquisitions were accounted for using the purchase method of accounting.

ACQUISITIONS COMPLETED DURING THE SIX MONTHS ENDED JUNE 30, 1999:

During the first six months of 1999, Sonic acquired 17 dealerships for approximately $84.5 million in cash, 6,282 shares of Sonic's Class A Convertible preferred stock, Series II, having an estimated fair value at the time of issuance of approximately $6.1 million, 34,100 shares of Sonic's Class A Convertible preferred stock, Series III, having an estimated fair value at the time of issuance of approximately $28.9 million, and 176,030 shares of Sonic's Class A common stock having an estimated fair value at the time of issuance of approximately $2.2 million. The cash portion of the purchase price was financed with a combination of a portion of the net proceeds from Sonic's recent public offering of Class A common stock, cash borrowed under the Revolving Facility and cash generated from Sonic's existing operations. The acquisitions were accounted for using the purchase method of accounting, and the results of operations of such acquisitions have been included in the accompanying unaudited consolidated financial statements from their respective acquisition dates. The aggregate purchase price of these acquisitions has been allocated to the assets and liabilities acquired based on their estimated fair market value at the acquisition date as shown in the table below. The purchase price and corresponding goodwill may ultimately be different than amounts recorded depending on the actual fair value of tangible net assets acquired.

Working capital	$ 33,678
Property and equipment	9,308
Goodwill	81,309
Non-current liabilites assumed	(2,603)
Total purchase price	$ 121,692

In connection with the subsequent acquisition of a Honda dealership in Chattanooga, Tennessee, Sonic sold substantially all of the assets of its existing Honda dealership in Cleveland, Tennessee in March 1999 for approximately $1.7 million, net of repayment of floor plan liabilities. There was no material gain or loss as a result of the sale.

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

2. BUSINESS ACQUISITIONS - CONTINUED

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1999	1998	1999
Total revenues	$ 719,847	$ 753,933	$ 1,346,289	$ 1,436,399
Gross profit	$ 89,654	$ 98,013	$ 166,369	$ 187,755
Net Income	$ 6,679	$ 11,500	$ 9,351	$ 20,898
Diluted income per share	$ 0.18	$ 0.31	$ 0.26	$ 0.55

3. INVENTORIES

Inventories consist of the following:

	DECEMBER 31, 1998	JUNE 30, 1999
New vehicles	$ 190,139	$ 264,336
Used vehicles	47,033	65,346
Parts and accessories	16,012	27,026
Other	11,787	11,489
Total	$ 264,971	$ 368,197

4. LONG-TERM DEBT

MORTGAGES:

In January 1999, in connection with the sale of real estate at two of its dealership subsidiaries to MMR Holdings, LLC, a limited liability company owned by Bruton Smith, Sonic's Chairman and Chief Executive Officer, and Sonic Financial Corporation ("SFC"), Sonic repaid all amounts outstanding under mortgages encumbering such property.

REVOLVING FACILITY:

Sonic's Revolving Facility currently has a borrowing limit of $150 million. Amounts outstanding under the Revolving Facility bear interest at a fluctuating per annum rate equal to 2.75% above the 1 month commercial finance paper rate as reported by the Federal Reserve Board (7.56% at June 30, 1999). The Revolving Facility will mature in March 2001, unless Sonic requests that such term be extended, at the option of Ford Motor Credit, for a number of additional one year terms to be negotiated by the parties. On May 5, 1999, in connection with the public offering by Sonic of 6,067,230 shares of Class A common stock, all amounts outstanding under the Revolving Facility were repaid. As of June 30, 1999, there was no outstanding balance under the Revolving Facility. Future amounts to be drawn under the Revolving Facility are to be used for the acquisition of additional dealerships and to provide general working capital needs of Sonic not to exceed $10 million.

5. RELATED PARTIES

THE SMITH GUARANTIES, PLEDGES AND SUBORDINATED LOAN:

In December 1997, Mr. Smith was required by Ford Motor Credit Company ("Ford Motor Credit") to lend $5.5 million (the "Subordinated Smith Loan") to Sonic to increase Sonic's capitalization. Ford Motor Credit required the Subordinated Smith Loan as a condition to increasing the Revolving Facility borrowing limit because the net offering proceeds from Sonic's November 1997 initial public offering were significantly less than expected by Sonic and Ford Motor Credit. The Subordinated Smith Loan bears interest at Bank of America's announced prime rate plus 0.5% and matures on November 30, 2000. All amounts owed by Sonic to Mr. Smith under the Subordinated Smith Loan are to be paid after all amounts owed by Sonic under the Revolving Facility, Sonic's floor plan financing facility with Ford Motor Credit and Sonic's senior subordinated notes are paid.

5. RELATED PARTIES - CONTINUED

REGISTRATION RIGHTS AGREEMENT:

When Sonic acquired Town & Country Ford, Lone Star Ford, Fort Mill Ford, Town & Country Toyota and Frontier Oldsmobile-Cadillac in 1997, Sonic signed a Registration Rights Agreement dated as of June 30, 1997 (the "Registration Rights Agreements") with Sonic Financial Corporation ("SFC"), Bruton Smith, Scott Smith and William S. Egan (collectively, the "Class B Registration Rights Holders"). SFC currently owns 8,881,250 shares of Class B common stock; Bruton Smith, 2,071,250 shares; Scott Smith, 956,250 shares; and Egan Group, LLC, an assignee of Mr. Egan (the "Egan Group"), 391,250 shares, all of which are covered by the Registration Rights Agreement. The Egan Group also owns 32,000 shares of Class A common stock to which the Registration Rights Agreement applies. If, among other things provided in Sonic's charter, offers and sales of shares of Class B common stock are registered with the Securities and Exchange Commission, then such shares will automatically convert into a like number of shares of Class A common stock.

The Class B Registration Rights Holders have certain limited piggyback registration rights under the Registration Rights Agreement. These rights permit them to have their shares of Sonic's common stock included in any Sonic registration statement registering Class A common stock, except for registrations on Form S-4, relating to exchange offers and certain other transactions, and Form S-8, relating to employee stock compensation plans. The Registration Rights Agreement expires on November 17, 2007. SFC is controlled by Bruton Smith.

THE BOWERS VOLVO NOTE:

In connection with Volvo's approval of Sonic's acquisition of a Volvo franchise from Nelson Bowers in 1997, Volvo, among other things, conditioned its approval upon Nelson Bowers acquiring and maintaining a 20% interest in Sonic's Chattanooga Volvo subsidiary operating the Volvo franchise. Mr. Bowers financed all of the purchase price for this 20% interest by issuing a promissory note (the "Bowers Volvo Note") in favor of Sonic Automotive of Nevada, Inc., the wholly-owned subsidiary of Sonic that controls a majority interest in Chattanooga Volvo. The Bowers Volvo Note is secured by Mr. Bowers' interest in Chattanooga Volvo.

