
**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 June 30, 2020

OR

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

For the transition period from _____ to _____

Commission File Number: 1-13395

SONIC AUTOMOTIVE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

28211
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

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

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

As of July 29, 2020, there were 30,582,890 shares of the registrant's Class A Common Stock and 12,029,375 shares of the registrant's Class B Common Stock outstanding.

UNCERTAINTY OF FORWARD-LOOKING STATEMENTS AND INFORMATION

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

These forward-looking statements are based on our current estimates and assumptions and involve various risks and uncertainties. As a result, you are cautioned that these forward-looking statements are not guarantees of future performance, and that actual results could differ materially from those projected in these forward-looking statements. Factors which may cause actual results to differ materially from our projections include those risks described in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019 and in “Item 1A. Risk Factors” of this report and elsewhere herein, as well as:

- the number of new and used vehicles sold in the United States as compared to our expectations and the expectations of the market;
- our ability to generate sufficient cash flows or to obtain additional financing to fund our EchoPark expansion, capital expenditures, our share repurchase program, dividends on our common stock, acquisitions and general operating activities;
- our business and growth strategies, including, but not limited to, our EchoPark store operations;
- the reputation and financial condition of vehicle manufacturers whose brands we represent, the financial incentives vehicle manufacturers offer and their ability to design, manufacture, deliver and market their vehicles successfully;
- our relationships with manufacturers, which may affect our ability to obtain desirable new vehicle models in inventory or to complete additional acquisitions or dispositions;
- the adverse resolution of one or more significant legal proceedings against us or our franchised dealerships or EchoPark stores;
- changes in laws and regulations governing the operation of automobile franchises, accounting standards, taxation requirements and environmental laws;
- changes in vehicle and parts import quotas, duties, tariffs or other restrictions;
- general economic conditions in the markets in which we operate, including fluctuations in interest rates, employment levels, the level of consumer spending and consumer credit availability;
- high levels of competition in the retail automotive industry, which not only create pricing pressures on the products and services we offer, but also on businesses we may seek to acquire;
- our ability to successfully integrate potential future acquisitions;
- the rate and timing of overall economic expansion or contraction; and
- the severity and duration of the COVID-19 pandemic and the actions taken by governmental authorities, businesses or consumers in response to the pandemic.

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

SONIC AUTOMOTIVE, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

SONIC AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(Dollars and shares in thousands, except per share amounts)				
Revenues:				
New vehicles	\$ 900,003	\$ 1,204,754	\$ 1,859,492	\$ 2,271,088
Used vehicles	808,877	885,627	1,658,930	1,705,992
Wholesale vehicles	33,175	50,039	81,718	104,810
Total vehicles	1,742,055	2,140,420	3,600,140	4,081,890
Parts, service and collision repair	259,058	355,312	593,738	696,742
Finance, insurance and other, net	110,773	118,349	226,064	224,587
Total revenues	2,111,886	2,614,081	4,419,942	5,003,219
Cost of Sales:				
New vehicles	(854,617)	(1,148,354)	(1,768,690)	(2,160,892)
Used vehicles	(781,506)	(848,898)	(1,599,428)	(1,632,256)
Wholesale vehicles	(33,601)	(50,752)	(82,303)	(106,789)
Total vehicles	(1,669,724)	(2,048,004)	(3,450,421)	(3,899,937)
Parts, service and collision repair	(134,779)	(184,766)	(311,560)	(362,960)
Total cost of sales	(1,804,503)	(2,232,770)	(3,761,981)	(4,262,897)
Gross profit	307,383	381,311	657,961	740,322
Selling, general and administrative expenses	(230,359)	(294,532)	(512,515)	(541,626)
Impairment charges	(833)	—	(268,833)	(1,952)
Depreciation and amortization	(22,647)	(23,806)	(44,944)	(46,456)
Operating income (loss)	53,544	62,973	(168,331)	150,288
Other income (expense):				
Interest expense, floor plan	(6,314)	(12,518)	(16,822)	(25,744)
Interest expense, other, net	(9,797)	(13,628)	(20,762)	(26,481)
Other income (expense), net	—	(5)	100	95
Total other income (expense)	(16,111)	(26,151)	(37,484)	(52,130)
Income (loss) from continuing operations before taxes	37,433	36,822	(205,815)	98,158
Provision for income taxes for continuing operations - benefit (expense)	(6,437)	(10,071)	37,680	(29,058)
Income (loss) from continuing operations	30,996	26,751	(168,135)	69,100
Discontinued operations:				
Income (loss) from discontinued operations before taxes	(289)	(213)	(573)	(393)
Provision for income taxes for discontinued operations - benefit (expense)	84	61	166	114
Income (loss) from discontinued operations	(205)	(152)	(407)	(279)
Net income (loss)	\$ 30,791	\$ 26,599	\$ (168,542)	\$ 68,821
Basic earnings (loss) per common share:				
Earnings (loss) per share from continuing operations	\$ 0.72	\$ 0.62	\$ (3.93)	\$ 1.61
Earnings (loss) per share from discontinued operations	—	—	(0.01)	(0.01)
Earnings (loss) per common share	\$ 0.72	\$ 0.62	\$ (3.94)	\$ 1.60
Weighted-average common shares outstanding	42,940	43,066	42,779	42,953
Diluted earnings (loss) per common share:				
Earnings (loss) per share from continuing operations	\$ 0.71	\$ 0.62	\$ (3.93)	\$ 1.60
Earnings (loss) per share from discontinued operations	—	(0.01)	(0.01)	—
Earnings (loss) per common share	\$ 0.71	\$ 0.61	\$ (3.94)	\$ 1.60
Weighted-average common shares outstanding	43,575	43,230	42,779	43,060

See notes to unaudited condensed consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Net income (loss)	\$ 30,791	\$ 26,599	\$ (168,542)	\$ 68,821
Other comprehensive income (loss) before taxes:				
Change in fair value of interest rate swap and interest rate cap agreements	419	(1,400)	780	(3,748)
Amortization of terminated interest rate swap agreements	(835)	(632)	(1,632)	(921)
Total other comprehensive income (loss) before taxes	(416)	(2,032)	(852)	(4,669)
Provision for income tax benefit (expense) related to components of other comprehensive income (loss)	161	620	325	1,396
Other comprehensive income (loss)	(255)	(1,412)	(527)	(3,273)
Comprehensive income (loss)	\$ 30,536	\$ 25,187	\$ (169,069)	\$ 65,548

See notes to unaudited condensed consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2020	December 31, 2019
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 115,724	\$ 29,103
Receivables, net	322,703	432,742
Inventories	1,176,506	1,517,875
Other current assets	124,170	37,890
Total current assets	1,739,103	2,017,610
Property and Equipment, net	1,112,873	1,097,247
Goodwill	207,791	475,791
Other Intangible Assets, net	64,300	64,300
Operating Right-of-Use Lease Assets	341,410	337,842
Finance Right-of-Use Lease Assets	38,513	34,691
Other Assets	91,435	43,554
Total Assets	\$ 3,595,425	\$ 4,071,035
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable - floor plan - trade	\$ 603,211	\$ 860,871
Notes payable - floor plan - non-trade	614,102	678,223
Trade accounts payable	105,784	135,217
Operating short-term lease liabilities	44,739	43,332
Finance short-term lease liabilities	1,243	1,564
Accrued interest	13,341	10,830
Other accrued liabilities	293,714	266,211
Current maturities of long-term debt	72,043	69,908
Total current liabilities	1,748,177	2,066,156
Long-Term Debt	677,488	636,978
Other Long-Term Liabilities	75,344	73,746
Operating Long-Term Lease Liabilities	307,528	304,151
Finance Long-Term Lease Liabilities	40,274	36,313
Deferred Income Taxes	1,912	8,927
Commitments and Contingencies		
Stockholders' Equity:		
Class A Convertible Preferred Stock, none issued	—	—
Class A Common Stock, \$0.01 par value; 100,000,000 shares authorized; 65,603,746 shares issued and 30,965,255 shares outstanding at June 30, 2020; 64,733,667 shares issued and 31,105,000 shares outstanding at December 31, 2019	656	647
Class B Common Stock, \$0.01 par value; 30,000,000 shares authorized; 12,029,375 shares issued and outstanding at June 30, 2020 and December 31, 2019	121	121
Paid-in capital	761,293	755,904
Retained earnings	613,033	790,158
Accumulated other comprehensive income (loss)	(2,589)	(2,062)
Treasury stock, at cost; 34,638,491 Class A Common Stock shares held at June 30, 2020 and 33,628,667 Class A Common Stock shares held at December 31, 2019	(627,812)	(600,004)
Total Stockholders' Equity	744,702	944,764
Total Liabilities and Stockholders' Equity	\$ 3,595,425	\$ 4,071,035

See notes to unaudited condensed consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Class A Common Stock		Class A Treasury Stock		Class B Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
(Dollars and shares in thousands, except per share amounts)										
Balance at March 31, 2019	64,677	\$ 647	(33,625)	\$ (599,956)	12,029	\$ 121	\$ 747,920	\$ 701,182	\$ 2,372	\$ 852,286
Shares awarded under stock compensation plans	51	—	—	—	—	—	—	—	—	—
Purchases of treasury stock	—	—	(4)	(48)	—	—	—	—	—	(48)
Effect of cash flow hedge instruments, net of tax benefit of \$620	—	—	—	—	—	—	—	—	(1,412)	(1,412)
Restricted stock amortization	—	—	—	—	—	—	2,612	—	—	2,612
Net income (loss)	—	—	—	—	—	—	—	26,599	—	26,599
Class A dividends declared (\$0.10)	—	—	—	—	—	—	—	(3,109)	—	(3,109)
Class B dividends declared (\$0.10)	—	—	—	—	—	—	—	(1,203)	—	(1,203)
Balance at June 30, 2019	64,728	\$ 647	(33,629)	\$ (600,004)	12,029	\$ 121	\$ 750,532	\$ 723,469	\$ 960	\$ 875,725

	Class A Common Stock		Class A Treasury Stock		Class B Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
(Dollars and shares in thousands, except per share amounts)										
Balance at March 31, 2020	65,199	\$ 652	(34,364)	\$ (621,290)	12,029	\$ 121	\$ 758,327	\$ 586,511	\$ (2,334)	\$ 721,987
Shares awarded under stock compensation plans	405	4	—	—	—	—	(5)	—	—	(1)
Purchases of treasury stock	—	—	(274)	(6,522)	—	—	—	—	—	(6,522)
Effect of cash flow hedge instruments, net of tax benefit of \$161	—	—	—	—	—	—	—	—	(255)	(255)
Restricted stock and option amortization	—	—	—	—	—	—	2,971	—	—	2,971
Net income (loss)	—	—	—	—	—	—	—	30,791	—	30,791
Class A dividends declared (\$0.10)	—	—	—	—	—	—	—	(3,066)	—	(3,066)
Class B dividends declared (\$0.10)	—	—	—	—	—	—	—	(1,203)	—	(1,203)
Balance at June 30, 2020	65,604	\$ 656	(34,638)	\$ (627,812)	12,029	\$ 121	\$ 761,293	\$ 613,033	\$ (2,589)	\$ 744,702

SONIC AUTOMOTIVE, INC.

See notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Class A Common Stock		Class A Treasury Stock		Class B Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
(Dollars and shares in thousands, except per share amounts)										
Balance at December 31, 2018	64,197	\$ 642	(33,476)	\$ (597,623)	12,029	\$ 121	\$ 745,052	\$ 670,691	\$ 4,233	\$ 823,116
Shares awarded under stock compensation plans	531	5	—	—	—	—	54	—	—	59
Purchases of treasury stock	—	—	(153)	(2,381)	—	—	—	—	—	(2,381)
Effect of cash flow hedge instruments, net of tax benefit of \$1,396	—	—	—	—	—	—	—	—	(3,273)	(3,273)
Restricted stock amortization	—	—	—	—	—	—	5,426	—	—	5,426
Net income (loss)	—	—	—	—	—	—	—	68,821	—	68,821
Cumulative effect of change in accounting principle (1)	—	—	—	—	—	—	—	(7,428)	—	(7,428)
Class A dividends declared (\$0.20)	—	—	—	—	—	—	—	(6,209)	—	(6,209)
Class B dividends declared (\$0.20)	—	—	—	—	—	—	—	(2,406)	—	(2,406)
Balance at June 30, 2019	64,728	\$ 647	(33,629)	\$ (600,004)	12,029	\$ 121	\$ 750,532	\$ 723,469	\$ 960	\$ 875,725

	Class A Common Stock		Class A Treasury Stock		Class B Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
(Dollars and shares in thousands, except per share amounts)										
Balance at December 31, 2019	64,734	\$ 647	(33,629)	\$ (600,004)	12,029	\$ 121	\$ 755,904	\$ 790,158	\$ (2,062)	\$ 944,764
Shares awarded under stock compensation plans	870	9	—	—	—	—	(8)	—	—	1
Purchases of treasury stock	—	—	(1,009)	(27,808)	—	—	—	—	—	(27,808)
Effect of cash flow hedge instruments, net of tax benefit of \$325	—	—	—	—	—	—	—	—	(527)	(527)
Restricted stock and option amortization	—	—	—	—	—	—	5,397	—	—	5,397
Net income (loss)	—	—	—	—	—	—	—	(168,542)	—	(168,542)
Class A dividends declared (\$0.20)	—	—	—	—	—	—	—	(6,177)	—	(6,177)
Class B dividends declared (\$0.20)	—	—	—	—	—	—	—	(2,406)	—	(2,406)
Balance at June 30, 2020	65,604	\$ 656	(34,638)	\$ (627,812)	12,029	\$ 121	\$ 761,293	\$ 613,033	\$ (2,589)	\$ 744,702

(1) See Note 1, "Summary of Significant Accounting Policies," for further discussion.

See notes to unaudited condensed consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2020	2019
(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (168,542)	\$ 68,821
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	43,462	44,884
Provision for bad debt expense	345	205
Debt issuance cost amortization	1,182	1,189
Stock-based compensation expense	5,397	5,426
Deferred income taxes	(60,035)	(5,560)
Net distributions from equity investee	465	205
Asset impairment charges	268,833	1,952
Loss (gain) on disposal of dealerships and property and equipment	2,364	(46,065)
Loss (gain) on exit of leased dealerships	—	(170)
Changes in assets and liabilities that relate to operations:		
Receivables	139,305	82,537
Inventories	341,340	(31,566)
Other assets	(45,013)	(65,637)
Notes payable - floor plan - trade	(257,660)	(67,835)
Trade accounts payable and other liabilities	(43,695)	(45,245)
Total adjustments	396,290	(125,680)
Net cash provided by (used in) operating activities	227,748	(56,859)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, property and equipment	(61,733)	(51,234)
Proceeds from sales of property and equipment	163	2,301
Proceeds from sales of dealerships	(886)	121,337
Net cash provided by (used in) investing activities	(62,456)	72,404
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayments) borrowings on notes payable - floor plan - non-trade	(64,121)	1,643
Borrowings on revolving credit facilities	460,916	303,235
Repayments on revolving credit facilities	(460,916)	(303,235)
Proceeds from issuance of long-term debt	53,135	—
Debt issuance costs	(1,252)	2
Principal payments and repurchase of long-term debt	(10,423)	(11,715)
Principal payments of long-term lease liabilities	(19,620)	—
Purchases of treasury stock	(27,808)	(2,381)
Issuance of shares under stock compensation plans	1	59
Dividends paid	(8,583)	(6,867)
Net cash provided by (used in) financing activities	(78,671)	(19,259)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	86,621	(3,714)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,103	5,854
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 115,724	\$ 2,140
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Effect of cash flow hedge instruments (net of tax benefit of \$ 325 and \$ 1,396 in the six months ended June 30, 2020 and 2019, respectively)	\$ (527)	\$ (3,273)
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest, including amount capitalized	\$ 34,939	\$ 53,143
Income taxes	\$ 79	\$ 41,305

See notes to unaudited condensed consolidated financial statements.

1. Summary of Significant Accounting Policies

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements of Sonic Automotive, Inc. and its wholly owned subsidiaries (“Sonic,” the “Company,” “we,” “us” or “our”) for the three and six months ended June 30, 2020 and 2019 are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and applicable rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The accompanying unaudited condensed consolidated financial statements reflect, in the opinion of management, all material normal, recurring adjustments necessary to fairly state the financial position, results of operations and cash flows for the periods presented. The operating results for interim periods are not necessarily indicative of the results to be expected for the entire fiscal year or future interim periods, because the first quarter historically has contributed less operating profit than the second and third quarters, while the fourth quarter historically has contributed the highest operating profit of any quarter. Additionally, the ongoing COVID-19 pandemic could impact earnings for the remainder of 2020 and beyond. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in Sonic’s Annual Report on Form 10-K for the year ended December 31, 2019.

COVID 19 – The COVID-19 pandemic negatively impacted the global economy beginning in the first quarter of 2020. During the first half of 2020, the impact on the economy affected both consumer demand and supply of manufactured goods as many countries around the world and states in the United States (the “U.S.”) mandated restrictions on citizen movements (i.e. shelter-in-place or stay-at-home orders) or on retail trade or manufacturing activities at physical locations. As a result, many businesses curtailed operations and furloughed or terminated many positions. In the U.S., the government passed several measures through the legislature that were signed by the President and enacted into law. Those measures include the Coronavirus Aid, Relief, and Economic Security Act and the Families First Coronavirus Response Act. Both such acts attempt to provide short-term relief to families and businesses as a result of the economic impacts of the COVID-19 pandemic.

As a result of the pandemic and related shelter-in-place or stay-at-home orders, we have transitioned many of our teammates to remote work arrangements. In situations where a teammate’s role does not permit remote work (i.e., service repair technicians), we have implemented staggered work hours and other social distancing measures to promote the health and safety of our teammates and guests. As a result of the systems and infrastructure we had in place prior to the pandemic, we have been able to effectively maintain our back-office operations, financial reporting and internal control processes with minimal disruption.

All of our store operations have been impacted by the crisis to varying degrees. As of March 31, 2020, the majority of our stores were not permitted to conduct retail sales of new and used vehicles at our physical locations. Those locations could offer virtual sales transactions with “contactless” delivery to customers. As of June 30, 2020, most of such restrictions have been relaxed; however, our stores remain subject to certain health and safety policies and practices that may affect the way we sell vehicles and interact with our guests. Due to the critical nature of automotive repair, our fixed operations were deemed “essential” by governmental agencies and have been able to continue to conduct business throughout the pandemic to date, but must maintain certain local standards for social distancing to promote the health and safety of our teammates and guests. As a result of these restrictions and their effect on consumer behavior, in the last several weeks of March 2020, we experienced 30%-50% declines in unit sales of new and used vehicles (as compared to the prior year period) and 15%-30% reductions in repair order activity in fixed operations. The entire month of April 2020 was more severely impacted, with new and used vehicle same store unit sales volume 30%-40% below the prior year period and fixed operations same store gross profit approximately 45% below the prior year period. Beginning in May 2020, new and used vehicle unit sales volume and fixed operations repair activity began to improve as state and local jurisdictions relaxed their shelter-in-place or stay-at-home orders and consumer activity began to recover. For the month of June 2020, new vehicle same store unit sales volume was down approximately 15%, used vehicle same store unit sales volume was up approximately 9%, and fixed operations same store gross profit was down approximately 2%, in each case when compared to the prior year period.

The effects of the COVID-19 pandemic continue to evolve. While we currently expect to see continued recovery in the second half of 2020, the outbreak may cause changes in customer behaviors, including a potential reduction in consumer spending for vehicles and automotive repairs. This may lead to increased asset recovery and valuation risks, such as impairment of additional long-lived assets. In addition, uncertainties in the global economy may negatively impact our suppliers and other business partners, which may interrupt our supply chain and require other changes to our operations. These and other factors may adversely impact our revenues, operating income and earnings per share financial measures.

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Based on the events and circumstances around the COVID-19 pandemic, during the first quarter of 2020, we evaluated our long-lived assets for impairment. This evaluation included reviews of fixed assets and related right-of-use assets, franchise assets and goodwill. As a result of this evaluation, we determined the carrying values of all long-lived assets to be recoverable at March 31, 2020 with the exception of goodwill related to our franchised dealership reporting unit, resulting in a non-cash goodwill impairment charge of \$268.0 million. One of the primary factors which contributed to the conclusion that goodwill was impaired was the decline in the market value of Sonic's stock between the announcement date of the pandemic on March 11, 2020 to March 31, 2020. See Note 5 for further discussion.

Recent Accounting Pronouncements – In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-13, “Financial Instruments - Credit Losses (Accounting Standards Codification (“ASC”) Topic 326): Measurement of Credit Losses on Financial Instruments.” The amendment in this update replaced the previous incurred loss impairment methodology of recognizing credit losses when a loss is probable, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to assess credit loss estimates. This ASU is effective for fiscal years beginning after December 15, 2019. We adopted this ASU as of January 1, 2020 and the effects of this ASU did not materially impact our unaudited condensed consolidated financial statements.

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

Revenue Recognition – Revenue is recognized when a customer obtains control of promised goods or services and in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. ASC Topic 606, “Revenue from Contracts with Customers,” applies a five-step model that includes: (1) identifying the contract(s) with the customer; (2) identifying the performance obligation(s) in the contract(s); (3) determining the transaction price; (4) allocating the transaction price to the performance obligation(s) in the contract(s); and (5) recognizing revenue as the performance obligation(s) are satisfied. The standard also requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We do not include the cost of obtaining contracts within the related revenue streams since we elected the practical expedient to expense the costs to obtain a contract when incurred.