The Bowers Volvo Note is for a principal amount of $900,000 and bears interest at the lowest applicable federal rate as published by the U.S. Treasury Department in effect on November 17, 1997. Accrued interest is payable annually. The operating agreement of Chattanooga Volvo provides that profits and distributions are to be allocated first to Mr. Bowers to the extent of interest to be paid on the Bowers Volvo Note and next to the other members of Chattanooga Volvo according to their percentages of ownership. No other profits or any losses of Chattanooga Volvo will be allocated to Mr. Bowers under this arrangement. Volvo has removed its requirement that Mr. Bowers maintain his interest in Chattanooga Volvo. Sonic and Mr. Bowers are in the process of redeeming his interest in Chattanooga Volvo and satisfying the Bowers Volvo Note. This transaction is not expected to have a material impact on Sonic's future results of operations or cash flows.

DEALERSHIP LEASES:

In January 1999, Sonic sold to MMR Holdings, L.L.C., a limited liability company currently owned by Bruton Smith and SFC, the real estate at two of its dealership subsidiaries for an aggregate purchase price of approximately $10.6 million and entered into an agreement with MMR Holdings, L.L.C. to lease back the real estate over a term of ten years. Sonic realized a gain on the sale of approximately $3.8 million which was deferred and is currently being amortized against the rent expense over the term of the lease.

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

In connection with the above transaction, CAR MMR L.L.C. has agreed to provide Sonic with up to $75 million in real estate financing through December 31, 1999.

5. RELATED PARTIES - CONTINUED

OTHER RELATED PARTY TRANSACTIONS:

- Sonic had amounts receivable from affiliates of $1.5 million and $5.1 million at December 31, 1998 and June 30, 1999, respectively. Of the $5.1 million balance at June 30, 1999, approximately $3.5 million represents cash paid for real estate purchased in connection with one of its dealership acquisitions. The real estate was subsequently sold for the same amount to MMR Holdings prior to the acquisition of MMR Holdings by CAR MMR L.L.C. and is currently being leased from CAR MMR L.L.C. The remaining balances at December 31, 1998 and June 30, 1999 primarily represent advances made by Sonic to SFC and Mar Mar Realty Trust. The amounts receivable from affiliates are non-interest bearing and are classified as current based on the expected repayment dates.

- As part of the purchase price in connection with Sonic's acquisition of the Bowers Automotive Group in November 1997, Sonic issued its promissory note in the principal amount of $4.0 million in favor of Nelson Bowers (the "Bowers Acquisition Note"). The Bowers Acquisition Note is payable in 28 equal quarterly installments and bears interest at the prime rate less 0.5%. The balance outstanding under this note at June 30, 1999 was $3.1 million, the current portion of which was $572,000.

- Town and Country Toyota has an amount payable to Bruton Smith in the amount of $0.7 million at December 31, 1998 and June 30, 1999. This loan bears interest at 8.75% per annum and is classified as non-current based on the expected repayment date.

6. CAPITAL STRUCTURE AND PER SHARE DATA

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

INCREASE TO AUTHORIZED SHARES OF COMMON STOCK - At the annual meeting of stockholders held on June 8, 1999, Sonic's stockholders approved an amendment to Sonic's Amended and Restated Certificate of Incorporation to increase the number of shares of Class A common stock authorized to be issued thereunder from 50 million to 100 million, and to increase the number of shares of Class B common stock authorized to be issued thereunder from 15 million to 30 million.

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

<TABLE>
<CAPTION>

	For the six months ended June 30, 1998		
	Income	Shares	Per-Share Amount
	(DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
<S>	<C>	<C>	<C>

BASIC EPS	$ 6,804	22,527	$ 0.30
EFFECT OF DILUTIVE SECURITIES			
Stock compensation plans	-	404	
Warrants	-	19	
Convertible Preferred Stock	-	324	
DILUTED EPS	$ 6,804	23,274	$ 0.29

<CAPTION>

	For the six months ended June 30, 1999		
	Income	Shares	Per-Share Amount
	(DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
<S>	<C>	<C>	<C>
BASIC EPS	$ 16,788	27,259	$ 0.62
EFFECT OF DILUTIVE SECURITIES			
Stock compensation plans	-	1,289	
Warrants	-	100	
Convertible Preferred Stock	-	2,396	
DILUTED EPS	$ 16,788	31,044	$ 0.54

</TABLE>

6. CAPITAL STRUCTURE AND PER SHARE DATA - CONTINUED

<TABLE>
<CAPTION>

	For the three months ended June 30, 1998		
	Income	Shares	Per-Share Amount
	(DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		
<S>	<C>	<C>	<C>
BASIC EPS	$ 4,668	22,555	$ 0.21
EFFECT OF DILUTIVE SECURITIES			
Stock compensation plans	-	546	
Warrants	-	26	
Convertible Preferred Stock	-	590	
DILUTED EPS	$ 4,668	23,717	$ 0.20

<CAPTION>

	For the three months ended June 30, 1999		
	Income	Shares	Per-Share Amount
	(DOLLARS AND SHARES IN THOUSANDS EXCEPT PER SHARE AMOUNTS)		

<S>

BASIC EPS	$ 10,101	30,095	$ 0.34
EFFECT OF DILUTIVE SECURITIES			
Stock compensation plans	-	1,120	
Warrants	-	90	
Convertible Preferred Stock	-	2,783	
DILUTED EPS	$ 10,101	34,088	$ 0.30

</TABLE>

7. COMMITMENTS AND CONTINGENCIES

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

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 Unaudited Consolidated Financial Statements and the related notes thereto.

RESULTS OF OPERATIONS

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

<TABLE>
<CAPTION>

	Percentage of Total Revenues for Three Months Ended June 30,		Percentage of Total Revenues for Six Months Ended June 30,	
	1998	1999	1998	1999
Revenues:				
New vehicle sales	60.4%	58.2%	59.4%	58.3%
Used vehicle sales	27.6%	29.2%	28.1%	29.3%
Parts, service, and collision repair	10.1%	10.3%	10.5%	10.2%
Finance and insurance	1.9%	2.3%	2.0%	2.2%
Total revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales	87.5%	87.0%	87.3%	86.9%
Gross profit	12.5%	13.0%	12.7%	13.1%
Selling, general, and administrative	9.2%	9.6%	9.6%	9.8%
Operating income	3.3%	3.4%	3.1%	3.3%
Interest expense	1.4%	1.2%	1.4%	1.3%
Income before income taxes	1.9%	2.2%	1.7%	2.0%

</TABLE>

SIX MONTHS ENDED JUNE 30, 1999 COMPARED TO SIX MONTHS ENDED JUNE 30, 1998

REVENUES. Revenues grew in each of our primary revenue areas for the first six months of 1999 as compared with the first six months of 1998, causing total revenues to increase 103% to $1.3 billion. New vehicle sales revenue increased 99% to $767.8 million in the first six months of 1999, compared with $386.2 million in the first six months of 1998. The increase was due primarily to an increase in new vehicle unit sales of 91% to 31,731, as compared with 16,601 in the first six months of 1998 resulting from 13,753 additional units contributed by acquisitions. The remainder of the increase was due to a 4.0% increase in the average selling price of new vehicles as well as an increase in new vehicle revenues from stores owned for longer than one year of 16.5% in the first six months of 1999 over the first six months of 1998.

Used vehicle revenues from retail sales increased 112% to $285.2 million in the first six months of 1999 from $134.7 million in the first six months of 1998. The increase was primarily due to an increase in used vehicle unit sales of 109% to 20,294, as compared with 9,719 in the first six months of 1998, resulting from additional unit sales contributed by acquisitions. The remainder of the increase was due to a 1.4% increase in the average selling price of used vehicles as well as an increase in used vehicle revenues from stores owned for longer than one year of 16.4% in the first six months of 1999 over the first six months of 1998.

Parts, service and collision repair revenue increased 96% to $134.0 million in the first six months of 1999 compared to $68.3 million in the first six months of 1998, principally due to our acquisitions. Finance and insurance revenue increased $16.8 million, or 133%, principally due to vehicle sales and related financing contributed by our acquisitions, as well as a 17.7% improvement in finance and insurance revenues per vehicle resulting from newly implemented programs designed to improve training and development of finance and insurance sales people.

GROSS PROFIT. Gross profit increased 109% to $172.3 million in the first six months of 1999 from $82.4 million in the first six months of 1998 principally due to increases in revenues contributed by dealerships acquired. Gross profit as a percentage of sales increased to 13.1% from 12.7% due primarily to an increase in revenues of higher margin used vehicles and finance and insurance products. Used vehicle revenues as a percentage of total revenues increased from 28.1% in the first six months of 1998 to 29.3% in the first six months of 1999. Finance and insurance revenues as a percentage of total revenues increased from 2.0% in the first six months of 1998 to 2.2% in the first six months of 1999. In addition, gross margins of used vehicles improved from 10.3% to 11.1% resulting from efforts made to improve management and marketing of used vehicle inventories.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses, excluding depreciation and amortization, increased 106% to $124.6 million in the first six months of 1999 from $60.4 million in the first six months of 1998 resulting principally from acquisitions. Such expenses as a percentage of revenues increased to 9.5% from 9.3% resulting from two primary factors. First, because compensation programs, which represent over 50% of a dealership's selling, general and administrative expenses, are primarily based on gross profits, the improvement in gross profit margins resulted in an increase in compensation expense as a percentage of total revenues from 5.7% in the first six months of 1998 to 5.9% in the first six months of 1999. Second, an adjustment in monthly lease rates to fair market rates at certain dealerships acquired during the period resulted in an increase in rent expense as a percentage of total revenues from 0.6% in the first six months of 1998 to 0.8% in the first six months of 1999.

DEPRECIATION AND AMORTIZATION EXPENSE. Depreciation and amortization expense increased 127% to $4.2 million in the first six months of 1999 from $1.8 million in the first six months of 1998, resulting principally from additional goodwill amortization expense associated with our acquisitions.

INTEREST EXPENSE, FLOOR PLAN. Interest expense, floor plan increased 43% to $9.4 million in the first six months of 1999 from $6.6 million in the first six months of 1998, due primarily to floor plan interest expense incurred by dealerships acquired. As a percentage of total revenues, floor plan interest decreased from 1.0% in the first six months of 1998 to 0.7% in the first six months of 1999 due to decreased interest rates under our floor plan financing arrangement, as well as improvement in inventory turnover rates.

INTEREST EXPENSE, OTHER. Interest expense, other increased to $7.4 million in the first six months of 1999 from $2.8 million in the first six months of 1998 due primarily to interest incurred on our senior subordinated notes issued on July 31, 1998.

NET INCOME. As a result of the factors noted above, our net income increased by $10.0 million in the first six months of 1999 compared to the first six months of 1998.

THREE MONTHS ENDED JUNE 30, 1999 COMPARED TO THREE MONTHS ENDED JUNE 30, 1998

REVENUES. Revenues grew in each of our primary revenue areas for the second quarter of 1999 as compared with the second quarter of 1998, causing total revenues to increase 87% to $723.5 million. New vehicle sales revenue increased 80% to $420.8 million in the second quarter of 1999, compared with $233.1 million in the second quarter of 1998. The increase was due primarily to an increase in new vehicle unit sales of 75% to 17,449, as compared with 9,984 in the second quarter of 1998 resulting from 7,536 additional units contributed by acquisitions. The remainder of the increase was due to a 3.3% increase in the average selling price of new vehicles as well as an increase in new vehicle revenues from stores owned for longer than one year of 8.2% in the second quarter of 1999 over the second quarter of 1998.

Used vehicle revenues from retail sales increased 102% to $155.3 million in the second quarter of 1999 from $76.9 million in the second quarter of 1998. The increase was primarily due to an increase in used vehicle unit sales of 102% to 10,886, as compared with 5,386 in the second quarter of 1998, resulting from additional unit sales contributed by acquisitions. The remainder of the increase was due to an increase in used vehicle revenues from stores owned for longer than one year of 17.9% in the second quarter of 1999 over the second quarter of 1998.

Parts, service and collision repair revenue increased 90% to $74.4 million in the second quarter of 1999 compared to $39.2 million in the second quarter of 1998, principally due to our acquisitions. Finance and insurance revenue increased $9.5 million, or 129%, principally due to vehicle sales and related financing contributed by our acquisitions, as well as a 24.0% improvement in finance and insurance revenues per vehicle resulting from newly implemented programs designed to improve training and development of finance and insurance sales people.