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

F&I retro revenues are recognized when the product contract has been executed with the end customer and are estimated each reporting period based on the expected value method using historical and projected data, which results in the acceleration of revenue recognition. F&I retro revenues, which represent variable consideration, subject to constraint, are to be included in the transaction price and recognized when or as the performance obligation is satisfied. F&I retro revenues can vary based on a variety of factors, including number of contracts and history of cancellations and claims. Accordingly, we utilize this historical and projected data to constrain the consideration to the extent that it is probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

We record revenue when vehicles are delivered to customers, when vehicle service work is performed and when parts are delivered. Conditions for completing a sale include having an agreement with the customer, including pricing, and the sales price must be reasonably expected to be collected.

Receivables, net in the accompanying unaudited condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019 include approximately \$4.6 million and \$5.1 million, respectively, related to work in process and contract assets related to F&I retro revenues of approximately \$8.5 million and \$12.9 million, respectively. Changes in contract assets from December 31, 2019 to June 30, 2020 were primarily due to ordinary business activity, including the receipt of cash for amounts earned and recognized in prior periods. Please refer to Note 1, “Description of Business and Summary of Significant Accounting Policies,” to the consolidated financial statements in Sonic's Annual Report on Form 10-K for the year ended December 31, 2019 for further discussion of our revenue recognition policies and processes.

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Income Taxes – The overall effective tax rate from continuing operations was 17.2% and 18.3% for the three and six months ended June 30, 2020, respectively, and 27.4% and 29.6% for the three and six months ended June 30, 2019, respectively. Income tax benefit for the three months ended June 30, 2020 includes a \$4 million discrete benefit related to the favorable resolution of certain tax matters and other adjustments, offset partially by a \$0.3 million discrete charge related to vested or exercised stock compensation awards. Income tax benefit for the six months ended June 30, 2020 includes a \$55.8 million benefit, including the effect of non-deductible amounts, related to the \$268.0 million goodwill impairment charge, a \$0.2 million discrete benefit related to vested or exercised stock compensation awards, and a \$0.2 million discrete benefit related to the favorable resolution of certain tax matters, offset partially by a \$1.4 million discrete charge related to changes in uncertain tax positions and other adjustments. Income tax expense for the three months ended June 30, 2019 includes a \$0.4 million discrete benefit related to the favorable resolution of certain tax matters. Income tax expense for the six months ended June 30, 2019 includes a \$1.5 million discrete charge for non-deductible executive officer compensation related to executive transition costs, a \$0.2 million discrete charge related to changes in uncertain tax positions and a \$0.2 million discrete charge related to vested or exercised stock compensation awards, offset partially by a \$0.4 million discrete benefit related to the favorable resolution of certain tax matters. Sonic's effective tax rate varies from year to year based on the level of taxable income, the distribution of taxable income between states in which the Company operates and other tax adjustments.

Earnings Per Share – The calculation of diluted earnings per share considers the potential dilutive effect of restricted stock units, restricted stock awards and stock options granted under Sonic's stock compensation plans (and any non-forfeitable dividends paid on such awards).

2. Business Dispositions

We did not dispose of any dealerships during the six months ended June 30, 2020. We terminated one luxury franchised dealership during the six months ended June 30, 2020. We disposed of one luxury franchised dealership and three mid-line import franchised dealerships during the six months ended June 30, 2019 that generated net cash of approximately \$121.3 million. The results of operations of each of these terminated or disposed dealerships remain in continuing operations in the accompanying unaudited condensed consolidated statements of operations.

Revenues and other activities associated with terminated or disposed franchised dealerships that remain in continuing operations were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Income (loss) from operations	\$ (1,038)	\$ 225	\$ (1,317)	\$ (2,200)
Gain (loss) on disposal	(1,117)	(356)	(1,115)	46,394
Lease exit accrual adjustments and charges	—	—	—	170
Pre-tax income (loss)	\$ (2,155)	\$ (131)	\$ (2,432)	\$ 44,364
Total revenues	\$ —	\$ 100,597	\$ 6,615	\$ 216,110

Revenues and other activities associated with terminated or disposed franchised dealerships classified as discontinued operations were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Income (loss) from operations	\$ (289)	\$ (213)	\$ (573)	\$ (393)
Pre-tax income (loss)	\$ (289)	\$ (213)	\$ (573)	\$ (393)
Total revenues	\$ —	\$ —	\$ —	\$ —

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3. Inventories

Inventories consist of the following:

	June 30, 2020	December 31, 2019
	(In thousands)	
New vehicles	\$ 699,760	\$ 983,123
Used vehicles	297,931	319,791
Service loaners	127,018	152,278
Parts, accessories and other	51,797	62,683
Net inventories	<u>\$ 1,176,506</u>	<u>\$ 1,517,875</u>

4. Property and Equipment

Property and equipment, net consists of the following:

	June 30, 2020	December 31, 2019
	(In thousands)	
Land	\$ 389,467	\$ 373,301
Building and improvements	1,012,537	969,609
Furniture, fixtures and equipment	357,129	346,260
Construction in progress	31,122	50,928
Total, at cost	<u>1,790,255</u>	<u>1,740,098</u>
Less accumulated depreciation	<u>(651,142)</u>	<u>(616,611)</u>
Subtotal	1,139,113	1,123,487
Less assets held for sale (1)	<u>(26,240)</u>	<u>(26,240)</u>
Property and equipment, net	<u>\$ 1,112,873</u>	<u>\$ 1,097,247</u>

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

In the three and six months ended June 30, 2020, capital expenditures were approximately \$41.9 million and \$61.7 million, respectively, and in the three and six months ended June 30, 2019, capital expenditures were approximately \$20.6 million and \$51.2 million, respectively. Capital expenditures in all periods were primarily related to real estate acquisitions, construction of new franchised dealerships and EchoPark stores, building improvements and equipment purchased for use in our franchised dealerships and EchoPark stores. Assets held for sale as of June 30, 2020 and December 31, 2019 consists of real property not currently used in operations that we expect to dispose of in the next 12 months.

Impairment charges for the six months ended June 30, 2020, were approximately \$0.8 million, related to the abandonment of certain construction projects. Impairment charges for the six months ended June 30, 2019, were approximately \$2.0 million, related to fair value adjustments of real estate at former EchoPark locations classified as held for sale.

5. Goodwill and Intangible Assets

Pursuant to the applicable accounting pronouncements, we were required to evaluate the recoverability of our long-lived assets during the first quarter of 2020 as a result of the effects of the COVID-19 pandemic on our operations and market value. Based on this evaluation, we determined the carrying value of our franchised dealership reporting unit goodwill was greater than the fair value of the reporting unit. Accordingly, we recorded a non-cash goodwill impairment charge of \$ 268.0 million and a corresponding income tax benefit of \$55.8 million to reduce the carrying value to fair value as of March 31, 2020. We utilized the Discounted Cash Flows ("DCF") method, using unobservable inputs (Level 3) to estimate Sonic's enterprise value as of March 31, 2020 and reconciled the discounted cash flows to Sonic's market capitalization, using quoted market price inputs (Level 1). The significant assumptions in our DCF model include projected earnings, a discount rate (and estimates in the discount rate inputs), control premium factors and residual growth rates. Based on the improvement in our business operations and market value during the second quarter of 2020, as well as our future forecast expectations, no further impairment assessment was required.

The carrying amount of goodwill was approximately \$207.8 million and \$475.8 million as of June 30, 2020 and December 31, 2019, respectively. The carrying amount of goodwill for our franchised dealership reporting unit was \$147.8 million and \$415.8 million as of June 30, 2020 and December 31, 2019, respectively. The carrying amount of goodwill for our EchoPark reporting unit was \$60.0 million as of both June 30, 2020 and December 31, 2019. The total carrying amount of goodwill is net of accumulated impairment losses of approximately \$1.1 billion and \$797.6 million as of June 30, 2020 and December 31, 2019, respectively. The carrying amount of franchise assets was approximately \$64.3 million as of both June 30, 2020 and December 31, 2019.

6. Long-Term Debt

Long-term debt consists of the following:

	June 30, 2020	December 31, 2019
	(In thousands)	
2016 Revolving Credit Facility (1)	\$ —	\$ —
6.125% Senior Subordinated Notes due 2027 (the "6.125% Notes")	250,000	250,000
2019 Mortgage Facility (2)	109,088	109,088
Mortgage notes to finance companies - fixed rate, bearing interest from 3.51% to 7.03%	224,929	194,535
Mortgage notes to finance companies - variable rate, bearing interest at 1.50 to 2.90 percentage points above one-month or three-month LIBOR	173,667	161,345
Subtotal	\$ 757,684	\$ 714,968
Debt issuance costs	(8,153)	(8,082)
Total debt	749,531	706,886
Less current maturities	(72,043)	(69,908)
Long-term debt	\$ 677,488	\$ 636,978

(1) The interest rate on the 2016 Revolving Credit Facility (as defined below) was 150 basis points above the London Inter-bank Offered Rate ("LIBOR") at both June 30, 2020 and December 31, 2019.

(2) The interest rate on the 2019 Mortgage Facility (as defined below) was 150 and 200 basis points above LIBOR at June 30, 2020 and December 31, 2019, respectively.

2016 Credit Facilities

On November 30, 2016, we entered into an amended and restated syndicated revolving credit facility (the "2016 Revolving Credit Facility") and amended and restated syndicated new and used vehicle floor plan credit facilities (the "2016 Floor Plan Facilities" and, together with the 2016 Revolving Credit Facility, the "2016 Credit Facilities"), which are scheduled to mature on November 30, 2021. The amendment and restatement of the 2016 Credit Facilities extended the scheduled maturity date, increased availability under the 2016 Revolving Credit Facility by \$25.0 million and increased availability under the 2016 Floor Plan Facilities by \$215.0 million, among other things.

Availability under the 2016 Revolving Credit Facility is calculated as the lesser of \$250.0 million or a borrowing base calculated based on certain eligible assets, less the aggregate face amount of any outstanding letters of credit under the 2016 Revolving Credit Facility (the "2016 Revolving Borrowing Base"). The 2016 Revolving Credit Facility may be increased at our

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option up to \$300.0 million upon satisfaction of certain conditions. As of June 30, 2020, the 2016 Revolving Borrowing Base was approximately \$96.4 million based on balances as of such date which will go into effect upon filing of this Form 10-Q for the period ended June 30, 2020. As of June 30, 2020, we had no outstanding borrowings and approximately \$13.0 million in outstanding letters of credit under the 2016 Revolving Credit Facility, resulting in \$183.4 million remaining borrowing availability under the 2016 Revolving Credit Facility.

The 2016 Floor Plan Facilities are comprised of a new vehicle revolving floor plan facility (as amended, the “2016 New Vehicle Floor Plan Facility”) and a used vehicle revolving floor plan facility (as amended, the “2016 Used Vehicle Floor Plan Facility”), in a combined amount of up to \$966.0 million. We may, under certain conditions, request an increase in the 2016 Floor Plan Facilities to a maximum borrowing limit of up to \$1.216 billion, which shall be allocated between the 2016 New Vehicle Floor Plan Facility and the 2016 Used Vehicle Floor Plan Facility as we request, with no more than 40% of the aggregate commitments allocated to the commitments under the 2016 Used Vehicle Floor Plan Facility. During the second quarter of 2020, we amended the 2016 Floor Plan Facilities to convert the 2016 Used Vehicle Floor Plan Facility from a borrowing base calculation of availability to a VIN-specific floor plan borrowing and payoff process, which provides additional borrowing flexibility. Outstanding obligations under the 2016 Floor Plan Facilities are guaranteed by us and certain of our subsidiaries and are secured by a pledge of substantially all of our and our subsidiaries’ assets. The amounts outstanding under the 2016 Credit Facilities bear interest at variable rates based on specified percentages above LIBOR.

We agreed under the 2016 Credit Facilities not to pledge any assets to any third parties (other than those explicitly allowed to be pledged by the amended terms of the 2016 Credit Facilities), including other lenders, subject to certain stated exceptions, including floor plan financing arrangements. In addition, the 2016 Credit Facilities contain certain negative covenants, including covenants which could restrict or prohibit indebtedness, liens, the payment of dividends, capital expenditures and material dispositions and acquisitions of assets, as well as other customary covenants and default provisions. Specifically, the 2016 Credit Facilities permit cash dividends on our Class A and Class B Common Stock so long as no Event of Default (as defined in the 2016 Credit Facilities) has occurred and is continuing and provided that we remain in compliance with all financial covenants under the 2016 Credit Facilities.

6.125% Notes

On March 10, 2017, we issued \$250.0 million in aggregate principal amount of unsecured senior subordinated 6.125% Notes which mature on March 15, 2027. The 6.125% Notes were issued at a price of 100.0% of the principal amount thereof. Balances outstanding under the 6.125% Notes are guaranteed by all of our domestic operating subsidiaries. These guarantees are full and unconditional and joint and several. The parent company has no independent assets or operations. The non-domestic operating subsidiary that is not a guarantor is considered to be minor. Interest on the 6.125% Notes is payable semi-annually in arrears on March 15 and September 15 of each year.

We may redeem the 6.125% Notes, in whole or in part, at any time on or after March 15, 2022 at the following redemption prices, which are expressed as percentages of the principal amount:

	Redemption Price
Beginning on March 15, 2022	103.063 %
Beginning on March 15, 2023	102.042 %
Beginning on March 15, 2024	101.021 %
Beginning on March 15, 2025 and thereafter	100.000 %

Before March 15, 2022, we may redeem all or a part of the 6.125% Notes at a redemption price equal to 100.0% of the aggregate principal amount of the 6.125% Notes redeemed, plus the Applicable Premium (as defined in the indenture governing the 6.125% Notes) and accrued and unpaid interest, if any, to the redemption date. The indenture governing the 6.125% Notes also provides that holders of the 6.125% Notes may require us to repurchase the 6.125% Notes at a purchase price equal to 101.0% of the aggregate principal amount of the 6.125% Notes, plus accrued and unpaid interest, if any, to the date of purchase if we undergo a Change of Control (as defined in the indenture governing the 6.125% Notes).

The indenture governing the 6.125% Notes contains certain specified restrictive covenants. We have agreed not to pledge any assets to any third-party lender of senior subordinated debt except under certain limited circumstances. We also have agreed to certain other limitations or prohibitions concerning the incurrence of other indebtedness, guarantees, liens, certain types of investments, certain transactions with affiliates, mergers, consolidations, issuance of preferred stock, cash dividends to stockholders, distributions, redemptions and the sale, assignment, lease, conveyance or disposal of certain assets. Specifically, the indenture governing the 6.125% Notes limits our ability to pay quarterly cash dividends on our Class A and Class B

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Common Stock in excess of \$0.12 per share. We may only pay quarterly cash dividends on our Class A and Class B Common Stock if we comply with the terms of the indenture governing the 6.125% Notes. We were in compliance with all restrictive covenants in the indenture governing the 6.125% Notes as of June 30, 2020.

Our obligations under the 6.125% Notes may be accelerated by the holders of 25% of the outstanding principal amount of the 6.125% Notes then outstanding if certain events of default occur, including: (1) defaults in the payment of principal or interest when due; (2) defaults in the performance, or breach, of our covenants under the 6.125% Notes; and (3) certain defaults under other agreements under which we or our subsidiaries have outstanding indebtedness in excess of \$50.0 million.

2019 Mortgage Facility

On November 22, 2019, we entered into a delayed draw-term loan credit agreement which is scheduled to mature on November 22, 2024 (the "2019 Mortgage Facility").

Under the 2019 Mortgage Facility, Sonic has a maximum borrowing limit of \$112.2 million, which varies based on the value of the collateral underlying the 2019 Mortgage Facility. The amount available for borrowing under the 2019 Mortgage Facility is subject to compliance with a borrowing base. The borrowing base is calculated based on 75% of the appraisal value of certain eligible real estate designated by Sonic and owned by certain of our subsidiaries. As of June 30, 2020, we had approximately \$109.1 million of outstanding borrowings under the 2019 Mortgage Facility, resulting in total remaining borrowing availability of approximately \$3.1 million under the 2019 Mortgage Facility.

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

The 2019 Mortgage Facility contains usual and customary representations and warranties, and usual and customary affirmative and negative covenants, including covenants which could restrict or prohibit indebtedness, liens, the payment of dividends and other restricted payments, capital expenditures and material dispositions and acquisitions of assets, as well as other customary covenants and default provisions. Specifically, the 2019 Mortgage Facility permits quarterly cash dividends on our Class A and Class B Common Stock up to \$0.10 per share so long as no Event of Default (as defined in the 2019 Mortgage Facility) has occurred and is continuing and provided that we remain in compliance with all financial covenants under the 2019 Mortgage Facility.

Mortgage Notes to Finance Companies

As of June 30, 2020, the weighted-average interest rate of our other outstanding mortgage notes (excluding the 2019 Mortgage Facility) was 3.56% and the total outstanding mortgage principal balance of these notes (excluding the 2019 Mortgage Facility) was approximately \$398.6 million. These mortgage notes require monthly payments of principal and interest through their respective maturities, are secured by the underlying properties and contain certain cross-default provisions. Maturity dates for these mortgage notes range between 2020 and 2033.

2020 Line of Credit Facility

On June 23, 2020, we entered into a line of credit agreement which is scheduled to mature on June 22, 2021 (the "2020 Line of Credit Facility").

The 2020 Line of Credit Facility has borrowing availability of up to \$69.0 million which can be used for general corporate purposes. The amount available for borrowing under the 2020 Line of Credit Facility is directly tied to the appraisal value of certain real estate properties of the Company which are used as collateral for any funds drawn under the 2020 Line of Credit Facility. As of June 30, 2020, we had no outstanding borrowings under the 2020 Line of Credit Facility, resulting in \$69.0 million remaining borrowing availability under the 2020 Line of Credit Facility.

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The 2020 Line of Credit Facility contains usual and customary representations and warranties, and usual and customary affirmative and negative covenants, including covenants which could restrict or prohibit indebtedness, liens, the payment of dividends and other restricted payments, capital expenditures and material dispositions and acquisitions of assets, as well as other customary covenants and default provisions. Specifically, the 2020 Line of Credit Facility permits quarterly cash dividends on our Class A and Class B Common Stock up to \$0.10 per share so long as no Event of Default (as defined in the 2020 Line of Credit Facility) has occurred and is continuing and provided that we remain in compliance with all financial covenants under the 2020 Line of Credit Facility.

Covenants

We agreed under the 2016 Credit Facilities, the 2019 Mortgage Facility and the 2020 Line of Credit Facility not to pledge any assets to any third parties (other than those explicitly allowed to be pledged by the amended terms of the 2016 Credit Facilities, the 2019 Mortgage Facility and the 2020 Line of Credit Facility), including other lenders, subject to certain stated exceptions, including floor plan financing arrangements. In addition, the 2016 Credit Facilities, the 2019 Mortgage Facility and the 2020 Line of Credit Facility contain certain negative covenants, including covenants which could restrict or prohibit indebtedness, liens, the payment of dividends and other restricted payments, capital expenditures and material dispositions and acquisitions of assets, as well as other customary covenants and default provisions.

We were in compliance with the financial covenants under the 2016 Credit Facilities, the 2019 Mortgage Facility and the 2020 Line of Credit Facility as of June 30, 2020. Financial covenants include required specified ratios (as each is defined in the 2016 Credit Facilities, the 2019 Mortgage Facility and the 2020 Line of Credit Facility) of:

	Covenant		
	Minimum Consolidated Liquidity Ratio	Minimum Consolidated Fixed Charge Coverage Ratio	Maximum Consolidated Total Lease Adjusted Leverage Ratio
Required ratio	1.05	1.20	5.75
June 30, 2020 actual	1.13	2.10	3.23

The 2016 Credit Facilities, the 2019 Mortgage Facility and the 2020 Line of Credit Facility contain events of default, including cross defaults to other material indebtedness, change of control events and other events of default customary for syndicated commercial credit facilities. Upon the future occurrence of an event of default, we could be required to immediately repay all outstanding amounts under the 2016 Credit Facilities the 2019 Mortgage Facility, and the 2020 Line of Credit Facility.

After giving effect to the applicable restrictions on the payment of dividends under our debt agreements, as of June 30, 2020, we had approximately \$84.9 million of net income and retained earnings free of such restrictions. We were in compliance with all restrictive covenants under our debt agreements as of June 30, 2020.

In addition, many of our facility leases are governed by a guarantee agreement between the landlord and us that contains financial and operating covenants. The financial covenants under the guarantee agreement are identical to those under the 2016 Credit Facilities, the 2019 Mortgage Facility and the 2020 Line of Credit Facility with the exception of one additional financial covenant related to the ratio of EBTDAR to Rent (as defined in the guarantee agreement) with a required ratio of no less than 1.50 to 1.00. As of June 30, 2020, the ratio was 5.88 to 1.00.