GROSS PROFIT. Gross profit increased 95% to $94.3 million in the second quarter of 1999 from $48.3 million in the second quarter of 1998 principally due to increases in revenues contributed by dealerships acquired. Gross profit as a percentage of sales increased to 13.0% from 12.5% due primarily to an increase in revenues of higher margin used vehicles and finance and insurance products. Used vehicle revenues as a percentage of total revenues increased from 27.6% in the second quarter of 1998 to 29.2% in the second quarter of 1999. Finance and insurance revenues increased from 1.9% in the second quarter of 1998 to 2.3% in the second quarter of 1999. In addition, gross margins of used vehicles improved from 10.5% to 11.3% resulting from efforts made to improve management and marketing of used vehicle inventories.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses, excluding depreciation and amortization, increased 96% to $67.4 million in the second quarter of 1999 from $34.5 million in the second quarter of 1998 resulting principally from the expenses of dealerships acquired. Such expenses as a percentage of revenues increased to 9.3% from 8.9% resulting from two primary factors. First, because compensation programs, which represent over 50% of a dealership's selling, general and administrative expenses, are primarily based on gross profits, the improvement in gross profit margins resulted in an increase in compensation expense as a percentage of total revenues from 5.6% in the second quarter of 1998 to 5.8% in the second quarter of 1999. Second, an adjustment in monthly lease rates to fair market rates at certain dealerships acquired during the period resulted in an increase in rent expense as a percentage of total revenues from 0.6% in the second quarter of 1998 to 0.8% in the second quarter of 1999.

DEPRECIATION AND AMORTIZATION EXPENSE. Depreciation and amortization expense increased 122% to $2.2 million in the second quarter of 1999 from $1.0 million in the second quarter of 1998, resulting principally from additional goodwill amortization expense associated with our acquisitions.

INTEREST EXPENSE, FLOOR PLAN. Interest expense, floor plan increased 34% to $4.9 million in the second quarter of 1999 from $3.7 million in the second quarter of 1998, due primarily to floor plan interest expense incurred by dealerships acquired. As a percentage of total revenues, floor plan interest decreased from 1.0% in the second quarter of 1998 to 0.7% in the second quarter of 1999 due to decreased interest rates under our floor plan financing arrangement, as well as improvement in inventory turnover rates.

INTEREST EXPENSE, OTHER. Interest expense, other increased to $3.7 million in the second quarter of 1999 from $1.7 million in the second quarter of 1998 due primarily to interest incurred on our senior subordinated notes.

NET INCOME. As a result of the factors noted above, our net income increased by $5.4 million in the second quarter of 1999 compared to the second quarter of 1998.

LIQUIDITY AND CAPITAL RESOURCES:

Our principal needs for capital resources are to finance acquisitions and fund debt service and working capital requirements. Historically, we have relied on internally generated cash flows from operations, borrowings under our various credit facilities, and borrowings and capital contributions from our stockholders to finance our operations and expansion. On May 5, 1999, we completed a public offering of Class A common stock which provided approximately $86.1 million of additional capital resources for the consummation of acquisitions and repayment of borrowings under our $150 million acquisition line of credit with Ford Motor Credit Company (the "Revolving Facility").

During the first six months of 1999, net cash used in operating activities was approximately $0.6 million. During the first six months of 1998, net cash provided by operating activities was approximately $28.9 million. The decrease was attributable principally to an increase in inventory levels.

Cash used for investing activities in the first six months of 1999 was approximately $75.4 million, including $77.2 million paid for acquisitions, net of cash received, and $8.8 million in capital expenditures. Cash used for investing activities in the first six months of 1999 was offset by proceeds received from the sale of real estate at Town and Country Toyota and Fort Mill Ford of approximately $10.6 million. Cash used for investing activities in the first six months of 1998 was approximately $9.1 million, including $7.8 million paid for acquisitions, net of cash received, and $1.3 million in capital expenditures. Our principal capital expenditures typically include building improvements and equipment for use in our dealerships. Of the capital expenditures in the first six months of 1999, approximately $3.0 million related to the construction of new dealerships and a body shop, which were subsequently sold to MMR Holdings, LLC, a limited liability company owned by Bruton Smith and Sonic Financial Corporation ("SFC"), prior to the acquisition of MMR Holdings by CAR MMR L.L.C., an affiliate of Capital Automotive REIT which is not affiliated with Sonic. There was no gain or loss on the sale.

On August 13, 1999, CAR MMR L.L.C. acquired all of the ownership interests of MMR Holdings, L.L.C., and two of its affiliates, MMR Viking Investment Associates, L.P. and MMR Tennessee, L.L.C (collectively, the "MMR Group). As of that date, Sonic leased 48 properties for 38 of its dealerships from the MMR Group under "triple net leases" which required Sonic to pay all costs of operating the properties, as well as all taxes, utilities, insurance, repairs, maintenance and other property related expenses. Sonic has entered into new leases with CAR MMR L.L.C. with terms similar to those under Sonic's former leases with the MMR Group. These leases generally provide Sonic with options to renew the lease for two additional five year terms after the expiration of the initial lease term. Sonic has agreed to renew approximately 75% of its lease rental stream for an additional five year period after the expiration of the initial lease terms. In connection with the acquisition, Sonic, MMR Holdings and Mar Mar Realty Trust, an affiliate of the MMR Group, terminated the strategic alliance agreement whereby Mar Mar Realty Trust had provided Sonic with real estate financing, acquisition referral and related services.

In connection with the above transaction, CAR MMR L.L.C. has agreed to provide Sonic with up to $75 million in real estate financing through December 31, 1999.

During the first six months of 1999, we acquired 17 dealerships for approximately $84.5 million in cash, 6,282 shares of Sonic's Class A Convertible preferred stock, Series II, having an estimated fair value at the time of issuance of approximately $6.1 million, 34,100 shares of Sonic's Class A Convertible preferred stock, Series III, having an estimated fair value at the time of issuance of approximately $28.9 million, and 176,030 shares of Sonic's Class A common stock having an estimated fair value at the time of issuance of approximately $2.2 million. The cash portion of the purchase price was financed with a combination of a portion of the proceeds from our recent public offering of Class A common stock, cash borrowed under our Revolving Facility and cash generated from our existing operations. The acquisitions were accounted for using the purchase method of accounting, and the results of operations of such acquisitions have been included in the accompanying unaudited consolidated financial statements from their respective acquisition dates.

Subsequent to June 30, 1999, we acquired 9 dealerships for approximately $65.8 million in cash, 11,683 shares of Sonic's Class A Convertible preferred stock, Series III, having a liquidation value of $1,000 per share, and 1,398,902 shares of Sonic's Class A common stock having an estimated fair value at the time of issuance of approximately $20.0 million. The cash portion of the purchase price was financed with a combination of cash borrowed under the Revolving Facility and cash generated from Sonic's existing operations. The acquisitions were accounted for using the purchase method of accounting.

We have signed definitive agreements to acquire 13 dealerships for an estimated $55.2 million in cash and approximately $11.2 million of Class A common stock. The aggregate purchase price is subject to adjustment based on the actual net book value of the assets acquired. The cash portion of the purchase price will be paid with a combination of borrowings under Sonic's $150 million acquisition line of credit with Ford Motor Credit Company (the "Revolving Facility") and with cash generated from Sonic's existing operations. These acquisitions are expected to be consummated in the third and fourth quarters of 1999.

Cash provided by financing activities of approximately $84.7 million in the first six months of 1999 primarily reflects net proceeds received from our public offering of common stock completed on May 5, 1999.

The Revolving Facility currently has a borrowing limit of $150 million. Amounts outstanding under the Revolving Facility bear interest at a fluctuating per annum rate equal to 2.75% above the 1 month commercial finance paper rate as reported by the Federal Reserve Board (7.56% at June 30, 1999). The Revolving Facility will mature in March 2001, unless we request that such term be extended, at the option of Ford Motor Credit Company ("Ford Motor Credit"), for a number of additional one year terms to be negotiated by us and Ford Motor Credit. On May 5, 1999, in connection with the public offering by Sonic of 6,067,230 shares of Class A common stock, all amounts outstanding under the

Revolving Facility were repaid. As of June 30, 1999 there was no outstanding balance under the Revolving Facility. Future amounts to be drawn under the Revolving Facility are to be used for the acquisition of additional dealerships and to provide general working capital needs not to exceed $10 million.

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

- total debt to tangible base capital (as defined in the Revolving Facility),
- current assets to current liabilities,
- earnings before interest, taxes, depreciation and amortization (EBITDA) and rent less capital expenditures to fixed charges,
- EBITDA to interest expense,
- EBITDA to total debt and
- the current lending commitment under the Revolving Facility to scaled assets (as defined in the Revolving Facility).

In addition, the loss of voting control over Sonic by Bruton Smith, Scott Smith and their spouses or immediate family members or the failure by Sonic, with certain exceptions, to own all the outstanding equity, membership or partnership interests in its dealership subsidiaries will constitute an event of default under the Revolving Facility. Sonic is in compliance with all restrictive covenants as of June 30, 1999.

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

The indenture governing the senior subordinated notes contains certain specified restrictive and required financial covenants. We have agreed not to pledge our assets to any third party except under certain limited circumstances (for example, floor plan indebtedness). We have also agreed to certain other limitations or prohibitions concerning the incurrence of other indebtedness, capital stock, guaranties, asset sales, investments, cash dividends to shareholders, distributions and redemptions. Sonic is in compliance with all restrictive covenants as of June 30, 1999.

We currently have a standardized floor plan credit facility with Ford Motor Credit for all our dealership subsidiaries (the "Floor Plan Facility"). As of June 30, 1999, there was an aggregate of $304.0 million outstanding under the Floor Plan Facility. The Floor Plan Facility at June 30, 1999 had an effective interest rate of prime less 1.1% (6.65% at June 30, 1999), subject to certain incentives and other adjustments. Typically new vehicle floor plan indebtedness exceeds the related inventory balances. The inventory balances are generally reduced by the manufacturer's purchase discounts, which are not reflected in the related floor plan liability. These manufacturer purchase discounts are standard in the industry, typically occur on all new vehicle purchases, and are not used to offset the related floor plan liability. These discounts are aggregated and generally paid to us by the manufacturers on a quarterly basis.

The Floor Plan Facility includes an available credit line for the purchase of used vehicle inventory. Our general policy is to utilize used vehicle floor plan indebtedness only when purchasing large quantities of used vehicles in bulk. As of June 30, 1999, there was approximately $29.1 million available under our used vehicle credit line, of which approximately $26.3 million was unused.

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

As a result of the change in our tax basis of accounting for inventory from the "last-in, first-out" method of inventory accounting (LIFO) to the "first-in, first-out" method of inventory accounting (FIFO) at certain of our dealerships, we incurred additional income tax liabilities. As of June 30, 1999 the aggregate balance of such income tax liabilities was approximately $5.1 million, which is payable in quarterly installments through the year 2002, as follows:

Year ending December 31,	
1999	$ 901
2000	1,843
2001	1,597
2002	711
Total	$ 5,052

We expect to pay such obligations with cash provided by operations.

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

SEASONALITY

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

YEAR 2000 COMPLIANCE

GENERAL

Due to the limited memory capacity of older computers, many computer systems and software applications in early years were programmed to store dates using six digit formats (e.g. mm/dd/yy) versus eight digit formats (e.g. mm/dd/yyyy). Under the six digit format, most computer systems and software applications are limited to recognizing dates within the 20th century only, causing computers to interpret the year "00" as the year "1900" rather than the year "2000." As we approach the beginning of year 2000, there is widespread concern that the inability of computer systems to recognize dates beyond the year 1999 will result in software errors and system failures that could be disruptive to ordinary business operations.

We recognize the need to ensure that our operations will not be disrupted by Year 2000 system failures either within our own computer systems or within the computer systems of our primary lenders and suppliers. Each of our dealerships has appointed a team comprised primarily of department managers that, using guides developed by the National Automobile Dealers Association (NADA), is responsible for assessing and resolving potential Year 2000 problems, and developing contingency plans to mitigate the impact of future problems on operations.

STATE OF READINESS

INTERNAL DEALERSHIP SYSTEMS: Internal systems supporting the dealership's daily operations are comprised of four primary systems: (i) the Dealer Management System ("DMS") which supports the critical operations of the dealership including all vehicle sales, vehicle inventory, financing and insurance operations, service and parts operations, and accounting functions; (ii) the Dealer Communication System ("DCS") which provides on-line communication with manufacturers necessary for ordering vehicles and parts inventory, submitting warranty claims, submitting dealership financial statements, receiving delivery reports, and receiving technical information used in service department operations; (iii) personal computer systems ("PC systems") used in providing information to and communicating with the parent company; and (iv) "embedded systems" which use an electric processor or computer chip to control, monitor, or assist with the operation of equipment, machinery, and building management (e.g. building access, security and fire alarms, automotive diagnostic equipment).

DEALER MANAGEMENT SYSTEM: The DMS systems used by our dealerships are obtained from one of four primary vendors, Reynolds & Reynolds, Infiniti Net, ADP, and UCS. Each of these vendors has developed upgrades to correct Year 2000 problems within the DMS systems, and we have completed the process of installing such upgrades to our systems. In addition, we have received written verification from each of these vendors that the DMS systems operating within dealerships currently owned by Sonic are Year 2000 certified. With respect to dealerships being acquired, dealerships using DMS systems which are not Year 2000 certified are being transferred to existing systems which are Year 2000 certified.

DEALER COMMUNICATION SYSTEM: The DCS systems used in our dealerships are provided by the respective manufacturers with whom the dealerships communicate. As a result, the manufacturers have assumed responsibility for upgrading DCS systems to Year 2000 compliant systems. To date, approximately half of our dealerships have received written verification from their respective manufacturer that their DCS system is Year 2000 compliant. In addition, we have requested from each manufacturer that status reports be provided to both the dealership and parent company to inform us of remediation efforts at those dealerships that are not yet Year 2000 compliant, and when such remediation efforts are expected to be completed.