Derivative Instruments and Hedging Activities

Prior to March 9, 2018, we had outstanding interest rate cash flow swap agreements to effectively convert a portion of our LIBOR-based variable rate debt to a fixed rate. These interest rate cash flow swap agreements were terminated on March 9, 2018 with a net \$4.8 million payment to us from the counterparties, which is being amortized into income as a reduction of interest expense, other, net in the accompanying unaudited condensed consolidated statements of operations on a ratable basis over the original term of these agreements (through July 1, 2020). As of both June 30, 2020 and December 31, 2019, we had interest rate cap agreements to limit our exposure to increases in LIBOR rates above certain levels. Under the terms of these interest rate cap agreements, interest rates reset monthly. We paid cash premiums of approximately \$2.5 million and \$2.8 million in the years ended December 31, 2019 and 2018, respectively, upon entering into new interest rate cap agreements, and the cash premiums were reflected in operating cash flows for the period in which the premiums were paid. The total unamortized premium amounts related to the outstanding interest rate caps were approximately \$2.9 million and \$3.7 million as of June 30, 2020 and December 31, 2019, respectively, and will be amortized into interest expense, other, net in the accompanying unaudited condensed consolidated statements of operations over the remaining term of the interest rate cap agreements. The fair value of the outstanding interest rate cap positions at June 30, 2020 was an asset of approximately \$0.1 million, included in other assets in the accompanying unaudited condensed consolidated balance sheet as of such date. The fair

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value of the outstanding interest rate cap positions at December 31, 2019 was a net asset of approximately \$0.1 million, included in other assets in the accompanying unaudited condensed consolidated balance sheet as of such date.

Under the terms of the interest rate cap agreements, to the extent that the stated receive rate exceeds the stated cap rate, we will receive interest based on the following:

Notional Amount (In millions)	Cap Rate (1)	Receive Rate (1) (2)	Start Date	End Date
\$ 312.5	2.000%	one-month LIBOR	July 1, 2019	June 30, 2020
\$ 250.0	3.000%	one-month LIBOR	July 1, 2019	June 30, 2020
\$ 225.0	3.000%	one-month LIBOR	July 1, 2020	June 30, 2021
\$ 150.0	2.000%	one-month LIBOR	July 1, 2020	July 1, 2021
\$ 250.0	3.000%	one-month LIBOR	July 1, 2021	July 1, 2022

(1) Under these interest rate caps, no payment from the counterparty will occur unless the stated receive rate exceeds the stated cap rate, in which case a net payment to us from the counterparty, based on the spread between the receive rate and the cap rate, will be recognized as a reduction of interest expense, other, net in the accompanying unaudited condensed consolidated statements of operations.

(2) The one-month LIBOR rate was approximately 0.162% at June 30, 2020.

The interest rate caps are designated as cash flow hedges, and the changes in the fair value of these instruments are recorded in other comprehensive income (loss) in the accompanying unaudited condensed consolidated statements of comprehensive operations and are disclosed in the supplemental schedule of non-cash financing activities in the accompanying unaudited condensed consolidated statements of cash flows. There was no incremental interest income (the excess of interest received over interest paid) related to the interest rate caps for the three and six months ended June 30, 2020. The incremental interest income (the excess of interest received over interest paid) related to the interest rate caps for the three and six months ended June 30, 2019 was approximately \$0.5 million and \$0.9 million, respectively, and is included as a reduction of interest expense, other, net in the accompanying unaudited condensed consolidated statements of operations, and the interest amount is disclosed in the supplemental disclosures of cash flow information in the accompanying unaudited condensed consolidated statements of cash flows. The estimated net benefit expected to be reclassified out of accumulated other comprehensive income (loss) into results of operations during the next 12 months is approximately \$0.2 million.

7. Commitments and Contingencies

Legal and Other Proceedings

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

Included in other accrued liabilities and other long-term liabilities in the accompanying unaudited condensed consolidated balance sheet as of June 30, 2020 was approximately \$0.3 million and \$0.2 million, respectively, in reserves that Sonic was holding for pending proceedings. Included in other accrued liabilities and other long-term liabilities in the accompanying unaudited condensed consolidated balance sheet as of December 31, 2019 was approximately \$1.2 million and \$0.3 million, respectively, for such reserves. Except as reflected in such reserves, Sonic is currently unable to estimate a range of reasonably possible loss, or a range of reasonably possible loss in excess of the amount accrued, for pending proceedings.

Guarantees and Indemnification Obligations

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

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

In accordance with the terms of agreements entered into for the sale of Sonic's dealerships, Sonic generally agrees to indemnify the buyer from certain liabilities and costs arising subsequent to the date of sale, including environmental exposure and exposure resulting from the breach of representations or warranties made in accordance with the agreements. While Sonic's exposure with respect to environmental remediation and repairs is difficult to quantify, Sonic's maximum exposure associated with these general indemnifications was approximately \$42.0 million and \$46.5 million at June 30, 2020 and December 31, 2019, respectively. These indemnifications typically expire within a period of one to three years following the date of sale. The estimated fair value of these indemnifications was not material and the amount recorded for this contingency was not significant at June 30, 2020.

Sonic also guarantees the floor plan commitments of its 50%-owned joint venture, the amount of which was approximately \$4.3 million at both June 30, 2020 and December 31, 2019.

8. Fair Value Measurements

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

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

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

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

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

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

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Assets and liabilities recorded at fair value in the accompanying unaudited condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019 are as follows:

	Fair Value Based on Significant Other Observable Inputs (Level 2)	
	June 30, 2020	December 31, 2019
	(In thousands)	
Assets:		
Cash surrender value of life insurance policies (1)	\$ 32,805	\$ 32,799
Interest rate caps designated as hedges (2)	53	97
Total assets	<u>\$ 32,858</u>	<u>\$ 32,896</u>
Liabilities:		
Deferred compensation plan (3)	\$ 18,107	\$ 17,890
Total liabilities	<u>\$ 18,107</u>	<u>\$ 17,890</u>

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

(2) As of both June 30, 2020 and December 31, 2019, approximately \$0.1 million was included in other assets in the accompanying unaudited condensed consolidated balance sheet as of each such date.

(3) Included in other long-term liabilities in the accompanying unaudited condensed consolidated balance sheets.

There were \$268.8 million of impairment charges related to indefinite and long-lived assets assessed during the six months ended June 30, 2020 which required a fair value measurement of assets ordinarily measured at fair value on a non-recurring basis. Goodwill and property and equipment, net balances have been adjusted for fair value through impairment charges using Level 1 and Level 3 fair value inputs as discussed in Note 4, "Property and Equipment," and Note 5, "Goodwill and Intangible Assets." Remaining intangible and long-lived assets will be evaluated as of the annual valuation assessment date of October 1, 2020 or as events or changes in circumstances require.

As of June 30, 2020 and December 31, 2019, the fair values of Sonic's financial instruments, including receivables, notes receivable from finance contracts, notes payable – floor plan, trade accounts payable, borrowings under the revolving credit facilities and certain mortgage notes, approximated their carrying values due either to length of maturity or existence of variable interest rates that approximate prevailing market rates.

At June 30, 2020 and December 31, 2019, the fair value and carrying value of Sonic's significant fixed rate long-term debt were as follows:

	June 30, 2020		December 31, 2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	(In thousands)			
6.125% Notes (1)	\$ 247,500	\$ 250,000	\$ 261,250	\$ 250,000
Mortgage Notes (2)	\$ 230,669	\$ 224,929	\$ 195,962	\$ 194,535

(1) As determined by market quotations as of June 30, 2020 and December 31, 2019, respectively (Level 1).

(2) As determined by discounted cash flows (Level 3) based on estimated current market interest rates for comparable instruments.

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9. Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component for the six months ended June 30, 2020 are as follows:

	Gains and (Losses) on Cash Flow Hedges	Defined Benefit Pension Plan	Total Accumulated Other Comprehensive Income (Loss)
(In thousands)			
Balance at December 31, 2019	\$ (1,326)	\$ (736)	\$ (2,062)
Other comprehensive income (loss) before reclassifications (1)	632	—	632
Amounts reclassified out of accumulated other comprehensive income (loss) (2)	(1,159)	—	(1,159)
Net current-period other comprehensive income (loss)	(527)	—	(527)
Balance at June 30, 2020	<u>\$ (1,853)</u>	<u>\$ (736)</u>	<u>\$ (2,589)</u>

(1) Net of tax expense of \$148 related to cash flow hedges.

(2) Net of tax benefit of \$473 related to cash flow hedges.

See the heading “Derivative Instruments and Hedging Activities” in Note 6, “Long-Term Debt,” for further discussion of Sonic’s cash flow hedges. For further discussion of Sonic’s defined benefit pension plan, see Note 10, “Employee Benefit Plans,” to the consolidated financial statements in Sonic’s Annual Report on Form 10-K for the year ended December 31, 2019.

10. Segment Information

As of June 30, 2020, Sonic had two operating segments comprised of: (1) retail automotive franchises that sell new vehicles and buy and sell used vehicles, sell replacement parts, perform vehicle repair and maintenance services, and arrange finance and insurance products (the “Franchised Dealerships Segment”); and (2) pre-owned vehicle specialty retail locations that provide customers an opportunity to search our nationwide inventory, purchase a pre-owned vehicle, select finance and insurance products and sell their current vehicle to us (the “EchoPark Segment”). Sonic has determined that its operating segments also represent its reportable segments.

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

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Reportable segment financial information for the three and six months ended June 30, 2020 and 2019 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(In thousands)				
Segment Revenues:				
Franchised Dealerships Segment revenues:				
New vehicles	\$ 900,003	\$ 1,204,754	\$ 1,859,492	\$ 2,271,088
Used vehicles	535,699	637,090	1,102,587	1,241,039
Wholesale vehicles	28,509	43,720	70,948	96,253
Parts, service and collision repair	251,998	347,337	576,499	683,563
Finance, insurance and other, net	80,401	89,507	163,429	170,028
Franchised Dealerships Segment revenues	<u>\$ 1,796,610</u>	<u>\$ 2,322,408</u>	<u>\$ 3,772,955</u>	<u>\$ 4,461,971</u>
EchoPark Segment revenues:				
Used vehicles	\$ 273,178	\$ 248,537	\$ 556,343	\$ 464,953
Wholesale vehicles	4,666	6,319	10,770	8,557
Parts, service and collision repair	7,060	7,975	17,239	13,179
Finance, insurance and other, net	30,372	28,842	62,635	54,559
EchoPark Segment revenues	<u>\$ 315,276</u>	<u>\$ 291,673</u>	<u>\$ 646,987</u>	<u>\$ 541,248</u>
Total consolidated revenues	<u>\$ 2,111,886</u>	<u>\$ 2,614,081</u>	<u>\$ 4,419,942</u>	<u>\$ 5,003,219</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(In thousands, except unit data)				
Segment Income (Loss) (1):				
Franchised Dealerships Segment (2)	\$ 35,689	\$ 35,129	\$ 58,346	\$ 96,310
EchoPark Segment	2,577	1,693	4,672	3,800
Total segment income (loss)	\$ 38,266	\$ 36,822	\$ 63,018	\$ 100,110
Impairment charges (3)	(833)	—	(268,833)	(1,952)
Income (loss) from continuing operations before taxes	<u>\$ 37,433</u>	<u>\$ 36,822</u>	<u>\$ (205,815)</u>	<u>\$ 98,158</u>

Retail New and Used Vehicle Unit Sales Volume:				
Franchised Dealerships Segment	43,864	57,067	91,626	109,676
EchoPark Segment	13,207	12,587	27,193	23,638
Total retail new and used vehicle unit sales volume	<u>57,071</u>	<u>69,654</u>	<u>118,819</u>	<u>133,314</u>

- (1) Segment income (loss) for each segment is defined as income (loss) from continuing operations before taxes and impairment charges.
- (2) For the six months ended June 30, 2019, the above amount includes a pre-tax net gain on the disposal of franchised dealerships of approximately \$46.7 million, offset partially by approximately \$6.3 million of pre-tax executive transition costs.
- (3) For the three months ended June 30, 2020, the above amount includes a pre-tax impairment charge of approximately \$0.8 million related to the abandonment of certain construction projects. For the six months ended June 30, 2020, the above amount includes a pre-tax impairment charge of approximately \$268.0 million related to adjustments in fair value of goodwill for the Franchised Dealerships Segment as a result of the economic disruptions due to the worldwide spread of

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COVID-19 which has adversely affected our business, as well as a pre-tax impairment charge of approximately \$0.8 million related to the abandonment of certain construction projects. For the six months ended June 30, 2019, the above amount includes approximately \$1.9 million of pre-tax fair value adjustments to real estate at former EchoPark locations classified as held for sale.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Impairment Charges:				
Franchised Dealerships Segment	\$ 833	\$ —	\$ 268,833	\$ 26
EchoPark Segment	—	—	—	1,926
Total impairment charges	\$ 833	\$ —	\$ 268,833	\$ 1,952

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Depreciation and Amortization:				
Franchised Dealerships Segment	\$ 19,895	\$ 21,144	\$ 39,484	\$ 41,381
EchoPark Segment	2,752	2,662	5,460	5,075
Total depreciation and amortization	\$ 22,647	\$ 23,806	\$ 44,944	\$ 46,456

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Floor Plan Interest Expense:				
Franchised Dealerships Segment	\$ 5,675	\$ 11,597	\$ 15,283	\$ 24,102
EchoPark Segment	639	921	1,539	1,642
Total floor plan interest expense	\$ 6,314	\$ 12,518	\$ 16,822	\$ 25,744

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Interest Expense, Other, Net:				
Franchised Dealerships Segment	\$ 9,557	\$ 13,192	\$ 20,156	\$ 25,606
EchoPark Segment	240	436	606	875
Total interest expense, other, net	\$ 9,797	\$ 13,628	\$ 20,762	\$ 26,481

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Capital Expenditures:				
Franchised Dealerships Segment	\$ 35,388	\$ 16,449	\$ 52,637	\$ 41,678
EchoPark Segment	6,540	4,165	9,096	9,556
Total capital expenditures	\$ 41,928	\$ 20,614	\$ 61,733	\$ 51,234

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	June 30, 2020	December 31, 2019
(In thousands)		
Assets:		
Franchised Dealerships Segment assets	\$ 3,072,380	\$ 3,797,878
EchoPark Segment assets	407,321	244,054
Corporate and other:		
Cash and cash equivalents	115,724	29,103
Total assets	<u>\$ 3,595,425</u>	<u>\$ 4,071,035</u>

11. Lease Accounting

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

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

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

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

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

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

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

ASC 842, "Leases," requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, we cannot determine the interest rate implicit in the lease because we do not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, we generally use our incremental borrowing rate as the discount rate for the lease. We determined the discount rate for our leases based on the risk-free rate as of the measurement date for varying maturities corresponding to the remaining lease term, adjusted for the risk-premium attributed to Sonic's corporate credit rating for a secured or collateralized instrument.

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

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

In certain situations, we have entered into sublease agreements whereby we sublease all or a portion of a leased real estate asset to a third party. To the extent that we have a sublease related to a lease agreement for an asset that we are no longer using in operations, we have reduced the ROU asset by any applicable net deficiency in expected cash flows from that sublease (either due to partial monthly sublease proceeds or a sublease term less than the remaining master lease term).

Following is information related to changes in our ROU asset and lease liability balances and other financial information for the six months ended June 30, 2020:

	December 31, 2019	New Leases	Modifications (1)	Reduction / Amortization	June 30, 2020
(In thousands)					
ROU Assets:					
Finance Leases	\$ 34,691	\$ —	\$ 5,305	\$ (1,483)	\$ 38,513
Operating Leases	337,842	23	25,293	(21,748)	341,410
Total ROU Assets	<u>\$ 372,533</u>	<u>\$ 23</u>	<u>\$ 30,598</u>	<u>\$ (23,231)</u>	<u>\$ 379,923</u>
Current Lease Liabilities:					
Finance Leases	\$ 1,564	\$ —	\$ 18,566	\$ (18,887)	\$ 1,243
Operating Leases	43,332	70	1,504	(167)	44,739
Total Current Lease Liabilities	<u>\$ 44,896</u>	<u>\$ 70</u>	<u>\$ 20,070</u>	<u>\$ (19,054)</u>	<u>\$ 45,982</u>
Long-Term Lease Liabilities:					
Finance Leases	\$ 36,313	\$ —	\$ 4,694	\$ (733)	\$ 40,274
Operating Leases	304,151	—	24,604	(21,227)	307,528
Total Long-Term Lease Liabilities	<u>\$ 340,464</u>	<u>\$ —</u>	<u>\$ 29,298</u>	<u>\$ (21,960)</u>	<u>\$ 347,802</u>

(1) Includes the impact of remeasurements related to lease terminations and changes in assumptions around the probability of exercise of extension options.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(In thousands)				
Lease Expense:				
Finance lease expense:				
Reduction of ROU assets	\$ 727	\$ 862	\$ 1,483	\$ 1,572
Interest on lease liabilities	1,337	1,339	2,681	2,515
Operating lease expense (1)	16,546	17,057	33,156	35,054
Short-term lease expense (1)	337	473	757	900
Variable lease expense	244	683	962	797
Sublease income	(3,074)	(3,806)	(6,174)	(7,384)
Total	<u>\$ 16,117</u>	<u>\$ 16,608</u>	<u>\$ 32,865</u>	<u>\$ 33,454</u>

(1) Included in operating cash flows in the accompanying unaudited condensed consolidated statement of cash flows as of June 30, 2020.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(In thousands)				
Other Information:				
Cash paid for amounts included in the measurement of lease liabilities				
Financing cash flows for finance leases	\$ 19,283	\$ 502	\$ 19,620	\$ 782
Operating cash flows for finance leases	\$ 1,337	\$ 1,339	\$ 2,681	\$ 2,515
Operating cash flows for operating leases	\$ 16,049	\$ 18,315	\$ 32,801	\$ 36,784
ROU assets obtained in exchange for lease liabilities				
Finance leases	\$ 7,359	\$ 9,290	\$ 14,088	\$ 19,273
Operating leases (1)	\$ 8,172	\$ 1,541	\$ 35,397	\$ (9,170)

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

	June 30, 2020	June 30, 2019
Other Information:		
Weighted-average remaining lease term (in years)		
Finance leases	11.5	11.2
Operating leases	9.4	9.7
Weighted-average discount rate		
Finance leases	17.57 %	18.33 %
Operating leases	6.59 %	6.87 %

	Undiscounted Lease Cash Flows Under ASC 842 as of June 30, 2020		
	Finance	Operating	Receipts from Subleases
(In thousands)			
Year Ending December 31,			
Remainder of 2020	\$ 3,469	\$ 33,143	\$ (6,036)
2021	7,069	62,679	(8,811)
2022	7,077	56,081	(6,103)
2023	7,138	54,206	(6,103)
2024	7,257	48,783	(5,042)
Thereafter	49,430	225,538	(4,270)
Total	<u>\$ 81,440</u>	<u>\$ 480,430</u>	<u>\$ (36,365)</u>
Less: Present value discount	(39,923)	(128,163)	
Lease liabilities	<u>\$ 41,517</u>	<u>\$ 352,267</u>	

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes thereto and "Item 1A. Risk Factors" in this report, as well as the consolidated financial statements and related notes thereto, "Item 1A. Risk Factors" and "Item 7. 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, 2019.

Except to the extent that differences among operating segments are material to an understanding of our business taken as a whole, we present the discussion in this Management's Discussion and Analysis of Financial Condition and Results of Operations on a consolidated basis.

Overview

We are one of the largest automotive retailers in the United States (the "U.S.") (as measured by total revenue). As a result of the way we manage our business, we had two reportable segments as of June 30, 2020: (1) the Franchised Dealerships Segment and (2) the EchoPark Segment. For management and operational reporting purposes, we group certain businesses together that share management and inventory (principally used vehicles) into "stores." As of June 30, 2020, we operated 85 stores in the Franchised Dealerships Segment and 10 stores in the EchoPark Segment. The Franchised Dealerships Segment consists of 98 new vehicle franchises (representing 21 different brands of cars and light trucks) and 15 collision repair centers in 12 states.

The Franchised Dealerships Segment provides comprehensive services, including (1) sales of both new and used cars and light trucks; (2) sales of replacement parts and performance of vehicle maintenance, manufacturer warranty repairs, and paint and collision repair services (collectively, "Fixed Operations"); and (3) arrangement of extended warranties, service contracts, financing, insurance and other aftermarket products (collectively, "finance and insurance" or "F&I") for our customers. The EchoPark Segment sells used cars and light trucks and arranges F&I product sales for our customers in pre-owned vehicle specialty retail locations. Our EchoPark business operates independently from our franchised dealerships business. As of June 30, 2020, we had three EchoPark stores in operation in Colorado, four in Texas, one in North Carolina, one in California and one in Florida. By the end of 2020, we expect to open three additional EchoPark stores. We believe that the continued expansion of our EchoPark business will provide long-term benefits to the Company, our stockholders and our guests.

The COVID-19 pandemic negatively impacted the global economy beginning in the first quarter of 2020. During the first half of 2020, the impact on the economy affected both consumer demand and supply of manufactured goods as many countries around the world and states in the U.S. mandated restrictions on citizen movements (i.e., shelter-in-place or stay-at-home orders) or on retail trade or manufacturing activities at physical locations. As a result, many businesses curtailed operations and furloughed or terminated many positions. Our management team took various actions in an attempt to mitigate the financial impact of COVID-19 on our business during the first half of 2020. We placed approximately 1,700 teammates on unpaid leave (most of whom have returned to work), terminated an additional 1,200 teammates and implemented additional compensation expense reductions. We also took actions to reduce our advertising expenses and other spending, and postponed certain capital expenditures. We also took steps to improve our liquidity position as we navigated the early stages of the COVID-19 pandemic.

All of our store operations have been impacted by the crisis to varying degrees. As of March 31, 2020, the majority of our stores were not permitted to conduct retail sales of new and used vehicles at our physical locations. Those locations could offer virtual sales transactions with "contactless" delivery to customers. As of June 30, 2020, most of such restrictions have been relaxed; however, our stores remain subject to certain health and safety policies and practices that may affect the way we sell vehicles and interact with our guests. Due to the critical nature of automotive repair, our fixed operations were deemed "essential" by governmental agencies and have been able to continue to conduct business throughout the pandemic to date, but must maintain certain local standards for social distancing to promote the health and safety of our teammates and guests. As a result of these restrictions and their effect on consumer behavior, in the last several weeks of March 2020, we experienced 30%-50% declines in unit sales of new and used vehicles (as compared to the prior year period) and 15%-30% reductions in repair order activity in fixed operations. The entire month of April 2020 was more severely impacted, with new and used vehicle same store unit sales volume 30%-40% below the prior year period and fixed operations same store gross profit approximately 45% below the prior year period. Beginning in May 2020, new and used vehicle unit sales volume and fixed operations repair activity began to improve as state and local jurisdictions relaxed their shelter-in-place or stay-at-home orders and consumer activity began to recover. For the month of June 2020, new vehicle same store unit sales volume was down approximately 15%, used vehicle same store unit sales volume was up approximately 9%, and fixed operations same store gross profit was down approximately 2% compared to the prior year period.

The effects of the COVID-19 pandemic continue to evolve. While we currently expect to see continued recovery in the second half of 2020, the outbreak may cause changes in customer behaviors, including a potential reduction in consumer spending for vehicles and automotive repairs. We have begun to see shortages of new vehicle inventory at the end of June and lack of supply of these vehicles may impact our operations in the third quarter. If there is a second wave of shutdowns in the second half of the year due to the continuous outbreak of COVID-19, we would again expect to face headwinds on the demand side of our business. In addition, uncertainties in the global economy may negatively impact our suppliers and other business partners, which may interrupt our supply chain and require other changes to our operations. These and other factors may adversely impact our revenues, operating income and earnings per share financial measures.

Executive Summary

The U.S. retail automotive industry's total new vehicle (retail and fleet combined) seasonally adjusted annual rate of sales ("SAAR") decreased 33.5% and 22.9%, to 11.3 million and 13.1 million vehicles, in the three and six months ended June 30, 2020, respectively, compared to 17.0 million vehicles in both the three and six months ended June 30, 2019, according to data from Bloomberg Finance L.P., provided by Stephens Inc. Prior to COVID-19, analysts' industry expectation for the total new vehicle SAAR in 2020 ranged from 16.0 million to 17.0 million vehicles. It is difficult to anticipate what the total new vehicle SAAR may be in 2020 and beyond due to the rapidly evolving circumstances around the COVID-19 pandemic and related economic impact. Further changes in consumer confidence, unemployment levels, availability of consumer financing, manufacturer inventory production levels or incentive levels from automotive manufacturers or government programs could cause actual 2020 total new vehicle SAAR to vary. Many factors, including brand and geographic concentrations as well as the industry sales mix between retail and fleet new vehicle unit sales volume, have caused our past results to differ from the industry's overall trend. Since we do not participate in any material manner in fleet sales, we believe it is appropriate to compare our retail new vehicle unit sales volume to the retail new vehicle SAAR (which excludes fleet new vehicle sales). According to the Power Information Network ("PIN") from J.D. Power, retail new vehicle SAAR was 10.4 million vehicles for the three months ended June 30, 2020, a decrease of 23.0% from 13.5 million vehicles in the prior year period, and 11.0 million vehicles for the six months ended June 30, 2020, a decrease of 16.0% from 13.1 million vehicles in the prior year period.

As a result of the disposition, termination or closure of several franchised dealerships and EchoPark stores during and since the period ended June 30, 2019, the change in consolidated reported amounts from period to period may not be indicative of the actual operational or financial performance of our current group of operating stores. Please refer to the same store tables and discussion on the following pages for more meaningful comparison and discussion of financial results on a comparable store basis.

Unless otherwise noted, all discussion of increases or decreases are for the three and six months ended June 30, 2020 and are compared to the same prior year period, as applicable. The following discussion of new vehicles, used vehicles, wholesale vehicles, parts, service and collision repair, and finance, insurance and other, net are on a same store basis, except where otherwise noted. All currently operating stores (both our franchised dealerships and EchoPark stores) are included within the same store group in the first full month following the first anniversary of the store's opening or acquisition.

See the "Future Liquidity Outlook" section for further discussion related to actions taken to preserve and increase liquidity.

Franchised Dealerships Segment

New vehicle revenue decreased 21.8% and 13.8% during the three and six months ended June 30, 2020, respectively, primarily driven by a 24.6% and 15.9% decrease in new vehicle unit sales volume, respectively. New vehicle gross profit decreased 18.1% and 15.1% during the three and six months ended June 30, 2020, respectively, despite an 8.6% and 0.9% increase in new vehicle gross profit per unit, respectively. New vehicle gross profit per unit increased \$176 per unit, or 8.6%, to \$2,218 per unit in the three months ended June 30, 2020, and increased \$20 per unit, or 0.9%, to \$2,153 per unit in the six months ended June 30, 2020, due primarily to inventory shortages in certain makes and models as a result of vehicle manufacturer supply chain and production delays as a result of the COVID-19 pandemic, which generally increases the average selling price of such vehicles.

Retail used vehicle revenue decreased 12.2% and 7.1% during the three and six months ended June 30, 2020, respectively, primarily driven by an 11.7% and 5.2% decrease in retail used vehicle unit sales volume, respectively. Retail used vehicle gross profit decreased 23.6% and 12.5% during the three and six months ended June 30, 2020, respectively, primarily driven by a decrease in retail used vehicle gross profit per unit during both the three and six months ended June 30, 2020. Retail used vehicle gross profit per unit decreased \$176 per unit, or 13.6%, to \$1,122 per unit in the three months ended June 30, 2020, and decreased \$100 per unit, or 7.8%, to \$1,186 per unit in the six months ended June 30, 2020, as a result of strategic vehicle pricing decisions made in March through June 2020 to address lower demand as a result of the COVID-19 pandemic. Wholesale vehicle gross loss decreased approximately \$0.1 million, or 24.7%, during the three months ended June 30, 2020.

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Wholesale vehicle gross loss per unit was flat during the three months ended June 30, 2020. Wholesale vehicle gross loss decreased approximately \$1.0 million, or 73.6%, during the six months ended June 30, 2020, primarily driven by a decrease in wholesale vehicle gross loss per unit of \$71, or 68.9%. We generally focus on maintaining used vehicle inventory days' supply in the 30- to 35-day range, which may fluctuate seasonally, in order to limit our exposure to market pricing volatility. On a trailing quarter vehicle cost of sales basis, our reported franchised dealerships used vehicle inventory days' supply was approximately 25 and 27 days as of June 30, 2020 and 2019, respectively.

Fixed Operations revenue decreased 24.5% and 11.9% during the three and six months ended June 30, 2020, respectively, driven primarily by lower consumer demand for repairs as a result of shelter-in-place or stay-at-home orders related to the COVID-19 pandemic. Fixed Operations gross profit decreased 24.4% during the three months ended June 30, 2020, driven primarily by a 16.0% decrease in customer pay (as hereinafter defined) gross profit. Fixed Operations gross profit decreased 11.6% during the six months ended June 30, 2020, driven primarily by a 5.6% decrease in customer pay gross profit. Fixed Operations gross margin was flat during the three months ended June 30, 2020. Fixed Operations gross margin increased 10 basis points, to 48.9%, during the six months ended June 30, 2020, driven primarily by an increase in customer pay gross margin.

F&I revenue decreased 8.3% and 1.1% during the three and six months ended June 30, 2020, respectively, driven primarily by a 17.6% and 10.5% decrease in retail unit sales volume during the three and six months ended June 30, 2020, respectively. F&I gross profit per retail unit increased \$176 per unit, or 11.3%, to \$1,730 per unit, in the three months ended June 30, 2020. F&I gross profit per retail unit increased \$161 per unit, or 10.5%, to \$1,699 per unit, in the six months ended June 30, 2020. We believe that our proprietary software applications, playbook processes and customer-centric selling approach enable us to optimize F&I gross profit and penetration rates (the number of F&I products sold per vehicle) across our F&I product lines. We believe that we will continue to increase revenue in this area as we refine our processes, train our teammates and continue to sell a high volume of retail new and used vehicles at our stores.

EchoPark Segment

Retail used vehicle revenue decreased 2.2% during the three months ended June 30, 2020, driven primarily by a 6.9% decrease in retail used vehicle unit sales volume. Retail used vehicle revenue increased 9.3% during the six months ended June 30, 2020, driven primarily by a 4.8% increase in retail used vehicle unit sales volume. Combined retail used vehicle and F&I gross profit per unit decreased \$109 per unit, or 5.2%, to \$1,968 per unit during the three months ended June 30, 2020. Combined retail used vehicle and F&I gross profit per unit decrease \$104 per unit, or 4.8%, to \$2,076 per unit during the six months ended June 30, 2020. The decrease in combined retail used vehicle and F&I gross profit per unit was a result of strategic vehicle pricing decisions made in March through June 2020 to address lower demand as a result of the COVID-19 pandemic. We believe the EchoPark Segment experienced less significant vehicle unit sales volume decreases than the Franchised Dealerships Segment's retail used vehicle business due to the below-market pricing and "nearly-new" vehicle offerings provided by the EchoPark model, which appealed to more consumers during this period of economic uncertainty.

Wholesale vehicle gross loss was flat for both the three and six months ended June 30, 2020. We generally focus on maintaining used vehicle inventory days' supply in the 30- to 35-day range, which may fluctuate seasonally, in order to limit our exposure to market pricing volatility. On a trailing quarter vehicle cost of sales basis, our used vehicle inventory days' supply at our EchoPark stores was approximately 38 and 31 days as of June 30, 2020 and 2019, respectively, above our target range as of June 30, 2020 due to lower than typical vehicle unit sales volume in April and May 2020 and our new Tampa, Florida store which opened in April 2020.

Results of Operations – Consolidated

The following tables list other items of interest that affected reported amounts in the accompanying unaudited condensed consolidated statements of operations:

(Amounts are before the effect of income taxes, except tax items)	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019			Income Statement Line Impacted
	Franchised Dealerships Segment	EchoPark Segment	Total	Franchised Dealerships Segment	EchoPark Segment	Total	
(In thousands)							
Impairment charges	\$ (833)	\$ —	\$ (833)	\$ —	\$ —	\$ —	Impairment charges
Non-recurring tax benefit	3,175	—	3,175	—	—	—	Income taxes

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(Amounts are before the effect of income taxes, except tax items)	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019			Income Statement Line Impacted
	Franchised Dealerships Segment	EchoPark Segment	Total	Franchised Dealerships Segment	EchoPark Segment	Total	
(In thousands)							
Gain (loss) on franchise disposals	\$ —	\$ —	\$ —	\$ 46,680	\$ —	\$ 46,680	SG&A expenses
Executive transition costs	—	—	—	(6,264)	—	(6,264)	SG&A expenses
Impairment charges	(268,833)	—	(268,833)	—	(1,926)	(1,926)	Impairment charges
Non-recurring tax benefit	3,175	—	3,175	—	—	—	Income taxes

The following table depicts the breakdown of our new vehicle revenues from continuing operations by brand for the three and six months ended June 30, 2020 and 2019:

Brand	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Luxury:				
BMW	21.9 %	24.0 %	23.6 %	22.7 %
Mercedes	13.3 %	12.0 %	13.3 %	12.1 %
Audi	6.4 %	6.9 %	6.2 %	6.8 %
Land Rover	6.1 %	4.1 %	5.2 %	4.5 %
Lexus	4.1 %	4.6 %	4.4 %	4.8 %
Porsche	3.5 %	2.6 %	3.2 %	2.9 %
Cadillac	2.1 %	2.4 %	2.2 %	2.3 %
MINI	1.0 %	1.1 %	1.0 %	1.1 %
Other luxury (1)	3.0 %	2.8 %	2.7 %	2.8 %
Total Luxury	61.4 %	60.5 %	61.8 %	60.0 %
Mid-line Import:				
Honda	14.3 %	16.5 %	14.6 %	16.5 %
Toyota	8.7 %	9.4 %	8.7 %	9.4 %
Hyundai	1.2 %	1.6 %	1.1 %	1.6 %
Volkswagen	1.1 %	1.6 %	1.1 %	1.6 %
Other imports (2)	0.5 %	0.8 %	0.4 %	1.4 %
Total Mid-line Import	25.8 %	29.9 %	25.9 %	30.5 %
Domestic:				
Ford	6.9 %	5.0 %	6.4 %	4.9 %
General Motors (3)	5.9 %	4.6 %	5.9 %	4.6 %
Total Domestic	12.8 %	9.6 %	12.3 %	9.5 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

(1) Includes Acura, Infiniti, Jaguar and Volvo.

(2) Includes Kia, Nissan, Scion and Subaru.

(3) Includes Buick, Chevrolet and GMC.

Results of Operations

Unless otherwise noted, all discussion of increases or decreases are for the three and six months ended June 30, 2020 and are compared to the same prior year period, as applicable. The following discussion of new vehicles, used vehicles, wholesale vehicles, parts, service and collision repair, and finance, insurance and other, net are on a same store basis, except where otherwise noted. All currently operating stores (both our franchised dealerships and EchoPark stores) are included within the same store group in the first full month following the first anniversary of the store's opening or acquisition.

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Results of Operations – Consolidated

New Vehicles – Consolidated

The retail automotive industry uses the total new vehicle SAAR to measure the annual amount of expected new vehicle unit sales activity (both retail and fleet sales) within the U.S. The total and retail new vehicle SAAR below reflect all brands marketed or sold in the U.S. The total and retail new vehicle SAAR include brands we do not sell and markets in which we do not operate; therefore, our new vehicle sales may not trend directly in line with the total and retail new vehicle SAAR. We believe that the retail new vehicle SAAR is a more meaningful metric for comparing our new vehicle unit sales volume to the industry due to our minimal fleet vehicle business. Beginning in the middle of March 2020, COVID-19 began to adversely impact the retail automotive industry and consequentially also our business operations by severely impacting the demand portion of our business. State and local governmental authorities in all of the markets in which we currently operate began to put in place various levels of shelter-in-place or stay-at-home orders in the middle of March 2020, which in many cases significantly restricted our business operations and suppressed consumer activity, in particular related to our vehicle sales activities.

	Three Months Ended June 30,		Better / (Worse)	Six Months Ended June 30,		Better / (Worse)
	2020	2019	% Change	2020	2019	% Change
	(In millions of vehicles)					
Retail new vehicle SAAR (1)	10.4	13.5	(23.0)%	11.0	13.1	(16.0)%
Fleet new vehicle SAAR	0.9	3.5	(74.3)%	2.1	3.9	(46.2)%
Total new vehicle SAAR (2)	11.3	17.0	(33.5)%	13.1	17.0	(22.9)%

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

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

The following tables provide a reconciliation of consolidated reported basis and same store basis for total new vehicles (combined retail and fleet data):

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
	(In thousands, except unit data)			
Total new vehicle revenue:				
Same store	\$ 899,655	\$ 1,150,601	\$ (250,946)	(21.8)%
Acquisitions, open points and dispositions	348	54,153	(53,805)	NM
Total as reported	\$ 900,003	\$ 1,204,754	\$ (304,751)	(25.3)%
Total new vehicle gross profit:				
Same store	\$ 44,111	\$ 53,834	\$ (9,723)	(18.1)%
Acquisitions, open points and dispositions	1,275	2,566	(1,291)	NM
Total as reported	\$ 45,386	\$ 56,400	\$ (11,014)	(19.5)%
Total new vehicle unit sales:				
Same store	19,884	26,359	(6,475)	(24.6)%
Acquisitions, open points and dispositions	7	1,837	(1,830)	NM
Total as reported	19,891	28,196	(8,305)	(29.5)%

NM = Not Meaningful

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	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total new vehicle revenue:				
Same store	\$ 1,857,489	\$ 2,155,333	\$ (297,844)	(13.8)%
Acquisitions, open points and dispositions	2,003	115,755	(113,752)	NM
Total as reported	<u>\$ 1,859,492</u>	<u>\$ 2,271,088</u>	<u>\$ (411,596)</u>	<u>(18.1)%</u>
Total new vehicle gross profit:				
Same store	\$ 89,519	\$ 105,455	\$ (15,936)	(15.1)%
Acquisitions, open points and dispositions	1,283	4,741	(3,458)	NM
Total as reported	<u>\$ 90,802</u>	<u>\$ 110,196</u>	<u>\$ (19,394)</u>	<u>(17.6)%</u>
Total new vehicle unit sales:				
Same store	41,575	49,450	(7,875)	(15.9)%
Acquisitions, open points and dispositions	40	3,943	(3,903)	NM
Total as reported	<u>41,615</u>	<u>53,393</u>	<u>(11,778)</u>	<u>(22.1)%</u>

NM = Not Meaningful

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported new vehicle:				
Revenue	\$ 900,003	\$ 1,204,754	\$ (304,751)	(25.3)%
Gross profit	\$ 45,386	\$ 56,400	\$ (11,014)	(19.5)%
Unit sales	19,891	28,196	(8,305)	(29.5)%
Revenue per unit	\$ 45,247	\$ 42,728	\$ 2,519	5.9 %
Gross profit per unit	\$ 2,282	\$ 2,000	\$ 282	14.1 %
Gross profit as a % of revenue	5.0 %	4.7 %	30	bps

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported new vehicle:				
Revenue	\$ 1,859,492	\$ 2,271,088	\$ (411,596)	(18.1)%
Gross profit	\$ 90,802	\$ 110,196	\$ (19,394)	(17.6)%
Unit sales	41,615	53,393	(11,778)	(22.1)%
Revenue per unit	\$ 44,683	\$ 42,535	\$ 2,148	5.0 %
Gross profit per unit	\$ 2,182	\$ 2,064	\$ 118	5.7 %
Gross profit as a % of revenue	4.9 %	4.9 %	—	bps

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Our consolidated same store new vehicle results (combined retail and fleet data) are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store new vehicle:				
Revenue	\$ 899,655	\$ 1,150,601	\$ (250,946)	(21.8)%
Gross profit	\$ 44,111	\$ 53,834	\$ (9,723)	(18.1)%
Unit sales	19,884	26,359	(6,475)	(24.6)%
Revenue per unit	\$ 45,245	\$ 43,651	\$ 1,594	3.7 %
Gross profit per unit	\$ 2,218	\$ 2,042	\$ 176	8.6 %
Gross profit as a % of revenue	4.9 %	4.7 %	20	bps

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store new vehicle:				
Revenue	\$ 1,857,489	\$ 2,155,333	\$ (297,844)	(13.8)%
Gross profit	\$ 89,519	\$ 105,455	\$ (15,936)	(15.1)%
Unit sales	41,575	49,450	(7,875)	(15.9)%
Revenue per unit	\$ 44,678	\$ 43,586	\$ 1,092	2.5 %
Gross profit per unit	\$ 2,153	\$ 2,133	\$ 20	0.9 %
Gross profit as a % of revenue	4.8 %	4.9 %	(10)	bps

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

Used Vehicles – Consolidated

Used vehicle revenues are directly affected by a number of factors, including the pricing and level of manufacturer incentives on new vehicles, the number and quality of trade-ins and lease turn-ins, the availability and pricing of used vehicles acquired at auction and the availability of consumer credit. As with new vehicles, COVID-19 began to adversely impact the retail automotive industry and consequentially also our business operations beginning in the middle of March 2020, by severely impacting the demand portion of our business. State and local governmental authorities in all of the markets in which we currently operate began to put in place various levels of shelter-in-place or stay-at-home orders in the middle of March 2020, which in many cases significantly restricted our business operations and suppressed consumer activity, in particular related to our vehicle sales activities.