PERSONAL COMPUTER SYSTEMS: Most PC systems currently operating in our dealerships were installed within the past year and were determined to be Year 2000 compliant at the time of installation. PC systems and local and wide area networks used to communicate with our dealerships were also recently installed and were Year 2000 certified upon purchase. As a precautionary measure, we have provided all dealerships with diskettes containing programs designed to test PC systems for Year 2000 capability. All PC systems not currently Year 2000 compliant will either be upgraded or replaced with systems that are Year 2000 compliant.

EMBEDDED SYSTEMS: Embedded systems refer to systems that use some sort of electronic process or computer chip to track time and date information used in the operation of that system. For example, security systems, or heating, ventilation, and air-conditioning systems (HVAC) may be programmed to automatically be activated or deactivated at a certain time. If a security system is programmed to lock up a dealership on weekends, then some dealerships may be locked out on Thursday, January 6, 2000 because the computer interprets the date as Saturday, January 6, 1900. The dealerships are conducting an inventory of such systems, and are contacting the manufacturers or suppliers to test such systems and obtain verification of Year 2000 certification. This process has not yet been completed, though these systems are not considered critical and a disruption in these systems is not expected to significantly affect dealerships' daily operations.

EXTERNAL SYSTEMS: A dealership's operations may be adversely affected if the lenders, suppliers, or other third parties with whom it regularly conducts business are affected by Year 2000 problems within their systems. Other than automobile manufacturers, we are primarily concerned about Year 2000 failures with banks and other financial service providers, companies providing financing and insurance to our customers, and utilities providing electricity and water. We have received verification from our primary banks and lenders that their systems are Year 2000 compliant and that service is not expected to be interrupted by Year 2000 problems. We have contacted other key vendors and suppliers and are awaiting their responses concerning their Year 2000 remediation efforts.

COSTS

The costs associated with converting our internal systems to Year 2000 compliant systems have not been, and are not expected to be, material to our financial position or results of operations. Costs associated with upgrading and converting the DMS and DCS systems to Year 2000 compliant systems were covered by monthly maintenance contracts with the respective suppliers and were expensed as incurred. Costs associated with upgrading or replacing PC and embedded systems have not been material and were expensed or capitalized in accordance with our capitalization policy.

CONTINGENCY PLANS

We cannot state with certainty whether Year 2000 system failures either within our own internal systems or within the systems of third-parties with whom we are involved will have a material adverse impact on our results of operations. In order to mitigate the potential impact of any future Year 2000 problems, each of our dealerships is in the process of developing contingency plans which include the following:

1. Use of pre-printed and pre-numbered forms and checks (including repair orders and parts counter tickets) and manual journals and ledger books to assist in bookkeeping and accounting functions;

2. Use of hand held, battery operated finance computers in order to continue providing finance services to our customers;

3. Establishing emergency reserves of supplies in the event that service from third party lenders and suppliers is disrupted due to Year 2000 problems within their systems; and

4. Training of employees to manually perform functions that are currently performed on computers.

While we believe that we are taking appropriate steps to ensure we are adequately prepared to deal with Year 2000 problems as they arise, we cannot make assurances that Year 2000 problems will not have a material adverse affect on our results of operations or financial condition. In a most reasonably likely worst case scenario, Year 2000 problems may delay our ability to sell vehicles, provide financing and insurance to our customers, provide parts and repair service to our customers, complete acquisitions, or meet third-party obligations until Year 2000 problems can be resolved in the affected systems.

SIGNIFICANT MATERIALITY OF GOODWILL

Goodwill represents the excess purchase price over the estimated fair value of the tangible and separately measurable intangible net assets acquired. The cumulative gross goodwill balance at December 31, 1998 was $182.5 million and at June 30, 1999 was $265.3 million. As a percentage of total assets and stockholders' equity, goodwill, net of accumulated amortization, represented 31.3% and 126.4%, respectively, at December 31, 1998, and 32.8% and 90.2%, respectively, at June 30, 1999. Generally accepted accounting principles require that goodwill and all other intangible assets be amortized over the period benefited. We have determined that the period benefited by the goodwill will be no less than 40 years. Accordingly we are amortizing goodwill over a 40 year period. Earnings reported in periods immediately following an acquisition would be overstated if we attributed a 40 year benefit to an intangible asset that should have had a shorter benefit period. In later years, we would be burdened by a continuing charge against earnings without the associated benefit to income valued by management in arriving at the consideration paid for the businesses acquired. Earnings in later years also could be significantly affected if management then determined that the remaining balance of goodwill was impaired. We periodically compare the carrying value of goodwill with the anticipated undiscounted future cash flows from operations of the business we have acquired in order to evaluate the recoverability of goodwill. We have concluded that the anticipated future cash flows associated with intangible assets recognized in our acquisitions will continue indefinitely, and there is no pervasive evidence that any material portion will dissipate over a period shorter than 40 years. We will incur additional goodwill in future acquisitions.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK. Sonic's only financial instruments with market risk exposure are variable rate floor plan notes payable, Revolving Facility borrowings and other variable rate notes. As of June 30, 1999, the total outstanding balance of such instruments was approximately $316.6 million. A change of one percent in the interest rate would have caused a change in interest expense for the six months ended June 30, 1999 of approximately $1.6 million. In addition, a decrease or increase in interest rates would cause a respective increase or decrease in the present value of Sonic's fixed rate senior subordinated notes, which have a carrying value of $120.9 million at June 30, 1999.

PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

The following sets forth certain information as to all equity securities sold by Sonic during the periods discussed that were not registered under the Securities Act of 1933, as amended (the "Securities Act"). As to all such transactions, an exemption was claimed under Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder ("Regulation D") as transactions not involving a public offering in view of sophistication of the purchasers, their access to material information about Sonic, the disclosures actually made to them by Sonic, the absence of any general solicitation or advertising, the status of the purchasers as "accredited investors" as that term is defined in Rule 501(a) of Regulation D and the filing by Sonic of the appropriate forms in connection therewith. All such private sales of Sonic's equity securities were made to the owners of assets associated with, or the capital stock of, automobile dealerships acquired by Sonic as a part of Sonic's dealership acquisition strategy.

Sonic has privately issued its Class A common stock in the following dealership acquisition transactions:

On May 17, 1999, Sonic issued 176,030 shares of its Class A common stock to John H. Newsome, Jr. to acquire via merger with a subsidiary of Sonic the outstanding capital stock of Newsome Chevrolet, Inc. with a value of approximately $2.2 million.