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The following tables provide a reconciliation of consolidated reported basis and same store basis for retail used vehicles:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total used vehicle revenue:				
Same store	\$ 778,295	\$ 858,103	\$ (79,808)	(9.3)%
Acquisitions, open points and dispositions	30,582	27,524	3,058	NM
Total as reported	<u>\$ 808,877</u>	<u>\$ 885,627</u>	<u>\$ (76,750)</u>	<u>(8.7)%</u>
Total used vehicle gross profit:				
Same store	\$ 22,886	\$ 32,718	\$ (9,832)	(30.1)%
Acquisitions, open points and dispositions	4,485	4,011	474	NM
Total as reported	<u>\$ 27,371</u>	<u>\$ 36,729</u>	<u>\$ (9,358)</u>	<u>(25.5)%</u>
Total used vehicle unit sales:				
Same store	35,665	39,697	(4,032)	(10.2)%
Acquisitions, open points and dispositions	1,515	1,761	(246)	NM
Total as reported	<u>37,180</u>	<u>41,458</u>	<u>(4,278)</u>	<u>(10.3)%</u>

NM = Not Meaningful

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total used vehicle revenue:				
Same store	\$ 1,608,195	\$ 1,648,232	\$ (40,037)	(2.4)%
Acquisitions, open points and dispositions	50,735	57,760	(7,025)	NM
Total as reported	<u>\$ 1,658,930</u>	<u>\$ 1,705,992</u>	<u>\$ (47,062)</u>	<u>(2.8)%</u>
Total used vehicle gross profit:				
Same store	\$ 53,321	\$ 64,919	\$ (11,598)	(17.9)%
Acquisitions, open points and dispositions	6,181	8,817	(2,636)	NM
Total as reported	<u>\$ 59,502</u>	<u>\$ 73,736</u>	<u>\$ (14,234)</u>	<u>(19.3)%</u>
Total used vehicle unit sales:				
Same store	74,654	76,239	(1,585)	(2.1)%
Acquisitions, open points and dispositions	2,550	3,682	(1,132)	NM
Total as reported	<u>77,204</u>	<u>79,921</u>	<u>(2,717)</u>	<u>(3.4)%</u>

NM = Not Meaningful

Our consolidated reported retail used vehicle results are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported used vehicle:				
Revenue	\$ 808,877	\$ 885,627	\$ (76,750)	(8.7)%
Gross profit	\$ 27,371	\$ 36,729	\$ (9,358)	(25.5)%
Unit sales	37,180	41,458	(4,278)	(10.3)%
Revenue per unit	\$ 21,756	\$ 21,362	\$ 394	1.8 %
Gross profit per unit	\$ 736	\$ 886	\$ (150)	(16.9)%
Gross profit as a % of revenue	3.4 %	4.1 %	(70) bps	

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	<u>Six Months Ended June 30,</u>		<u>Better / (Worse)</u>	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
(In thousands, except unit and per unit data)				
Reported used vehicle:				
Revenue	\$ 1,658,930	\$ 1,705,992	\$ (47,062)	(2.8)%
Gross profit	\$ 59,502	\$ 73,736	\$ (14,234)	(19.3)%
Unit sales	77,204	79,921	(2,717)	(3.4)%
Revenue per unit	\$ 21,488	\$ 21,346	\$ 142	0.7 %
Gross profit per unit	\$ 771	\$ 923	\$ (152)	(16.5)%
Gross profit as a % of revenue	3.6 %	4.3 %	(70) bps	

Our consolidated same store retail used vehicle results are as follows:

	<u>Three Months Ended June 30,</u>		<u>Better / (Worse)</u>	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
(In thousands, except unit and per unit data)				
Same store used vehicle:				
Revenue	\$ 778,295	\$ 858,103	\$ (79,808)	(9.3)%
Gross profit	\$ 22,886	\$ 32,718	\$ (9,832)	(30.1)%
Unit sales	35,665	39,697	(4,032)	(10.2)%
Revenue per unit	\$ 21,822	\$ 21,616	\$ 206	1.0 %
Gross profit per unit	\$ 642	\$ 824	\$ (182)	(22.1)%
Gross profit as a % of revenue	2.9 %	3.8 %	(90) bps	

	<u>Six Months Ended June 30,</u>		<u>Better / (Worse)</u>	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
(In thousands, except unit and per unit data)				
Same store used vehicle:				
Revenue	\$ 1,608,195	\$ 1,648,232	\$ (40,037)	(2.4)%
Gross profit	\$ 53,321	\$ 64,919	\$ (11,598)	(17.9)%
Unit sales	74,654	76,239	(1,585)	(2.1)%
Revenue per unit	\$ 21,542	\$ 21,619	\$ (77)	(0.4)%
Gross profit per unit	\$ 714	\$ 852	\$ (138)	(16.2)%
Gross profit as a % of revenue	3.3 %	3.9 %	(60) bps	

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

Wholesale Vehicles – Consolidated

Wholesale vehicle revenues are affected by retail new and used vehicle unit sales volume and the associated trade-in volume. Wholesale vehicle revenues are also significantly affected by our corporate inventory management strategy and policies, which are designed to optimize our total used vehicle inventory and minimize inventory carrying risks.

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The following tables provide a reconciliation of consolidated reported basis and same store basis for wholesale vehicles:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total wholesale vehicle revenue:				
Same store	\$ 32,757	\$ 48,114	\$ (15,357)	(31.9)%
Acquisitions, open points and dispositions	418	1,925	(1,507)	NM
Total as reported	<u>\$ 33,175</u>	<u>\$ 50,039</u>	<u>\$ (16,864)</u>	<u>(33.7)%</u>
Total wholesale vehicle gross profit (loss):				
Same store	\$ (386)	\$ (463)	\$ 77	16.6 %
Acquisitions, open points and dispositions	(40)	(250)	210	NM
Total as reported	<u>\$ (426)</u>	<u>\$ (713)</u>	<u>\$ 287</u>	<u>40.3 %</u>
Total wholesale vehicle unit sales:				
Same store	6,130	8,048	(1,918)	(23.8)%
Acquisitions, open points and dispositions	151	598	(447)	NM
Total as reported	<u>6,281</u>	<u>8,646</u>	<u>(2,365)</u>	<u>(27.4)%</u>

NM = Not Meaningful

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total wholesale vehicle revenue:				
Same store	\$ 80,943	\$ 99,939	\$ (18,996)	(19.0)%
Acquisitions, open points and dispositions	775	4,871	(4,096)	NM
Total as reported	<u>\$ 81,718</u>	<u>\$ 104,810</u>	<u>\$ (23,092)</u>	<u>(22.0)%</u>
Total wholesale vehicle gross profit (loss):				
Same store	\$ (515)	\$ (1,526)	\$ 1,011	66.3 %
Acquisitions, open points and dispositions	(70)	(453)	383	NM
Total as reported	<u>\$ (585)</u>	<u>\$ (1,979)</u>	<u>\$ 1,394</u>	<u>70.4 %</u>
Total wholesale vehicle unit sales:				
Same store	14,698	15,992	(1,294)	(8.1)%
Acquisitions, open points and dispositions	258	1,301	(1,043)	NM
Total as reported	<u>14,956</u>	<u>17,293</u>	<u>(2,337)</u>	<u>(13.5)%</u>

NM = Not Meaningful

Our consolidated reported wholesale vehicle results are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported wholesale vehicle:				
Revenue	\$ 33,175	\$ 50,039	\$ (16,864)	(33.7)%
Gross profit (loss)	\$ (426)	\$ (713)	\$ 287	40.3 %
Unit sales	6,281	8,646	(2,365)	(27.4)%
Revenue per unit	\$ 5,282	\$ 5,788	\$ (506)	(8.7)%
Gross profit (loss) per unit	\$ (68)	\$ (82)	\$ 14	17.1 %
Gross profit (loss) as a % of revenue	(1.3)%	(1.4)%	10	bps

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	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported wholesale vehicle:				
Revenue	\$ 81,718	\$ 104,810	\$ (23,092)	(22.0)%
Gross profit (loss)	\$ (585)	\$ (1,979)	\$ 1,394	70.4 %
Unit sales	14,956	17,293	(2,337)	(13.5)%
Revenue per unit	\$ 5,464	\$ 6,061	\$ (597)	(9.8)%
Gross profit (loss) per unit	\$ (39)	\$ (114)	\$ 75	65.8 %
Gross profit (loss) as a % of revenue	(0.7)%	(1.9)%	120	bps

Our consolidated same store wholesale vehicle results are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store wholesale vehicle:				
Revenue	\$ 32,757	\$ 48,114	\$ (15,357)	(31.9)%
Gross profit (loss)	\$ (386)	\$ (463)	\$ 77	16.6 %
Unit sales	6,130	8,048	(1,918)	(23.8)%
Revenue per unit	\$ 5,344	\$ 5,978	\$ (634)	(10.6)%
Gross profit (loss) per unit	\$ (63)	\$ (58)	\$ (5)	(8.6)%
Gross profit (loss) as a % of revenue	(1.2)%	(1.0)%	(20)	bps

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store wholesale vehicle:				
Revenue	\$ 80,943	\$ 99,939	\$ (18,996)	(19.0)%
Gross profit (loss)	\$ (515)	\$ (1,526)	\$ 1,011	66.3 %
Unit sales	14,698	15,992	(1,294)	(8.1)%
Revenue per unit	\$ 5,507	\$ 6,249	\$ (742)	(11.9)%
Gross profit (loss) per unit	\$ (35)	\$ (95)	\$ 60	63.2 %
Gross profit (loss) as a % of revenue	(0.6)%	(1.5)%	90	bps

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

Fixed Operations – Consolidated

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

We believe that, over time, vehicle quality will continue to improve, but vehicle complexity and the associated demand for repairs by qualified technicians at franchised dealerships will offset any revenue lost from improvement in vehicle quality. We also believe that, over the long term, we have the ability to continue to add service capacity at our dealerships and stores to further increase Fixed Operations revenues. Manufacturers continue to extend new vehicle warranty periods and have also begun to include regular maintenance items in the warranty or complimentary maintenance program coverage. These factors, over the long term, combined with the extended manufacturer warranties on certified pre-owned vehicles, should facilitate long-term growth in our parts and service business. Barriers to long-term growth may include reductions in the rate paid by

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manufacturers to dealers for warranty work performed, as well as the improved quality of vehicles that may affect the level and frequency of future customer pay or warranty-related revenues.

The following tables provide a reconciliation of consolidated reported basis and same store basis for Fixed Operations:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total Fixed Operations revenue:				
Same store	\$ 258,607	\$ 342,274	\$ (83,667)	(24.4)%
Acquisitions, open points and dispositions	451	13,038	(12,587)	NM
Total as reported	<u>\$ 259,058</u>	<u>\$ 355,312</u>	<u>\$ (96,254)</u>	<u>(27.1)%</u>
Total Fixed Operations gross profit:				
Same store	\$ 123,878	\$ 163,920	\$ (40,042)	(24.4)%
Acquisitions, open points and dispositions	401	6,626	(6,225)	NM
Total as reported	<u>\$ 124,279</u>	<u>\$ 170,546</u>	<u>\$ (46,267)</u>	<u>(27.1)%</u>

NM = Not Meaningful

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total Fixed Operations revenue:				
Same store	\$ 592,149	\$ 667,069	\$ (74,920)	(11.2)%
Acquisitions, open points and dispositions	1,589	29,673	(28,084)	NM
Total as reported	<u>\$ 593,738</u>	<u>\$ 696,742</u>	<u>\$ (103,004)</u>	<u>(14.8)%</u>
Total Fixed Operations gross profit:				
Same store	\$ 281,504	\$ 318,423	\$ (36,919)	(11.6)%
Acquisitions, open points and dispositions	674	15,359	(14,685)	NM
Total as reported	<u>\$ 282,178</u>	<u>\$ 333,782</u>	<u>\$ (51,604)</u>	<u>(15.5)%</u>

NM = Not Meaningful

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Our consolidated reported Fixed Operations results are as follows:

	<u>Three Months Ended June 30,</u>		<u>Better / (Worse)</u>	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
(In thousands)				
Reported Fixed Operations:				
Revenue				
Customer pay	\$ 110,600	\$ 142,113	\$ (31,513)	(22.2)%
Warranty	49,326	69,809	(20,483)	(29.3)%
Wholesale parts	26,352	40,027	(13,675)	(34.2)%
Internal, sublet and other	72,780	103,363	(30,583)	(29.6)%
Total revenue	\$ 259,058	\$ 355,312	\$ (96,254)	(27.1)%
Gross profit				
Customer pay	\$ 62,467	\$ 77,652	\$ (15,185)	(19.6)%
Warranty	27,720	39,039	(11,319)	(29.0)%
Wholesale parts	4,506	6,872	(2,366)	(34.4)%
Internal, sublet and other	29,586	46,983	(17,397)	(37.0)%
Total gross profit	\$ 124,279	\$ 170,546	\$ (46,267)	(27.1)%
Gross profit as a % of revenue				
Customer pay	56.5 %	54.6 %	190	bps
Warranty	56.2 %	55.9 %	30	bps
Wholesale parts	17.1 %	17.2 %	(10)	bps
Internal, sublet and other	40.7 %	45.5 %	(480)	bps
Total gross profit as a % of revenue	48.0 %	48.0 %	—	bps

	<u>Six Months Ended June 30,</u>		<u>Better / (Worse)</u>	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
(In thousands)				
Reported Fixed Operations:				
Revenue				
Customer pay	\$ 245,656	\$ 279,834	\$ (34,178)	(12.2)%
Warranty	110,086	138,782	(28,696)	(20.7)%
Wholesale parts	65,058	79,325	(14,267)	(18.0)%
Internal, sublet and other	172,938	198,801	(25,863)	(13.0)%
Total revenue	\$ 593,738	\$ 696,742	\$ (103,004)	(14.8)%
Gross profit				
Customer pay	\$ 137,061	\$ 151,978	\$ (14,917)	(9.8)%
Warranty	61,466	77,447	(15,981)	(20.6)%
Wholesale parts	11,173	13,668	(2,495)	(18.3)%
Internal, sublet and other	72,478	90,689	(18,211)	(20.1)%
Total gross profit	\$ 282,178	\$ 333,782	\$ (51,604)	(15.5)%
Gross profit as a % of revenue				
Customer pay	55.8 %	54.3 %	150	bps
Warranty	55.8 %	55.8 %	—	bps
Wholesale parts	17.2 %	17.2 %	—	bps
Internal, sublet and other	41.9 %	45.6 %	(370)	bps
Total gross profit as a % of revenue	47.5 %	47.9 %	(40)	bps

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Our consolidated same store Fixed Operations results are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Same store Fixed Operations:				
Revenue				
Customer pay	\$ 111,550	\$ 135,890	\$ (24,340)	(17.9)%
Warranty	48,672	68,095	(19,423)	(28.5)%
Wholesale parts	26,207	39,522	(13,315)	(33.7)%
Internal, sublet and other	72,178	98,767	(26,589)	(26.9)%
Total revenue	\$ 258,607	\$ 342,274	\$ (83,667)	(24.4)%
Gross profit				
Customer pay	\$ 62,543	\$ 74,410	\$ (11,867)	(15.9)%
Warranty	27,331	38,047	(10,716)	(28.2)%
Wholesale parts	4,505	6,780	(2,275)	(33.6)%
Internal, sublet and other	29,499	44,683	(15,184)	(34.0)%
Total gross profit	\$ 123,878	\$ 163,920	\$ (40,042)	(24.4)%
Gross profit as a % of revenue				
Customer pay	56.1 %	54.8 %	130	bps
Warranty	56.2 %	55.9 %	30	bps
Wholesale parts	17.2 %	17.2 %	—	bps
Internal, sublet and other	40.9 %	45.2 %	(430)	bps
Total gross profit as a % of revenue	47.9 %	47.9 %	—	bps

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Same store Fixed Operations:				
Revenue				
Customer pay	\$ 246,245	\$ 267,095	\$ (20,850)	(7.8)%
Warranty	109,804	133,383	(23,579)	(17.7)%
Wholesale parts	64,894	77,663	(12,769)	(16.4)%
Internal, sublet and other	171,206	188,928	(17,722)	(9.4)%
Total revenue	\$ 592,149	\$ 667,069	\$ (74,920)	(11.2)%
Gross profit				
Customer pay	\$ 137,176	\$ 145,378	\$ (8,202)	(5.6)%
Warranty	61,142	74,470	(13,328)	(17.9)%
Wholesale parts	11,169	13,342	(2,173)	(16.3)%
Internal, sublet and other	72,017	85,233	(13,216)	(15.5)%
Total gross profit	\$ 281,504	\$ 318,423	\$ (36,919)	(11.6)%
Gross profit as a % of revenue				
Customer pay	55.7 %	54.4 %	130	bps
Warranty	55.7 %	55.8 %	(10)	bps
Wholesale parts	17.2 %	17.2 %	—	bps
Internal, sublet and other	42.1 %	45.1 %	(300)	bps
Total gross profit as a % of revenue	47.5 %	47.7 %	(20)	bps

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

F&I – Consolidated

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

The following tables provide a reconciliation of consolidated reported basis and same store basis for F&I:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Total F&I revenue:				
Same store	\$ 102,607	\$ 111,004	\$ (8,397)	(7.6)%
Acquisitions, open points and dispositions	8,166	7,345	821	NM
Total as reported	<u>\$ 110,773</u>	<u>\$ 118,349</u>	<u>\$ (7,576)</u>	<u>(6.4)%</u>
Total F&I gross profit per retail unit (excludes fleet):				
Same store	\$ 1,852	\$ 1,692	\$ 160	9.5 %
Reported	\$ 1,946	\$ 1,710	\$ 236	13.8 %
Total combined new and used retail unit sales:				
Same store	55,399	65,615	(10,216)	(15.6)%
Acquisitions, open points and dispositions	1,522	3,598	(2,076)	NM
Total as reported	<u>56,921</u>	<u>69,213</u>	<u>(12,292)</u>	<u>(17.8)%</u>

NM = Not Meaningful

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Total F&I revenue:				
Same store	\$ 211,422	\$ 210,071	\$ 1,351	0.6 %
Acquisitions, open points and dispositions	14,642	14,516	126	NM
Total as reported	<u>\$ 226,064</u>	<u>\$ 224,587</u>	<u>\$ 1,477</u>	<u>0.7 %</u>
Total F&I gross profit per retail unit (excludes fleet):				
Same store	\$ 1,831	\$ 1,681	\$ 150	8.9 %
Reported	\$ 1,914	\$ 1,694	\$ 220	13.0 %
Total combined new and used retail unit sales:				
Same store	115,494	124,969	(9,475)	(7.6)%
Acquisitions, open points and dispositions	2,590	7,625	(5,035)	(66.0)%
Total as reported	<u>118,084</u>	<u>132,594</u>	<u>(14,510)</u>	<u>(10.9)%</u>

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NM = Not Meaningful

Our consolidated reported F&I results are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported F&I:				
Revenue	\$ 110,773	\$ 118,349	\$ (7,576)	(6.4)%
Unit sales	56,921	69,213	(12,292)	(17.8)%
Gross profit per retail unit (excludes fleet)	\$ 1,946	\$ 1,710	\$ 236	13.8 %

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported F&I:				
Revenue	\$ 226,064	\$ 224,587	\$ 1,477	0.7 %
Unit sales	118,084	132,594	(14,510)	(10.9)%
Gross profit per retail unit (excludes fleet)	\$ 1,914	\$ 1,694	\$ 220	13.0 %

Our consolidated same store F&I results are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store F&I:				
Revenue	\$ 102,607	\$ 111,004	\$ (8,397)	(7.6)%
Unit sales	55,399	65,615	(10,216)	(15.6)%
Gross profit per retail unit (excludes fleet)	\$ 1,852	\$ 1,692	\$ 160	9.5 %

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store F&I:				
Revenue	\$ 211,422	\$ 210,071	\$ 1,351	0.6 %
Unit sales	115,494	124,969	(9,475)	(7.6)%
Gross profit per retail unit (excludes fleet)	\$ 1,831	\$ 1,681	\$ 150	8.9 %

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

Results of Operations – Franchised Dealerships Segment

As a result of the disposition, termination or closure of several franchised dealerships during and since the period ended June 30, 2019, the change in reported amounts from period to period may not be indicative of the actual operational or financial performance of our current group of operating stores. Please refer to the same store tables and discussion on the following pages for more meaningful comparison and discussion of financial results on a comparable store basis.

Unless otherwise noted, all discussion of increases or decreases are for the three and six months ended June 30, 2020 and are compared to the same prior year periods as applicable. The following discussion of new vehicles, used vehicles, wholesale vehicles, parts, service and collision repair, and finance, insurance and other, net is on a same store basis, except where otherwise noted. All currently operating stores are included within the same store group in the first full month following the first anniversary of the store's opening or acquisition.

New Vehicles – Franchised Dealerships Segment

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

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total new vehicle revenue:				
Same store	\$ 899,655	\$ 1,150,601	\$ (250,946)	(21.8)%
Acquisitions, open points and dispositions	348	54,153	(53,805)	NM
Total as reported	<u>\$ 900,003</u>	<u>\$ 1,204,754</u>	<u>\$ (304,751)</u>	<u>(25.3)%</u>
Total new vehicle gross profit:				
Same store	\$ 44,111	\$ 53,834	\$ (9,723)	(18.1)%
Acquisitions, open points and dispositions	1,275	2,566	(1,291)	NM
Total as reported	<u>\$ 45,386</u>	<u>\$ 56,400</u>	<u>\$ (11,014)</u>	<u>(19.5)%</u>
Total new vehicle unit sales:				
Same store	19,884	26,359	(6,475)	(24.6)%
Acquisitions, open points and dispositions	7	1,837	(1,830)	NM
Total as reported	<u>19,891</u>	<u>28,196</u>	<u>(8,305)</u>	<u>(29.5)%</u>

NM = Not Meaningful

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total new vehicle revenue:				
Same store	\$ 1,857,489	\$ 2,155,333	\$ (297,844)	(13.8)%
Acquisitions, open points and dispositions	2,003	115,755	(113,752)	NM
Total as reported	<u>\$ 1,859,492</u>	<u>\$ 2,271,088</u>	<u>\$ (411,596)</u>	<u>(18.1)%</u>
Total new vehicle gross profit:				
Same store	\$ 89,519	\$ 105,455	\$ (15,936)	(15.1)%
Acquisitions, open points and dispositions	1,283	4,741	(3,458)	NM
Total as reported	<u>\$ 90,802</u>	<u>\$ 110,196</u>	<u>\$ (19,394)</u>	<u>(17.6)%</u>
Total new vehicle unit sales:				
Same store	41,575	49,450	(7,875)	(15.9)%
Acquisitions, open points and dispositions	40	3,943	(3,903)	NM
Total as reported	<u>41,615</u>	<u>53,393</u>	<u>(11,778)</u>	<u>(22.1)%</u>

NM = Not Meaningful

SONIC AUTOMOTIVE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported new vehicle:				
Revenue	\$ 900,003	\$ 1,204,754	\$ (304,751)	(25.3)%
Gross profit	\$ 45,386	\$ 56,400	\$ (11,014)	(19.5)%
Unit sales	19,891	28,196	(8,305)	(29.5)%
Revenue per unit	\$ 45,247	\$ 42,728	\$ 2,519	5.9 %
Gross profit per unit	\$ 2,282	\$ 2,000	\$ 282	14.1 %
Gross profit as a % of revenue	5.0 %	4.7 %	30	bps

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported new vehicle:				
Revenue	\$ 1,859,492	\$ 2,271,088	\$ (411,596)	(18.1)%
Gross profit	\$ 90,802	\$ 110,196	\$ (19,394)	(17.6)%
Unit sales	41,615	53,393	(11,778)	(22.1)%
Revenue per unit	\$ 44,683	\$ 42,535	\$ 2,148	5.0 %
Gross profit per unit	\$ 2,182	\$ 2,064	\$ 118	5.7 %
Gross profit as a % of revenue	4.9 %	4.9 %	—	bps

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store new vehicle:				
Revenue	\$ 899,655	\$ 1,150,601	\$ (250,946)	(21.8)%
Gross profit	\$ 44,111	\$ 53,834	\$ (9,723)	(18.1)%
Unit sales	19,884	26,359	(6,475)	(24.6)%
Revenue per unit	\$ 45,245	\$ 43,651	\$ 1,594	3.7 %
Gross profit per unit	\$ 2,218	\$ 2,042	\$ 176	8.6 %
Gross profit as a % of revenue	4.9 %	4.7 %	20	bps

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store new vehicle:				
Revenue	\$ 1,857,489	\$ 2,155,333	\$ (297,844)	(13.8)%
Gross profit	\$ 89,519	\$ 105,455	\$ (15,936)	(15.1)%
Unit sales	41,575	49,450	(7,875)	(15.9)%
Revenue per unit	\$ 44,678	\$ 43,586	\$ 1,092	2.5 %
Gross profit per unit	\$ 2,153	\$ 2,133	\$ 20	0.9 %
Gross profit as a % of revenue	4.8 %	4.9 %	(10)	bps

SONIC AUTOMOTIVE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Same Store Franchised Dealerships Segment New Vehicles— Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

New vehicle revenue decreased 21.8% and new vehicle unit sales volume decreased 24.6%, driven by decreases in new vehicle unit sales volume in each of our markets as a result of governmental orders that restricted vehicle sales activity and disrupted consumer behavior during the second quarter of 2020 due to the COVID-19 pandemic. Such impact was particularly meaningful in our California stores, which represented over 50% of the decrease in new vehicle unit sales volume compared to the prior year period. New vehicle gross profit decreased approximately \$9.7 million, or 18.1%. New vehicle gross profit per unit increased \$176 per unit, or 8.6%, to \$2,218 per unit, due primarily to inventory shortages in certain makes and models as a result of vehicle manufacturers supply chain and production delays as a result of the COVID-19 pandemic, which generally increases the average selling price of such vehicles. We anticipate that new vehicle inventory shortages may continue into the third quarter of 2020, potentially negatively affecting new vehicle unit sales volume while continuing to benefit new vehicle gross profit per unit.

Same Store Franchised Dealerships Segment New Vehicles— Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

New vehicle revenue decreased 13.8% and new vehicle unit sales volume decreased 15.9%, driven by decreases in new vehicle unit sales volume in each of our markets as a result of governmental orders that restricted vehicle sales activity and disrupted consumer behavior during March through June 2020 due to the COVID-19 pandemic. Such impact was particularly meaningful in our California stores, which represented over 50% of the decrease in new vehicle unit sales volume compared to the prior year period. New vehicle gross profit decreased approximately \$15.9 million, or 15.1%. New vehicle gross profit per unit increased \$20 per unit, or 0.9%, to \$2,153 per unit, due primarily to inventory shortages in certain makes and models as a result of vehicle manufacturer supply chain and production delays as a result of the COVID-19 pandemic, which generally increases the average selling price of such vehicles.

Used Vehicles – Franchised Dealerships Segment

Used vehicle revenues are directly affected by a number of factors, including the pricing and level of manufacturer incentives on new vehicles, the number and quality of trade-ins and lease turn-ins, the availability and pricing of used vehicles acquired at auction and the availability of consumer credit.

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total used vehicle revenue:				
Same store	\$ 535,252	\$ 609,567	\$ (74,315)	(12.2)%
Acquisitions, open points and dispositions	447	27,523	(27,076)	NM
Total as reported	<u>\$ 535,699</u>	<u>\$ 637,090</u>	<u>\$ (101,391)</u>	<u>(15.9)%</u>
Total used vehicle gross profit:				
Same store	\$ 26,874	\$ 35,182	\$ (8,308)	(23.6)%
Acquisitions, open points and dispositions	3,542	2,272	1,270	NM
Total as reported	<u>\$ 30,416</u>	<u>\$ 37,454</u>	<u>\$ (7,038)</u>	<u>(18.8)%</u>
Total used vehicle unit sales:				
Same store	23,949	27,110	(3,161)	(11.7)%
Acquisitions, open points and dispositions	24	1,761	(1,737)	NM
Total as reported	<u>23,973</u>	<u>28,871</u>	<u>(4,898)</u>	<u>(17.0)%</u>

NM = Not Meaningful

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	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total used vehicle revenue:				
Same store	\$ 1,099,852	\$ 1,183,279	\$ (83,427)	(7.1)%
Acquisitions, open points and dispositions	2,735	57,760	(55,025)	NM
Total as reported	<u>\$ 1,102,587</u>	<u>\$ 1,241,039</u>	<u>\$ (138,452)</u>	<u>(11.2)%</u>
Total used vehicle gross profit:				
Same store	\$ 59,153	\$ 67,640	\$ (8,487)	(12.5)%
Acquisitions, open points and dispositions	3,577	6,551	(2,974)	NM
Total as reported	<u>\$ 62,730</u>	<u>\$ 74,191</u>	<u>\$ (11,461)</u>	<u>(15.4)%</u>
Total used vehicle unit sales:				
Same store	49,871	52,601	(2,730)	(5.2)%
Acquisitions, open points and dispositions	140	3,682	(3,542)	NM
Total as reported	<u>50,011</u>	<u>56,283</u>	<u>(6,272)</u>	<u>(11.1)%</u>

NM = Not Meaningful

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported used vehicle:				
Revenue	\$ 535,699	\$ 637,090	\$ (101,391)	(15.9)%
Gross profit	\$ 30,416	\$ 37,454	\$ (7,038)	(18.8)%
Unit sales	23,973	28,871	(4,898)	(17.0)%
Revenue per unit	\$ 22,346	\$ 22,067	\$ 279	1.3 %
Gross profit per unit	\$ 1,269	\$ 1,297	\$ (28)	(2.2)%
Gross profit as a % of revenue	5.7 %	5.9 %	(20) bps	

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported used vehicle:				
Revenue	\$ 1,102,587	\$ 1,241,039	\$ (138,452)	(11.2)%
Gross profit	\$ 62,730	\$ 74,191	\$ (11,461)	(15.4)%
Unit sales	50,011	56,283	(6,272)	(11.1)%
Revenue per unit	\$ 22,047	\$ 22,050	\$ (3)	— %
Gross profit per unit	\$ 1,254	\$ 1,318	\$ (64)	(4.9)%
Gross profit as a % of revenue	5.7 %	6.0 %	(30) bps	

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store used vehicle:				
Revenue	\$ 535,252	\$ 609,567	\$ (74,315)	(12.2)%
Gross profit	\$ 26,874	\$ 35,182	\$ (8,308)	(23.6)%
Unit sales	23,949	27,110	(3,161)	(11.7)%
Revenue per unit	\$ 22,350	\$ 22,485	\$ (135)	(0.6)%
Gross profit per unit	\$ 1,122	\$ 1,298	\$ (176)	(13.6)%
Gross profit as a % of revenue	5.0 %	5.8 %	(80) bps	

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store used vehicle:				
Revenue	\$ 1,099,852	\$ 1,183,279	\$ (83,427)	(7.1)%
Gross profit	\$ 59,153	\$ 67,640	\$ (8,487)	(12.5)%
Unit sales	49,871	52,601	(2,730)	(5.2)%
Revenue per unit	\$ 22,054	\$ 22,495	\$ (441)	(2.0)%
Gross profit per unit	\$ 1,186	\$ 1,286	\$ (100)	(7.8)%
Gross profit as a % of revenue	5.4 %	5.7 %	(30) bps	

Same Store Franchised Dealerships Segment Used Vehicles – Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Retail used vehicle revenue decreased 12.2% and retail used vehicle unit sales volume decreased 11.7%, driven by decreases in retail used vehicle unit sales volume in the majority of our markets as a result of governmental orders that restricted vehicle sales activity and disrupted consumer behavior during the second quarter of 2020 due to the COVID-19 pandemic. Such impact was particularly meaningful in our California stores, which represented over 70% of the decrease in retail used vehicle unit sales volume compared to the prior year period. Retail used vehicle gross profit decreased approximately \$8.3 million, or 23.6%, driven primarily by a decrease in retail used vehicle unit sales volume as well as a decrease in retail used vehicle gross profit per unit of approximately \$176 per unit, or 13.6%, as a result of strategic pricing decisions we made in April 2020 to drive incremental sales volume and turn our pre-pandemic used vehicle inventory.

Same Store Franchised Dealerships Segment Used Vehicles – Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Retail used vehicle revenue decreased 7.1% and retail used vehicle unit sales volume decreased 5.2%, driven by decreases in retail used vehicle unit sales volume in the majority of our markets as a result of governmental orders that restricted vehicle sales activity and disrupted consumer behavior during March and April 2020 due to the COVID-19 pandemic. Such impact was particularly meaningful in our California stores, which represented 100% of the decrease in retail used vehicle unit sales volume compared to the prior year period. Retail used vehicle gross profit decreased approximately \$8.5 million, or 12.5%, driven primarily by a decrease in retail used vehicle unit sales volume as well as a decrease in retail used vehicle gross profit per unit of approximately \$100 per unit, or 7.8%, as a result of strategic pricing decisions we made in April 2020 to drive incremental sales volume and turn our pre-pandemic used vehicle inventory.

Wholesale Vehicles – Franchised Dealerships Segment

Wholesale vehicle revenues are affected by retail new and used vehicle unit sales volume and the associated trade-in volume. Wholesale vehicle revenues are also significantly affected by our corporate inventory management strategy and policies, which are designed to optimize our total used vehicle inventory and minimize inventory carrying risks.

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total wholesale vehicle revenue:				
Same store	\$ 28,407	\$ 41,795	\$ (13,388)	(32.0)%
Acquisitions, open points and dispositions	102	1,925	(1,823)	NM
Total as reported	<u>\$ 28,509</u>	<u>\$ 43,720</u>	<u>\$ (15,211)</u>	<u>(34.8)%</u>
Total wholesale vehicle gross profit (loss):				
Same store	\$ (317)	\$ (421)	\$ 104	24.7 %
Acquisitions, open points and dispositions	(40)	(249)	209	NM
Total as reported	<u>\$ (357)</u>	<u>\$ (670)</u>	<u>\$ 313</u>	<u>46.7 %</u>
Total wholesale vehicle unit sales:				
Same store	4,811	6,362	(1,551)	(24.4)%
Acquisitions, open points and dispositions	16	598	(582)	NM
Total as reported	<u>4,827</u>	<u>6,960</u>	<u>(2,133)</u>	<u>(30.6)%</u>

NM = Not Meaningful

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total wholesale vehicle revenue:				
Same store	\$ 70,720	\$ 91,383	\$ (20,663)	(22.6)%
Acquisitions, open points and dispositions	228	4,870	(4,642)	NM
Total as reported	<u>\$ 70,948</u>	<u>\$ 96,253</u>	<u>\$ (25,305)</u>	<u>(26.3)%</u>
Total wholesale vehicle gross profit (loss):				
Same store	\$ (375)	\$ (1,421)	\$ 1,046	73.6 %
Acquisitions, open points and dispositions	(65)	(453)	388	NM
Total as reported	<u>\$ (440)</u>	<u>\$ (1,874)</u>	<u>\$ 1,434</u>	<u>76.5 %</u>
Total wholesale vehicle unit sales:				
Same store	11,703	13,807	(2,104)	(15.2)%
Acquisitions, open points and dispositions	34	1,301	(1,267)	NM
Total as reported	<u>11,737</u>	<u>15,108</u>	<u>(3,371)</u>	<u>(22.3)%</u>

NM = Not Meaningful

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported wholesale vehicle:				
Revenue	\$ 28,509	\$ 43,720	\$ (15,211)	(34.8)%
Gross profit (loss)	\$ (357)	\$ (670)	\$ 313	46.7 %
Unit sales	4,827	6,960	(2,133)	(30.6)%
Revenue per unit	\$ 5,906	\$ 6,282	\$ (376)	(6.0)%
Gross profit (loss) per unit	\$ (74)	\$ (96)	\$ 22	22.9 %
Gross profit (loss) as a % of revenue	(1.3)%	(1.5)%	20	bps

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	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported wholesale vehicle:				
Revenue	\$ 70,948	\$ 96,253	\$ (25,305)	(26.3)%
Gross profit (loss)	\$ (440)	\$ (1,874)	\$ 1,434	76.5 %
Unit sales	11,737	15,108	(3,371)	(22.3)%
Revenue per unit	\$ 6,045	\$ 6,371	\$ (326)	(5.1)%
Gross profit (loss) per unit	\$ (37)	\$ (124)	\$ 87	70.2 %
Gross profit (loss) as a % of revenue	(0.6)%	(1.9)%	130	bps

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store wholesale vehicle:				
Revenue	\$ 28,407	\$ 41,795	\$ (13,388)	(32.0)%
Gross profit (loss)	\$ (317)	\$ (421)	\$ 104	24.7 %
Unit sales	4,811	6,362	(1,551)	(24.4)%
Revenue per unit	\$ 5,905	\$ 6,569	\$ (664)	(10.1)%
Gross profit (loss) per unit	\$ (66)	\$ (66)	\$ —	— %
Gross profit (loss) as a % of revenue	(1.1)%	(1.0)%	(10)	bps

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store wholesale vehicle:				
Revenue	\$ 70,720	\$ 91,383	\$ (20,663)	(22.6)%
Gross profit (loss)	\$ (375)	\$ (1,421)	\$ 1,046	73.6 %
Unit sales	11,703	13,807	(2,104)	(15.2)%
Revenue per unit	\$ 6,043	\$ 6,619	\$ (576)	(8.7)%
Gross profit (loss) per unit	\$ (32)	\$ (103)	\$ 71	68.9 %
Gross profit (loss) as a % of revenue	(0.5)%	(1.6)%	110	bps

We generally focus on maintaining used vehicle inventory days' supply in the 30- to 35-day range, which may fluctuate seasonally, in order to limit our exposure to market pricing volatility. On a trailing quarter vehicle cost of sales basis, our reported franchised dealerships used vehicle inventory days' supply was approximately 25 and 27 days as of June 30, 2020 and 2019, respectively. Wholesale vehicle revenue and wholesale vehicle unit sales volume fluctuations are typically a result of retail new and used vehicle unit sales volumes that generate additional trade-in vehicle volume that we are not always able to sell as retail used vehicles and choose to sell at auction. Whenever possible, we prefer to sell a used vehicle through retail channels rather than wholesaling the vehicle at auction due to the opportunity to sell F&I products and to avoid auction and transportation fees.

Same Store Franchised Dealerships Segment Wholesale Vehicles – Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Wholesale vehicle revenue decreased 32.0%, driven primarily by a 24.4% decrease in wholesale vehicle unit sales volume, as well as a 10.1% decrease in wholesale vehicle revenue per unit. The decrease in wholesale vehicle revenue is due in part to a reduction in wholesale auction activity due to the economic shutdown caused by the outbreak of COVID-19. Wholesale vehicle gross loss decreased 24.7%, primarily due to lower wholesale vehicle unit sales volume and flat wholesale vehicle gross loss per unit as a result of significant reductions in wholesale auction availability and transaction volume due to the COVID-19 pandemic.

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Same Store Franchised Dealerships Segment Wholesale Vehicles – Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Wholesale vehicle revenue decreased 22.6%, driven primarily by a 15.2% decrease in wholesale vehicle unit sales volume, as well as an 8.7% decrease in wholesale vehicle revenue per unit. The decrease in wholesale vehicle revenue is due in part to a reduction in wholesale auction activity due to the economic shutdown caused by the outbreak of COVID-19. Wholesale vehicle gross loss and wholesale vehicle gross loss per unit decreased 73.6% and 68.9%, respectively, as a result of significant reductions in wholesale auction availability and transaction volume due to the COVID-19 pandemic.

Fixed Operations – Franchised Dealerships Segment

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

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

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total Fixed Operations revenue:				
Same store	\$ 252,330	\$ 334,300	\$ (81,970)	(24.5)%
Acquisitions, open points and dispositions	(332)	13,037	(13,369)	NM
Total as reported	<u>\$ 251,998</u>	<u>\$ 347,337</u>	<u>\$ (95,339)</u>	<u>(27.4)%</u>
Total Fixed Operations gross profit:				
Same store	\$ 124,019	\$ 164,061	\$ (40,042)	(24.4)%
Acquisitions, open points and dispositions	446	6,647	(6,201)	NM
Total as reported	<u>\$ 124,465</u>	<u>\$ 170,708</u>	<u>\$ (46,243)</u>	<u>(27.1)%</u>

NM = Not Meaningful

SONIC AUTOMOTIVE, INC.
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	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total Fixed Operations revenue:				
Same store	\$ 576,297	\$ 653,890	\$ (77,593)	(11.9)%
Acquisitions, open points and dispositions	202	29,673	(29,471)	NM
Total as reported	<u>\$ 576,499</u>	<u>\$ 683,563</u>	<u>\$ (107,064)</u>	<u>(15.7)%</u>
Total Fixed Operations gross profit:				
Same store	\$ 281,803	\$ 318,774	\$ (36,971)	(11.6)%
Acquisitions, open points and dispositions	758	15,380	(14,622)	NM
Total as reported	<u>\$ 282,561</u>	<u>\$ 334,154</u>	<u>\$ (51,593)</u>	<u>(15.4)%</u>

NM = Not Meaningful

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Reported Fixed Operations:				
Revenue				
Customer pay	\$ 110,444	\$ 141,944	\$ (31,500)	(22.2)%
Warranty	49,326	69,809	(20,483)	(29.3)%
Wholesale parts	26,352	40,027	(13,675)	(34.2)%
Internal, sublet and other	65,876	95,557	(29,681)	(31.1)%
Total revenue	<u>\$ 251,998</u>	<u>\$ 347,337</u>	<u>\$ (95,339)</u>	<u>(27.4)%</u>
Gross profit				
Customer pay	\$ 62,461	\$ 77,653	\$ (15,192)	(19.6)%
Warranty	27,720	39,039	(11,319)	(29.0)%
Wholesale parts	4,506	6,872	(2,366)	(34.4)%
Internal, sublet and other	29,778	47,144	(17,366)	(36.8)%
Total gross profit	<u>\$ 124,465</u>	<u>\$ 170,708</u>	<u>\$ (46,243)</u>	<u>(27.1)%</u>
Gross profit as a % of revenue				
Customer pay	56.6 %	54.7 %	190	bps
Warranty	56.2 %	55.9 %	30	bps
Wholesale parts	17.1 %	17.2 %	(10)	bps
Internal, sublet and other	45.2 %	49.3 %	(410)	bps
Total gross profit as a % of revenue	49.4 %	49.1 %	30	bps

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	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Reported Fixed Operations:				
Revenue				
Customer pay	\$ 245,242	\$ 279,513	\$ (34,271)	(12.3)%
Warranty	110,086	138,782	(28,696)	(20.7)%
Wholesale parts	65,058	79,325	(14,267)	(18.0)%
Internal, sublet and other	156,113	185,943	(29,830)	(16.0)%
Total revenue	<u>\$ 576,499</u>	<u>\$ 683,563</u>	<u>\$ (107,064)</u>	<u>(15.7)%</u>
Gross profit				
Customer pay	\$ 137,054	\$ 151,977	\$ (14,923)	(9.8)%
Warranty	61,466	77,447	(15,981)	(20.6)%
Wholesale parts	11,173	13,668	(2,495)	(18.3)%
Internal, sublet and other	72,868	91,062	(18,194)	(20.0)%
Total gross profit	<u>\$ 282,561</u>	<u>\$ 334,154</u>	<u>\$ (51,593)</u>	<u>(15.4)%</u>
Gross profit as a % of revenue				
Customer pay	55.9 %	54.4 %	150	bps
Warranty	55.8 %	55.8 %	—	bps
Wholesale parts	17.2 %	17.2 %	—	bps
Internal, sublet and other	46.7 %	49.0 %	(230)	bps
Total gross profit as a % of revenue	49.0 %	48.9 %	10	bps