Sonic has also privately issued its Class A convertible preferred stock (the "Preferred Stock") in dealership acquisition transactions. The Preferred

Stock is divided into three series: the Series I Preferred Stock, the Series II Preferred Stock and the Series III Preferred Stock. Each share of Preferred Stock is convertible into shares of Class A common stock at the holder's option at specified conversion rates. After the second anniversary of the date of issuance, any shares of Preferred Stock which have not yet been converted are subject to mandatory conversion to Class A common stock at the option of Sonic. No fractional shares of Class A common stock will be issued upon conversion of any shares of Preferred Stock. Instead, Sonic will pay cash equal to the value of such fractional shares.

Generally each share of Preferred Stock is convertible into that number of shares of Class A common stock that has an aggregate Market Price at the time of conversion equal to $1,000 (with certain adjustments for Series II and Series III Preferred Stock). "Market Price" is defined generally as the average closing price per share of the Class A common stock on the New York Stock Exchange for twenty trading days immediately preceding the date of determination. Before the first anniversary of the date of issuance of Preferred Stock, each holder of Preferred Stock is unable to convert without first giving Sonic ten business days' notice and an opportunity to redeem such Preferred Stock at the then applicable redemption price.

Sonic has privately issued Preferred Stock in the following dealership acquisition transactions:

On April 2, 1999, Sonic issued 1,532 shares of its Series II Preferred Stock to Fred Bondesen Chevrolet, Oldsmobile, Cadillac, Inc. to acquire the assets of this corporation with a value of approximately $1.4 million.

On May 4, 1999, Sonic issued 500 shares of its Series II Preferred Stock each to Lloyd Pontiac-Cadillac, Inc. and Lloyd Nissan, Inc. to acquire the assets of these corporations with a value of approximately $1.0 million.

In two separate issuances occurring on April 1, 1999 and May 4, 1999, Sonic issued 4,055.1825 shares of its Series III Preferred Stock with a value of approximately $3.9 million to Aldo B. Paret as additional consideration for the acquisition of the outstanding capital stock of Casa Ford of Houston, Inc. which closed in May of 1998.

On May 17, 1999, Sonic issued 3,750 shares of its Series II Preferred Stock to John H. Newsome, Jr. to acquire via merger with a subsidiary of Sonic the outstanding capital stock of Newsome Chevrolet, Inc. with a value of approximately $3.6 million.

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

At the annual meeting of stockholders held on June 8, 1999, Theodore M. Wright and Dennis D. Higginbotham were elected directors by Sonic's stockholders. Directors whose terms of office continued after the meeting were O. Bruton Smith, Bryan Scott Smith, William R. Brooks, William P. Benton, and William I. Belk. In addition to the election of two directors, the stockholders approved the following:

1. An amendment to Sonic's Amended and Restated Certificate of Incorporation to increase the number of shares of Class A common stock issuable thereunder from 50,000,000 to 100,000,000, and to increase the number of shares of Class B common stock issuable thereunder from 15,000,000 to 30,000,000.

2. An amendment to increase the number of options to purchase shares of Class A common stock that may be granted under Sonic's Restated 1997 Stock Option Plan from 2,250,000 to 4,500,000.

3. An amendment to increase the number of options to purchase shares of Class A common stock that may be granted under Sonic's Employee Stock Purchase Plan from 600,000 to 1,200,000.

4. The appointment of Deloitte & Touche LLP as the Sonic's independent public accountant for the fiscal year ending December 31, 1999.

<TABLE>
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	VOTES FOR	VOTES AGAINST	VOTES ABSTAINED
Election of Theodore M. Wright	128,999,478		4,033,000
Election of Dennis D. Higginbotham	128,999,478		4,033,000

Approval of amendment to Sonic's Amended and Restated Certificate of Incorporation	128,536,365	4,496,113
Approval of amendment to Sonic's Restated 1997 Stock Option Plan	129,354,270	2,130,498
5,122		
Approval of amendment to Sonic's Employee Stock Purchase Plan	130,653,174	832,114
4,602		
Appointment of Deloitte & Touche LLP	133,032,478	

</TABLE>

ITEM 6. EXHIBITS

(a) Exhibits:

3.1* Amended and Restated Certificate of Incorporation of Sonic (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 (Registration No. 333-33295) of Sonic (the "Form S-1")).

3.2* Certificate of Designation, Preferences and Rights of Class A Convertible Preferred Stock (incorporated by reference to Exhibit 4.1 to Sonic's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).

3.3* Bylaws of Sonic (incorporated by reference to Exhibit 3.2 to the Form S-1).

4.1* Form of 11% Senior Subordinated Note due 2008, Series B (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-4 (Registration Nos. 333-64397 and 333-64397-001 through 333-64397-044) of Sonic (the "Form S-4")).

4.2* Indenture dated as of July 1, 1998 between Sonic, as issuer, the subsidiaries of Sonic named therein, as guarantors, and U.S. Bank Trust National Association, as trustee, relating to the 11% Senior Subordinated Notes due 2008 (incorporated by reference to Exhibit 4.2 to the Form S-4).

4.3* Registration Rights Agreement dated as of June 30, 1998 among Sonic, O. Bruton Smith, Bryan Scott Smith, William S. Egan and Sonic Financial Corporation (incorporated by reference to Exhibit 4.2 to the Form S-1).

10.1* Agreement and Plan of Merger dated as of April 6, 1999 by and among Sonic, Manhattan Auto, Inc., Joseph Herson, Mollye Mills, John Jaffe and Richard Mills (the "Manhattan Merger Agreement") (incorporated by reference to Exhibit 4.10 to Sonic's Registration Statement on Form S-3 (Registration No. 333-82615) (the "August 1999 Form S-3")).

10.2* Letter Agreement dated as of August 3, 1999 regarding amendment to the Manhattan Merger Agreement (incorporated by reference to Exhibit 4.11 to the August 1999 Form S-3).

10.3 Asset Purchase Agreement dated April 6, 1999 by and among Sonic, L.O.R., Inc., Waldorf Automotive, Inc., Manhattan Imported Cars, Inc. and the stockholders of L.O.R., Waldorf Automotive and Manhattan Imported Cars.

10.4 Sonic Agreement dated as of June 30, 1999 by and among Sonic, the subsidiaries of Sonic listed on Schedule A thereto and CAR MMR L.L.C (the "Sonic Agreement") (confidential portions omitted and filed separately with the SEC).

10.5 Agreement dated as of August 5, 1999 by and among Sonic, O. Bruton Smith and Sonic Financial Corporation relating to transactions contemplated by the Sonic Agreement.

27 Financial data schedule for the six month period ended June 30, 1999 (filed electronically).

(b) Reports on Form 8-K.

We have not filed any reports on Form 8-K during the quarter for which this report is filed.