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Same store Fixed Operations:				
Revenue				
Customer pay	\$ 111,421	\$ 135,721	\$ (24,300)	(17.9)%
Warranty	48,672	68,095	(19,423)	(28.5)%
Wholesale parts	26,207	39,522	(13,315)	(33.7)%
Internal, sublet and other	66,030	90,962	(24,932)	(27.4)%
Total revenue	<u>\$ 252,330</u>	<u>\$ 334,300</u>	<u>\$ (81,970)</u>	<u>(24.5)%</u>
Gross profit				
Customer pay	\$ 62,538	\$ 74,411	\$ (11,873)	(16.0)%
Warranty	27,331	38,047	(10,716)	(28.2)%
Wholesale parts	4,505	6,780	(2,275)	(33.6)%
Internal, sublet and other	29,645	44,823	(15,178)	(33.9)%
Total gross profit	<u>\$ 124,019</u>	<u>\$ 164,061</u>	<u>\$ (40,042)</u>	<u>(24.4)%</u>
Gross profit as a % of revenue				
Customer pay	56.1 %	54.8 %	130	bps
Warranty	56.2 %	55.9 %	30	bps
Wholesale parts	17.2 %	17.2 %	—	bps
Internal, sublet and other	44.9 %	49.3 %	(440)	bps
Total gross profit as a % of revenue	49.1 %	49.1 %	—	bps

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	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Same store Fixed Operations:				
Revenue				
Customer pay	\$ 245,883	\$ 266,774	\$ (20,891)	(7.8)%
Warranty	109,804	133,383	(23,579)	(17.7)%
Wholesale parts	64,894	77,663	(12,769)	(16.4)%
Internal, sublet and other	155,716	176,070	(20,354)	(11.6)%
Total revenue	<u>\$ 576,297</u>	<u>\$ 653,890</u>	<u>\$ (77,593)</u>	<u>(11.9)%</u>
Gross profit				
Customer pay	\$ 137,169	\$ 145,377	\$ (8,208)	(5.6)%
Warranty	61,142	74,470	(13,328)	(17.9)%
Wholesale parts	11,169	13,342	(2,173)	(16.3)%
Internal, sublet and other	72,323	85,585	(13,262)	(15.5)%
Total gross profit	<u>\$ 281,803</u>	<u>\$ 318,774</u>	<u>\$ (36,971)</u>	<u>(11.6)%</u>
Gross profit as a % of revenue				
Customer pay	55.8 %	54.5 %	130	bps
Warranty	55.7 %	55.8 %	(10)	bps
Wholesale parts	17.2 %	17.2 %	—	bps
Internal, sublet and other	46.4 %	48.6 %	(220)	bps
Total gross profit as a % of revenue	48.9 %	48.8 %	10	bps

Same Store Franchised Dealerships Segment Fixed Operations— Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Fixed Operations revenue decreased approximately \$82.0 million, or 24.5%, and Fixed Operations gross profit decreased approximately \$40.0 million, or 24.4%. Customer pay gross profit decreased approximately \$11.9 million, or 16.0%, warranty gross profit decreased approximately \$10.7 million, or 28.2%, wholesale parts gross profit decreased approximately \$2.3 million, or 33.6%, and internal, sublet and other gross profit decreased approximately \$15.2 million, or 33.9%. While our Fixed Operations business was not restricted by state and local shelter-in-place or stay-at-home orders, consumer behavior was disrupted by such orders beginning in March 2020 and we experienced lower levels of Fixed Operations activity in the second quarter of 2020.

Same Store Franchised Dealerships Segment Fixed Operations— Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Fixed Operations revenue decreased approximately \$77.6 million, or 11.9%, and Fixed Operations gross profit decreased approximately \$37.0 million, or 11.6%. Customer pay gross profit decreased approximately \$8.2 million, or 5.6%, warranty gross profit decreased approximately \$13.3 million, or 17.9%, wholesale parts gross profit decreased approximately \$2.2 million, or 16.3%, and internal, sublet and other gross profit decreased approximately \$13.3 million, or 15.5%. While our Fixed Operations business was not restricted by state and local shelter-in-place or stay-at-home orders, consumer behavior was disrupted by such orders beginning in March 2020 and we experienced lower levels of Fixed Operations activity in the second quarter of 2020.

F&I – Franchised Dealerships Segment

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

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number of finance contracts, extended warranties and service contracts, other aftermarket products or insurance contracts that we are able to originate per vehicle sold, expressed as a percentage.

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Total F&I revenue:				
Same store	\$ 75,558	\$ 82,399	\$ (6,841)	(8.3)%
Acquisitions, open points and dispositions	4,843	7,108	(2,265)	NM
Total as reported	\$ 80,401	\$ 89,507	\$ (9,106)	(10.2)%
Total F&I gross profit per retail unit (excludes fleet):				
Same store	\$ 1,730	\$ 1,554	\$ 176	11.3 %
Reported	\$ 1,839	\$ 1,581	\$ 258	16.3 %
Total combined new and used retail unit sales:				
Same store	43,683	53,028	(9,345)	(17.6)%
Acquisitions, open points and dispositions	31	3,598	(3,567)	NM
Total as reported	43,714	56,626	(12,912)	(22.8)%

NM = Not Meaningful

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Total F&I revenue:				
Same store	\$ 154,149	\$ 155,819	\$ (1,670)	(1.1)%
Acquisitions, open points and dispositions	9,280	14,209	(4,929)	NM
Total as reported	\$ 163,429	\$ 170,028	\$ (6,599)	(3.9)%
Total F&I gross profit per retail unit (excludes fleet):				
Same store	\$ 1,699	\$ 1,538	\$ 161	10.5 %
Reported	\$ 1,798	\$ 1,561	\$ 237	15.2 %
Total combined new and used retail unit sales:				
Same store	90,711	101,331	(10,620)	(10.5)%
Acquisitions, open points and dispositions	180	7,625	(7,445)	NM
Total as reported	90,891	108,956	(18,065)	(16.6)%

NM = Not Meaningful

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported F&I:				
Revenue	\$ 80,401	\$ 89,507	\$ (9,106)	(10.2)%
Unit sales	43,714	56,626	(12,912)	(22.8)%
Gross profit per retail unit (excludes fleet)	\$ 1,839	\$ 1,581	\$ 258	16.3 %

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	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported F&I:				
Revenue	\$ 163,429	\$ 170,028	\$ (6,599)	(3.9)%
Unit sales	90,891	108,956	(18,065)	(16.6)%
Gross profit per retail unit (excludes fleet)	\$ 1,798	\$ 1,561	\$ 237	15.2 %

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store F&I:				
Revenue	\$ 75,558	\$ 82,399	\$ (6,841)	(8.3)%
Unit sales	43,683	53,028	(9,345)	(17.6)%
Gross profit per retail unit (excludes fleet)	\$ 1,730	\$ 1,554	\$ 176	11.3 %

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store F&I:				
Revenue	\$ 154,149	\$ 155,819	\$ (1,670)	(1.1)%
Unit sales	90,711	101,331	(10,620)	(10.5)%
Gross profit per retail unit (excludes fleet)	\$ 1,699	\$ 1,538	\$ 161	10.5 %

Same Store Franchised Dealerships Segment F&I— Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

F&I revenues decreased approximately \$6.8 million, or 8.3%, due to a 17.6% decrease in retail new and used vehicle unit sales volume, offset partially by an increase in F&I gross profit per retail unit. F&I gross profit per retail unit increased \$176 per unit, or 11.3%, to \$1,730 per unit, primarily due to increases in finance contract and service contract penetration rates.

Finance contract revenue decreased 16.6%, primarily due to a 13.9% decrease in finance contract volume as a result of lower retail new and used vehicle unit sales volume, and a 3.1% decrease in gross profit per finance contract, partially offset by a 350 basis point increase in the finance contract penetration rate. Service contract revenue decreased 4.8%, primarily due to a 6.4% decrease in service contract volume as a result of lower retail new and used vehicle unit sales volume, partially offset by a 1.8% increase in gross profit per service contract and a 450 basis point increase in the service contract penetration rate. Other aftermarket contract revenue decreased 18.1%, primarily due to a 17.8% decrease in other aftermarket contact volume and a 0.4% decrease in gross profit per other aftermarket contract. The other aftermarket contract penetration rate decreased 30 basis points. Consistent with other revenue and gross profit streams, F&I revenue and gross profit were adversely impacted by the effect of lower retail new and used vehicle sales as a result of the COVID-19 pandemic in the second quarter of 2020.

Same Store Franchised Dealerships Segment F&I— Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

F&I revenues decreased approximately \$1.7 million, or 1.1%, due to a 10.5% decrease in retail new and used vehicle unit sales volume, offset partially by an increase in F&I gross profit per retail unit. F&I gross profit per retail unit increased \$161 per unit, or 10.5%, to \$1,699 per unit, primarily due to increases in finance contract and service contract penetration rates.

Finance contract revenue decreased 7.1%, primarily due to a 9.0% decrease in finance contract volume as a result of lower retail new and used vehicle unit sales volume, partially offset by a 2.0% increase in gross profit per finance contract and a 130 basis point increase in the finance contract penetration rate. Service contract revenue decreased 0.4%, primarily due to a 0.7% decrease in service contract volume as a result of lower retail new and used vehicle unit sales volume, partially offset by a 0.2% increase in gross profit per service contract and a 370 basis point increase in the service contract penetration rate. Other aftermarket contract revenue decreased 9.5%, primarily due to an 8.4% decrease in other aftermarket contract volume and a 1.2% decrease in gross profit per other aftermarket contract. The other aftermarket contract penetration rate increased 320 basis

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points. Consistent with other revenue and gross profit streams, F&I revenue and gross profit were adversely impacted by the effect of lower retail new and used vehicle sales as a result of the COVID-19 pandemic in the first half of 2020.

Results of Operations – EchoPark Segment

Unless otherwise noted, all discussion of increases or decreases are for the three and six months ended June 30, 2020 and are compared to the same prior year period, as applicable. The following discussion of used vehicles and F&I, wholesale vehicles, and parts, service and collision repair are on a same store basis, except where otherwise noted. All currently operating stores are included within the same store group in the first full month following the first anniversary of the store's opening or acquisition.

The EchoPark Segment same store results consist of the results of eight EchoPark stores, four in Texas, three in Colorado and one in North Carolina, for the three and six months ended June 30, 2020 compared to the same prior year period, as applicable. Due to the ongoing expansion of our EchoPark Segment, same store results may vary significantly from reported results due to stores that began operations in the last 12 months.

Used Vehicles and F&I – EchoPark Segment

Based on the way we manage the EchoPark Segment, our operating strategy focuses on maximizing total used vehicle-related gross profit (based on a combination of retail used vehicle unit sales volume, front-end retail used vehicle gross profit per unit and F&I gross profit per unit) rather than realizing traditional levels of front-end retail used vehicle gross profit per unit. As such, we believe the best per unit measure of gross profit performance at our EchoPark stores is a combined total gross profit per unit, which includes both front-end retail used vehicle gross profit and F&I gross profit per unit sold.

See the discussion in Franchised Dealerships Segment Results of Operations for a discussion of the macro drivers of used vehicle revenues and F&I revenues.

The following tables provide a reconciliation of EchoPark Segment reported basis and same store basis for retail used vehicles:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total used vehicle revenue:				
Same store	\$ 243,043	\$ 248,536	\$ (5,493)	(2.2)%
Acquisitions, open points and closures	30,135	1	30,134	NM
Total as reported	<u>\$ 273,178</u>	<u>\$ 248,537</u>	<u>\$ 24,641</u>	<u>9.9 %</u>
Total used vehicle gross profit (loss):				
Same store	\$ (3,988)	\$ (2,464)	\$ (1,524)	(61.9)%
Acquisitions, open points and closures	943	1,739	(796)	NM
Total as reported	<u>\$ (3,045)</u>	<u>\$ (725)</u>	<u>\$ (2,320)</u>	<u>(320.0)%</u>
Total used vehicle unit sales:				
Same store	11,716	12,587	(871)	(6.9)%
Acquisitions, open points and closures	1,491	—	1,491	NM
Total as reported	<u>13,207</u>	<u>12,587</u>	<u>620</u>	<u>4.9 %</u>

NM = Not Meaningful

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	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total used vehicle revenue:				
Same store	\$ 508,343	\$ 464,953	\$ 43,390	9.3 %
Acquisitions, open points and closures	48,000	—	48,000	NM
Total as reported	<u>\$ 556,343</u>	<u>\$ 464,953</u>	<u>\$ 91,390</u>	<u>19.7 %</u>
Total used vehicle gross profit:				
Same store	\$ (5,832)	\$ (2,721)	\$ (3,111)	(114.3)%
Acquisitions, open points and closures	2,604	2,266	338	NM
Total as reported	<u>\$ (3,228)</u>	<u>\$ (455)</u>	<u>\$ (2,773)</u>	<u>(609.5)%</u>
Total used vehicle unit sales:				
Same store	24,783	23,638	1,145	4.8 %
Acquisitions, open points and closures	2,410	—	2,410	NM
Total as reported	<u>27,193</u>	<u>23,638</u>	<u>3,555</u>	<u>15.0 %</u>

NM = Not Meaningful

The following tables provide a reconciliation of EchoPark Segment reported basis and same store basis for F&I:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total F&I revenue:				
Same store	\$ 27,049	\$ 28,605	\$ (1,556)	(5.4)%
Acquisitions, open points and closures	3,323	237	3,086	NM
Total as reported	<u>\$ 30,372</u>	<u>\$ 28,842</u>	<u>\$ 1,530</u>	<u>5.3 %</u>

NM = Not Meaningful

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total F&I revenue:				
Same store	\$ 57,273	\$ 54,252	\$ 3,021	5.6 %
Acquisitions, open points and closures	5,362	307	5,055	NM
Total as reported	<u>\$ 62,635</u>	<u>\$ 54,559</u>	<u>\$ 8,076</u>	<u>14.8 %</u>

NM = Not Meaningful

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported used vehicle and F&I:				
Used vehicle revenue	\$ 273,178	\$ 248,537	\$ 24,641	9.9 %
Used vehicle gross profit (loss)	\$ (3,045)	\$ (725)	\$ (2,320)	(320.0)%
Used vehicle unit sales	13,207	12,587	620	4.9 %
Used vehicle revenue per unit	\$ 20,684	\$ 19,746	\$ 938	4.8 %
F&I revenue	\$ 30,372	\$ 28,842	\$ 1,530	5.3 %
Combined used vehicle gross profit and F&I revenue	\$ 27,327	\$ 28,117	\$ (790)	(2.8)%
Total used vehicle and F&I gross profit per unit	\$ 2,069	\$ 2,234	\$ (165)	(7.4)%

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported used vehicle and F&I:				
Used vehicle revenue	\$ 556,343	\$ 464,953	\$ 91,390	19.7 %
Used vehicle gross profit (loss)	\$ (3,228)	\$ (455)	\$ (2,773)	(609.5)%
Used vehicle unit sales	27,193	23,638	3,555	15.0 %
Used vehicle revenue per unit	\$ 20,459	\$ 19,670	\$ 789	4.0 %
F&I revenue	\$ 62,635	\$ 54,559	\$ 8,076	14.8 %
Combined used vehicle gross profit and F&I revenue	\$ 59,407	\$ 54,104	\$ 5,303	9.8 %
Total used vehicle and F&I gross profit per unit	\$ 2,185	\$ 2,289	\$ (104)	(4.5)%

Our EchoPark Segment same store retail used vehicle and F&I results are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store used vehicle and F&I:				
Used vehicle revenue	\$ 243,043	\$ 248,536	\$ (5,493)	(2.2)%
Used vehicle gross profit (loss)	\$ (3,988)	\$ (2,464)	\$ (1,524)	(61.9)%
Used vehicle unit sales	11,716	12,587	(871)	(6.9)%
Used vehicle revenue per unit	\$ 20,745	\$ 19,745	\$ 1,000	5.1 %
F&I revenue	\$ 27,049	\$ 28,605	\$ (1,556)	(5.4)%
Combined used vehicle gross profit and F&I revenue	\$ 23,061	\$ 26,141	\$ (3,080)	(11.8)%
Total used vehicle and F&I gross profit per unit	\$ 1,968	\$ 2,077	\$ (109)	(5.2)%

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	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store used vehicle and F&I:				
Used vehicle revenue	\$ 508,343	\$ 464,953	\$ 43,390	9.3 %
Used vehicle gross profit (loss)	\$ (5,832)	\$ (2,721)	\$ (3,111)	(114.3)%
Used vehicle unit sales	24,783	23,638	1,145	4.8 %
Used vehicle revenue per unit	\$ 20,512	\$ 19,670	\$ 842	4.3 %
F&I revenue	\$ 57,273	\$ 54,252	\$ 3,021	5.6 %
Combined used vehicle gross profit and F&I revenue	\$ 51,441	\$ 51,531	\$ (90)	(0.2)%
Total used vehicle and F&I gross profit per unit	\$ 2,076	\$ 2,180	\$ (104)	(4.8)%

Same Store EchoPark Segment Used Vehicles and F&I— Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Retail used vehicle revenue decreased approximately \$5.5 million, or 2.2%, driven primarily by a 6.9% decrease in retail used vehicle unit sales volume as a result of decreased consumer demand due to the COVID-19 pandemic, offset partially by a \$1,000 per unit, or 5.1%, increase in retail used vehicle revenue per unit. Combined used vehicle gross profit and F&I revenue decreased approximately \$3.1 million, or 11.8%, driven by lower retail used vehicle unit sales volume and a \$109 per unit, or 5.2%, decrease in total used vehicle and F&I gross profit per unit as a result of strategic pricing reductions that were made in April 2020 to drive additional sales volume and turn pre-pandemic inventory. Finance contract gross profit decreased approximately \$1.3 million, or 6.5%, due to lower retail used vehicle unit sales volume, offset partially by a 220-basis point increase in the finance contract penetration rate. Service contract gross profit decreased approximately \$0.9 million, or 5.1%, due to lower retail used vehicle unit sales volume, offset partially by a 260-basis point increase in the service contract penetration rate. Other aftermarket product gross profit decreased approximately \$4.4 million, or 14.6%, due primarily to a 14.4% decrease in total aftermarket contracts.

Same Store EchoPark Segment Used Vehicles and F&I— Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Retail used vehicle revenue increased approximately \$43.4 million, or 9.3%, driven primarily by a 4.8% increase in retail used vehicle unit sales volume and an 4.3%, increase in retail used vehicle revenue per unit. Strength in retail used vehicle unit sales volume in the first quarter of 2020 more than offset the challenges we faced in the second quarter of 2020 as a result of the COVID-19 pandemic, demonstrating the strength of the EchoPark model. Combined used vehicle gross profit and F&I revenue decreased approximately \$0.1 million, or 0.2%, driven by a \$104 per unit, or 4.8% decrease in total used vehicle and F&I gross profit per unit as a result of strategic pricing reductions that were made in April 2020 to drive additional sales volume and turn pre-pandemic inventory, offset partially by higher retail used vehicle unit sales volume. Finance contract gross profit increased approximately \$0.2 million, or 0.5%, due to higher retail used vehicle unit sales volume and a 100-basis point increase in the finance contract penetration rate. Service contract gross profit increased approximately 0.4 million, or 1.1%, due to a higher retail used vehicle unit sales volume and a 250-basis point increase in the service contract penetration rate. Other aftermarket product gross profit decreased approximately \$3.1 million, or 5.5%, due primarily to a 4.3% decrease in total aftermarket contracts.

Wholesale Vehicles – EchoPark Segment

See the discussion in Franchised Dealerships Segment Results of Operations for a discussion of the macro drivers of wholesale vehicle revenues.