* Filed Previously

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: August 15, 1999   By: /s/ O. Bruton Smith

O. Bruton Smith
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Date: August 15, 1999   By: /s/ Theodore M. Wright

Theodore M. Wright
VICE PRESIDENT-FINANCE, CHIEF FINANCIAL OFFICER, TREASURER AND SECRETARY
(PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)

INDEX TO EXHIBITS TO
QUARTERLY REPORT ON FORM 10-Q FOR
SONIC AUTOMOTIVE, INC.
FOR THE QUARTER ENDED June 30, 1999

<TABLE>
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EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
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3.2*	Certificate of Designation, Preferences and Rights of Class A Convertible Preferred Stock (incorporated by reference to Exhibit 4.1 to Sonic's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
3.3*	Bylaws of Sonic (incorporated by reference to Exhibit 3.2 to the Form S-1).
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10.5	Agreement dated as of August 5, 1999 by and among Sonic, O. Bruton Smith and Sonic Financial Corporation relating to transactions contemplated by the Sonic Agreement.
27	Financial data schedule for the six month period ended June 30, 1999 (filed electronically).

</TABLE>

* Filed Previously

EXHIBIT 10.5

AGREEMENT

THIS AGREEMENT dated as of the 5th day of August, 1999 (this "Agreement"), by and among SONIC AUTOMOTIVE, INC., a Delaware corporation ("Sonic Automotive"), SONIC FINANCIAL CORPORATION, a North Carolina corporation ("SFC"), and O. BRUTON SMITH, an individual residing in the State of North Carolina ("Smith").

RECITALS:

This Agreement is entered into based on the following facts, intentions and understandings:

a. SFC and Smith own, directly or indirectly, all of the issued and outstanding equity interests of MMR Holdings, L.L.C., MMR Viking Investment Associates, L.P. and MMR Tennessee, L.L.C. (collectively, the "Mar Mar Group"); and

b. Sonic Automotive and/or its subsidiaries lease numerous automobile dealership properties from various members of the Mar Mar Group; and

c. SFC and Smith have agreed to sell (the "Sale Transaction") all of the issued and outstanding equity interests of the Mar Mar Group to CAR MMR L.L.C. ("CAR") pursuant to an Acquisition Agreement among CAR, SFC, Smith and the Mar Mar Group; and

d. CAR is requiring as a condition precedent to its purchase of the equity interests of the Mar Mar Group from SFC and Smith that Sonic Automotive enter into the so-called "Sonic Agreement" with CAR (the "Sonic Agreement"), pursuant to which, among other things, Sonic Automotive would agree to certain changes in the various lease agreements currently in effect between Sonic Automotive and/or its subsidiaries, as tenants, and various members of the Mar Mar Group, as landlords, including but not limited to (i) Sonic Automotive's agreement to amend and restate all of such leases pursuant to a new standardized form of lease to be agreed upon between Sonic Automotive and CAR, and (ii) Sonic Automotive's agreement to renew at least 75% of the current leases between Sonic Automotive and/or its subsidiaries, as tenant, and members of the Mar Mar Group, as landlord, at the end of the terms of such leases.

NOW, THEREFORE, in order to induce Sonic Automotive to enter into the Sonic Agreement and to otherwise participate in the Sale Transaction, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

SECTION 1. PAYMENT BY SFC AND SMITH TO SONIC AUTOMOTIVE. As promptly as possible after the closing of the Sale Transaction, SFC and Smith shall pay over to Sonic Automotive all of the profits received by SFC and Smith from the Sale Transaction, less (i) the direct and indirect expenses of the Sale Transaction paid or incurred by SFC and Smith, and (ii) a return of 14% annually to SFC and Smith on their initial investments in the Mar Mar Group, net of any advances made by Sonic Automotive to any member of the Mar Mar Group.

SECTION 2. GENERAL PROVISIONS. (a) This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties and their successors and assigns; (b) Nothing in this Agreement shall give any person, other than the parties and their successors and assigns, any rights, remedies or other benefits; (c) This Agreement shall not be assignable by any party without the prior written consent of the other parties hereto; (d) This Agreement constitutes the entire agreement between the parties pertaining to the subject matter contained in it and supersedes all prior agreements, representations and understandings with respect to the subject matter; (e) No amendment or modification of this Agreement shall be binding unless in writing and signed by each of the parties; (f) In the event that any provision of this Agreement, or part thereof, shall be held to be invalid, illegal or unenforceable, the remaining provisions of this Agreement shall not be affected thereby; and (g) This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement as of the date first stated above.

SONIC AUTOMOTIVE, INC.

By: /s/ Theodore M. Wright

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

SONIC FINANCIAL CORPORATION

By: /s/ William R. Brooks

William R. Brooks, Vice President

By: /s/ O. Bruton Smith

O. BRUTON SMITH

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b. Sonic Automotive and/or its subsidiaries lease numerous automobile dealership properties from various members of the Mar Mar Group; and

c. SFC and Smith have agreed to sell (the "Sale Transaction") all of the issued and outstanding equity interests of the Mar Mar Group to CAR MMR L.L.C. ("CAR") pursuant to an Acquisition Agreement among CAR, SFC, Smith and the Mar Mar Group; and

d. CAR is requiring as a condition precedent to its purchase of the equity interests of the Mar Mar Group from SFC and Smith that Sonic Automotive enter into the so-called "Sonic Agreement" with CAR (the "Sonic Agreement"), pursuant to which, among other things, Sonic Automotive would agree to certain changes in the various lease agreements currently in effect between Sonic Automotive and/or its subsidiaries, as tenants, and various members of the Mar Mar Group, as landlords, including but not limited to (i) Sonic Automotive's agreement to amend and restate all of such leases pursuant to a new standardized form of lease to be agreed upon between Sonic Automotive and CAR, and (ii) Sonic Automotive's agreement to renew at least 75% of the current leases between Sonic Automotive and/or its subsidiaries, as tenant, and members of the Mar Mar Group, as landlord, at the end of the terms of such leases.

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IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement as of the date first stated above.

SONIC AUTOMOTIVE, INC.

By: /s/ Theodore M. Wright

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

SONIC FINANCIAL CORPORATION

By: /s/ William R. Brooks

William R. Brooks, Vice President

By: /s/ O. Bruton Smith

O. BRUTON SMITH

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IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement as of the date first stated above.

SONIC AUTOMOTIVE, INC.

By: /s/ Theodore M. Wright

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

SONIC FINANCIAL CORPORATION

By: /s/ William R. Brooks

William R. Brooks, Vice President

By: /s/ O. Bruton Smith

O. BRUTON SMITH

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET, CONSOLIDATED STATEMENT OF INCOME AND CONSOLIDATED STATEMENT OF CASH FLOWS INCLUDED IN THE COMPANY'S FORM 10-Q FOR THE SIX MONTHS ENDING JUNE 30, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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