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The following tables provide a reconciliation of EchoPark Segment reported basis and same store basis for wholesale vehicles:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total wholesale vehicle revenue:				
Same store	\$ 4,349	\$ 6,320	\$ (1,971)	(31.2)%
Acquisitions, open points and closures	317	(1)	318	NM
Total as reported	<u>\$ 4,666</u>	<u>\$ 6,319</u>	<u>\$ (1,653)</u>	<u>(26.2)%</u>
Total wholesale vehicle gross profit (loss):				
Same store	\$ (69)	\$ (42)	\$ (27)	(64.3)%
Acquisitions, open points and closures	—	(1)	1	NM
Total as reported	<u>\$ (69)</u>	<u>\$ (43)</u>	<u>\$ (26)</u>	<u>(60.5)%</u>
Total wholesale vehicle unit sales:				
Same store	1,319	1,686	(367)	(21.8)%
Acquisitions, open points and closures	135	—	135	NM
Total as reported	<u>1,454</u>	<u>1,686</u>	<u>(232)</u>	<u>(13.8)%</u>

NM = Not Meaningful

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit data)				
Total wholesale vehicle revenue:				
Same store	\$ 10,223	\$ 8,556	\$ 1,667	19.5 %
Acquisitions, open points and closures	547	1	546	NM
Total as reported	<u>\$ 10,770</u>	<u>\$ 8,557</u>	<u>\$ 2,213</u>	<u>25.9 %</u>
Total wholesale vehicle gross profit (loss):				
Same store	\$ (139)	\$ (105)	\$ (34)	(32.4)%
Acquisitions, open points and closures	(6)	—	(6)	NM
Total as reported	<u>\$ (145)</u>	<u>\$ (105)</u>	<u>\$ (40)</u>	<u>(38.1)%</u>
Total wholesale vehicle unit sales:				
Same store	2,995	2,185	810	37.1 %
Acquisitions, open points and closures	224	—	224	NM
Total as reported	<u>3,219</u>	<u>2,185</u>	<u>1,034</u>	<u>47.3 %</u>

NM = Not Meaningful

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Our EchoPark Segment reported wholesale vehicle results are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported wholesale vehicle:				
Revenue	\$ 4,666	\$ 6,319	\$ (1,653)	(26.2)%
Gross profit (loss)	\$ (69)	\$ (43)	\$ (26)	(60.5)%
Unit sales	1,454	1,686	(232)	(13.8)%
Revenue per unit	\$ 3,209	\$ 3,748	\$ (539)	(14.4)%
Gross profit (loss) per unit	\$ (47)	\$ (26)	\$ (21)	(80.8)%
Gross profit (loss) as a % of revenue	(1.5)%	(0.7)%	(80)	bps

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Reported wholesale vehicle:				
Revenue	\$ 10,770	\$ 8,557	\$ 2,213	25.9 %
Gross profit (loss)	\$ (145)	\$ (105)	\$ (40)	(38.1)%
Unit sales	3,219	2,185	1,034	47.3 %
Revenue per unit	\$ 3,346	\$ 3,916	\$ (570)	(14.6)%
Gross profit (loss) per unit	\$ (45)	\$ (48)	\$ 3	6.3 %
Gross profit (loss) as a % of revenue	(1.3)%	(1.2)%	(10)	bps

Our EchoPark Segment same store wholesale vehicle results are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store wholesale vehicle:				
Revenue	\$ 4,349	\$ 6,320	\$ (1,971)	(31.2)%
Gross profit (loss)	\$ (69)	\$ (42)	\$ (27)	(64.3)%
Unit sales	1,319	1,686	(367)	(21.8)%
Revenue per unit	\$ 3,297	\$ 3,749	\$ (452)	(12.1)%
Gross profit (loss) per unit	\$ (52)	\$ (25)	\$ (27)	(108.0)%
Gross profit (loss) as a % of revenue	(1.6)%	(0.7)%	(90)	bps

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands, except unit and per unit data)				
Same store wholesale vehicle:				
Revenue	\$ 10,223	\$ 8,556	\$ 1,667	19.5 %
Gross profit (loss)	\$ (139)	\$ (105)	\$ (34)	(32.4)%
Unit sales	2,995	2,185	810	37.1 %
Revenue per unit	\$ 3,413	\$ 3,916	\$ (503)	(12.8)%
Gross profit (loss) per unit	\$ (46)	\$ (48)	\$ 2	4.2 %
Gross profit (loss) as a % of revenue	(1.4)%	(1.2)%	(20)	bps

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Same Store EchoPark Segment Wholesale Vehicles— Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Wholesale vehicle revenue decreased, due to decreases in wholesale vehicle unit sales volume and wholesale vehicle revenue per unit. Wholesale vehicle gross loss was flat. Given EchoPark's retail inventory mix, the majority of vehicles acquired from customers on trade-ins cannot be sold as retail at our EchoPark stores and are subsequently sold at auction, affecting our wholesale vehicle gross profit (loss). However, a successful acquisition of a customer's trade-in vehicle often facilitates a retail used vehicle sale transaction that otherwise may not have occurred, driving higher overall gross profit. Our overall EchoPark inventory acquisition and pricing strategy reduces the risk of aged inventory that must be sold at auction (which would typically have a higher wholesale vehicle gross loss per unit) and increases the volume of trade-ins that we obtain from customers. We generally focus on maintaining used vehicle inventory days' supply in the 30- to 35-day range, which may fluctuate seasonally, in order to limit out exposure to market pricing volatility. On a trailing quarter vehicle cost of sales basis, our used vehicle inventory days' supply at our EchoPark stores was approximately 38 and 31 days as of June 30, 2020 and 2019, respectively, above our target range as of June 30, 2020 due to lower than typical vehicle unit sales volume in April and May 2020 and our new Tampa, Florida store which opened in April 2020.

Same Store EchoPark Segment Wholesale Vehicles— Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Wholesale vehicle revenue increased, due to increased wholesale vehicle unit sales volume as a result of a shift in our inventory acquisition and pricing strategy at our EchoPark stores during the second quarter of 2018. Prior to this, EchoPark inventory was subject to increased risk of aging and wholesale vehicle gross loss, which drove higher wholesale transaction volumes. Wholesale vehicle gross loss increased as a result of the evolution of our customer trade-in vehicle appraisal strategy, which has enabled us to trade for more customer vehicles. Given EchoPark's retail inventory mix, the majority of vehicles acquired from customers on trade-ins cannot be sold as retail at our EchoPark stores and are subsequently sold at auction, affecting our wholesale vehicle gross profit (loss). However, a successful acquisition of a customer's trade-in vehicle often facilitates a retail used vehicle sale transaction that otherwise may not have occurred, driving higher overall gross profit. Our overall EchoPark inventory acquisition and pricing strategy reduces the risk of aged inventory that must be sold at auction (which would typically have a higher wholesale vehicle gross loss per unit) and increases the volume of trade-ins that we obtain from customers.

Fixed Operations – EchoPark Segment

Parts, service and collision repair revenues primarily consist of internal, sublet and other work related to inventory preparation and reconditioning performed on vehicles that are later sold to customers. When that work is performed by one of our stores, the work is classified as internal. In the event the work is performed by a third party on our behalf, it is classified as sublet. Our EchoPark stores do not currently perform warranty or customer pay repairs or maintenance work.

The following tables provide a reconciliation of EchoPark Segment reported basis and same store basis for Fixed Operations:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total Fixed Operations revenue:				
Same store	\$ 6,277	\$ 7,974	\$ (1,697)	(21.3)%
Acquisitions, open points and closures	783	1	782	NM
Total as reported	<u>\$ 7,060</u>	<u>\$ 7,975</u>	<u>\$ (915)</u>	<u>(11.5)%</u>
Total Fixed Operations gross profit (loss):				
Same store	\$ (141)	\$ (141)	\$ —	— %
Acquisitions, open points and closures	(45)	(21)	(24)	NM
Total as reported	<u>\$ (186)</u>	<u>\$ (162)</u>	<u>\$ (24)</u>	<u>(14.8)%</u>

NM = Not Meaningful

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	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total Fixed Operations revenue:				
Same store	\$ 15,852	\$ 13,179	\$ 2,673	20.3 %
Acquisitions, open points and closures	1,387	—	1,387	100.0 %
Total as reported	\$ 17,239	\$ 13,179	\$ 4,060	30.8 %
Total Fixed Operations gross profit (loss):				
Same store	\$ (299)	\$ (351)	\$ 52	14.8 %
Acquisitions, open points and closures	(84)	(21)	(63)	(300.0)%
Total as reported	\$ (383)	\$ (372)	\$ (11)	(3.0)%

Our EchoPark Segment reported Fixed Operations results are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total reported Fixed Operations:				
Revenue	\$ 7,060	\$ 7,975	\$ (915)	(11.5)%
Gross profit (loss)	\$ (186)	\$ (162)	\$ (24)	(14.8)%
Gross profit (loss) as a % of revenue	(2.6)%	(2.0)%	(60) bps	

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total reported Fixed Operations:				
Revenue	\$ 17,239	\$ 13,179	\$ 4,060	30.8 %
Gross profit (loss)	\$ (383)	\$ (372)	\$ (11)	(3.0)%
Gross profit (loss) as a % of revenue	(2.2)%	(2.8)%	60 bps	

Our EchoPark Segment same store Fixed Operations results are as follows:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total same store Fixed Operations:				
Revenue	\$ 6,277	\$ 7,974	\$ (1,697)	(21.3)%
Gross profit (loss)	\$ (141)	\$ (141)	\$ —	— %
Gross profit (loss) as a % of revenue	(2.2)%	(1.8)%	(40) bps	

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
Total same store Fixed Operations:				
Revenue	\$ 15,852	\$ 13,179	\$ 2,673	20.3 %
Gross profit (loss)	\$ (299)	\$ (351)	\$ 52	14.8 %
Gross profit (loss) as a % of revenue	(1.9)%	(2.7)%	80 bps	

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Same Store EchoPark Segment Fixed Operations – Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Fixed Operations revenue decreased approximately \$1.7 million, or 21.3%, primarily due to lower vehicle unit sales volume (and resulting inventory reconditioning requirements).

Same Store EchoPark Segment Fixed Operations – Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Fixed Operations revenue increased approximately \$2.7 million, or 20.3%, primarily due to higher vehicle unit sales volume (and resulting inventory reconditioning requirements).

Segment Results Summary

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

	Three Months Ended June 30,		Better / Worse	
	2020	2019	Change	% Change
(In thousands)				
Segment Revenues:				
Franchised Dealerships Segment revenues:				
New vehicles	\$ 900,003	\$ 1,204,754	\$ (304,751)	(25.3)%
Used vehicles	535,699	637,090	(101,391)	(15.9)%
Wholesale vehicles	28,509	43,720	(15,211)	(34.8)%
Parts, service and collision repair	251,998	347,337	(95,339)	(27.4)%
Finance, insurance and other, net	80,401	89,507	(9,106)	(10.2)%
Franchised Dealerships Segment revenues	\$ 1,796,610	\$ 2,322,408	\$ (525,798)	(22.6)%
EchoPark Segment revenues:				
Used vehicles	\$ 273,178	\$ 248,537	\$ 24,641	9.9 %
Wholesale vehicles	4,666	6,319	(1,653)	(26.2)%
Parts, service and collision repair	7,060	7,975	(915)	(11.5)%
Finance, insurance and other, net	30,372	28,842	1,530	5.3 %
EchoPark Segment revenues	\$ 315,276	\$ 291,673	\$ 23,603	8.1 %
Total consolidated revenues	\$ 2,111,886	\$ 2,614,081	\$ (502,195)	(19.2)%
Segment Income (Loss) (1):				
Franchised Dealerships Segment	\$ 35,689	\$ 35,129	\$ 560	1.6 %
EchoPark Segment	2,577	1,693	884	52.2 %
Total segment income (loss)	\$ 38,266	\$ 36,822	\$ 1,444	3.9 %
Impairment charges (2)	(833)	—	(833)	(100.0)%
Income (loss) from continuing operations before taxes	\$ 37,433	\$ 36,822	\$ 611	1.7 %
Retail New and Used Vehicle Unit Sales Volume:				
Franchised Dealerships Segment	43,864	57,067	(13,203)	(23.1)%
EchoPark Segment	13,207	12,587	620	4.9 %
Total retail new and used vehicle unit sales volume	57,071	69,654	(12,583)	(18.1)%

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

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(2) For the three months ended June 30, 2020, the above amount includes a pre-tax impairment charge of approximately \$0.8 million related to the abandonment of certain construction projects.

	Six Months Ended June 30,		Better / Worse	
	2020	2019	Change	% Change
(In thousands)				
Segment Revenues:				
Franchised Dealerships Segment revenues:				
New vehicles	\$ 1,859,492	\$ 2,271,088	\$ (411,596)	(18.1)%
Used vehicles	1,102,587	1,241,039	(138,452)	(11.2)%
Wholesale vehicles	70,948	96,253	(25,305)	(26.3)%
Parts, service and collision repair	576,499	683,563	(107,064)	(15.7)%
Finance, insurance and other, net	163,429	170,028	(6,599)	(3.9)%
Franchised Dealerships Segment revenues	<u>\$ 3,772,955</u>	<u>\$ 4,461,971</u>	<u>\$ (689,016)</u>	<u>(15.4)%</u>
EchoPark Segment revenues:				
Used vehicles	\$ 556,343	\$ 464,953	\$ 91,390	19.7 %
Wholesale vehicles	10,770	8,557	2,213	25.9 %
Parts, service and collision repair	17,239	13,179	4,060	30.8 %
Finance, insurance and other, net	62,635	54,559	8,076	14.8 %
EchoPark Segment revenues	<u>\$ 646,987</u>	<u>\$ 541,248</u>	<u>\$ 105,739</u>	<u>19.5 %</u>
Total consolidated revenues	<u><u>\$ 4,419,942</u></u>	<u><u>\$ 5,003,219</u></u>	<u><u>\$ (583,277)</u></u>	<u><u>(11.7)%</u></u>
Segment Income (Loss) (1):				
Franchised Dealerships Segment (2)	\$ 58,346	\$ 96,310	\$ (37,964)	(39.4)%
EchoPark Segment	4,672	3,800	872	22.9 %
Total segment income (loss)	\$ 63,018	\$ 100,110	\$ (37,092)	(37.1)%
Impairment charges (3)	(268,833)	(1,952)	(266,881)	(13,672.2)%
Income (loss) from continuing operations before taxes	<u><u>\$ (205,815)</u></u>	<u><u>\$ 98,158</u></u>	<u><u>\$ (303,973)</u></u>	<u><u>(309.7)%</u></u>
Retail New and Used Vehicle Unit Sales Volume:				
Franchised Dealerships Segment	91,626	109,676	(18,050)	(16.5)%
EchoPark Segment	27,193	23,638	3,555	15.0 %
Total retail new and used vehicle unit sales volume	<u><u>118,819</u></u>	<u><u>133,314</u></u>	<u><u>(14,495)</u></u>	<u><u>(10.9)%</u></u>

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

(2) For the six months ended June 30, 2019, the above amount includes a pre-tax net gain on the disposal of franchised dealerships of approximately \$46.7 million, offset partially by approximately \$6.3 million of pre-tax executive transition costs.

(3) For the six months ended June 30, 2020, the above amount includes a pre-tax impairment charge of approximately \$268.0 million related to adjustments in fair value of goodwill for the Franchised Dealerships Segment as a result of the economic disruptions due to the worldwide spread of COVID-19 which has adversely affected our business, as well as a

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pre-tax impairment charge of approximately \$0.8 million related to the abandonment of certain construction projects. For the six months ended June 30, 2019, the above amount includes approximately \$1.9 million of pre-tax fair value adjustments to real estate at former EchoPark locations classified as held for sale.

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

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

The following tables set forth information related to our consolidated reported SG&A expenses:

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
SG&A expenses:				
Compensation	\$ 140,266	\$ 181,197	\$ 40,931	22.6 %
Advertising	8,087	15,402	7,315	47.5 %
Rent	13,223	13,336	113	0.8 %
Other	68,783	84,597	15,814	18.7 %
Total SG&A expenses	<u>\$ 230,359</u>	<u>\$ 294,532</u>	<u>\$ 64,173</u>	<u>21.8 %</u>
SG&A expenses as a % of gross profit:				
Compensation	45.6 %	47.5 %	190	bps
Advertising	2.6 %	4.0 %	140	bps
Rent	4.3 %	3.5 %	(80)	bps
Other	22.4 %	22.2 %	(20)	bps
Total SG&A expenses as a % of gross profit	<u>74.9 %</u>	<u>77.2 %</u>	<u>230</u>	<u>bps</u>

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
SG&A expenses:				
Compensation	\$ 314,688	\$ 365,381	\$ 50,693	13.9 %
Advertising	22,222	30,453	8,231	27.0 %
Rent	27,088	28,586	1,498	5.2 %
Other	148,517	117,206	(31,311)	(26.7)%
Total SG&A expenses	<u>\$ 512,515</u>	<u>\$ 541,626</u>	<u>\$ 29,111</u>	<u>5.4 %</u>
SG&A expenses as a % of gross profit:				
Compensation	47.8 %	49.4 %	160	bps
Advertising	3.4 %	4.1 %	70	bps
Rent	4.1 %	3.9 %	(20)	bps
Other	22.6 %	15.8 %	(680)	bps
Total SG&A expenses as a % of gross profit	<u>77.9 %</u>	<u>73.2 %</u>	<u>(470)</u>	<u>bps</u>

Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Overall SG&A expenses decreased both in dollar amount and as a percentage of gross profit, primarily due to overall expense reduction, with the largest decrease in compensation expense as a result of lower levels of gross profit and strategic actions we took in March through June 2020 to reduce our expense structure in response to the COVID-19 pandemic. Advertising expense decreased both in dollar amount and as a percentage of gross profit, due primarily to a focused effort on centralizing and reducing marketing spend in order to get the most efficient use of our advertising dollars. Rent expense was flat compared to the prior year period. Other SG&A expenses decreased in dollar amount and increased as a percentage of gross profit due primarily to a decrease in customer-related costs and other fixed costs as we focused on reducing loaner vehicle expense and other spending during the pandemic. As a result of actions taken since March 2020, we expect to realize approximately \$7.0 million per month in expense reductions on a go-forward basis, compared to pre-COVID-19 levels.

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Overall SG&A expenses decreased in dollar amount and increased as a percentage of gross profit, primarily due to overall expense reduction, with the largest decrease in compensation expense as a result of lower levels of gross profit and strategic actions we took in March through June 2020 to reduce our expense structure in response to the COVID-19 pandemic. Advertising expense decreased both in dollar amount and as a percentage of gross profit, due primarily to a focused effort on centralizing and reducing marketing spend in order to get the most efficient use of our advertising dollars. Rent expense decreased in dollar amount and increased as a percentage of gross profit, primarily due to the disposal of several franchised dealerships during and since the period ended June 30, 2019. Other SG&A expenses increased both in dollar amount and as a percentage of gross profit due primarily to a \$46.7 million pre-tax net gain on the disposal of franchised dealerships in the prior year period.

Impairment Charges – Consolidated

Impairment charges increased approximately \$0.8 million and \$266.9 million during the three and six months ended June 30, 2020, respectively. Impairment charges for the three months ended June 30, 2020 were related to the abandonment of certain construction projects. Impairment charges for the six months ended June 30, 2020 were primarily related to fair value adjustments to goodwill. There were no impairment charges for the three months ended June 30, 2019. Impairment charges for the six months ended June 30, 2019 were related to fair value adjustments of real estate at former EchoPark locations classified as held for sale.

Depreciation and Amortization – Consolidated

Depreciation expense decreased approximately \$1.2 million, or 4.9%, and \$1.5 million, or 3.3%, during the three and six months ended June 30, 2020, respectively. The decreases were due primarily to the disposition of franchised dealerships in the prior year period and the aging of assets.

Interest Expense, Floor Plan – Consolidated

Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Interest expense, floor plan for new vehicles decreased approximately \$5.8 million, or 53.3%. The average new vehicle floor plan interest rate was 1.57%, down from 3.14% in the three months ended June 30, 2019, resulting in a decrease in new vehicle floor plan interest expense of approximately \$5.1 million. The average new vehicle floor plan notes payable balance decreased approximately \$88.4 million, which decreased new vehicle floor plan interest expense by approximately \$0.7 million.

Interest expense, floor plan for used vehicles decreased approximately \$0.4 million, or 24.5%. The average used vehicle floor plan interest rate was 1.89%, down from 3.17% in the three months ended June 30, 2019, resulting in a decrease in used vehicle floor plan interest expense of approximately \$0.9 million. The average used vehicle floor plan notes payable balance increased approximately \$56.6 million, which increased used vehicle floor plan interest expense by approximately \$0.5 million, partially offsetting the decrease from lower interest rates.

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Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Interest expense, floor plan for new vehicles decreased approximately \$8.6 million, or 38.0%. The average new vehicle floor plan interest rate was 2.12%, down from 3.28% in the six months ended June 30, 2019, resulting in a decrease in new vehicle floor plan interest expense of approximately \$7.7 million. The average new vehicle floor plan notes payable balance decreased approximately \$55.6 million, which decreased new vehicle floor plan interest expense by approximately \$0.9 million.

Interest expense, floor plan for used vehicles decreased approximately \$0.3 million, or 10.6%. The average used vehicle floor plan interest rate was 2.30%, down from 3.11% in the six months ended June 30, 2019, resulting in a decrease in used vehicle floor plan interest expense of approximately \$1.0 million. The average used vehicle floor plan notes payable balance increased approximately \$42.7 million, which increased used vehicle floor plan interest expense by approximately \$0.7 million.

Interest Expense, Other, Net – Consolidated

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

	Three Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
	(In thousands)			
Stated/coupon interest	\$ 8,741	\$ 12,468	\$ 3,727	29.9 %
Deferred loan cost amortization	624	598	(26)	(4.3)%
Interest rate hedge expense (benefit)	(380)	(917)	(537)	(58.6)%
Capitalized interest	(124)	(205)	(81)	(39.5)%
Interest on finance lease liabilities	1,337	1,339	2	0.1 %
Other interest	(401)	345	746	216.2 %
Total interest expense, other, net	<u>\$ 9,797</u>	<u>\$ 13,628</u>	<u>\$ 3,831</u>	<u>28.1 %</u>

	Six Months Ended June 30,		Better / (Worse)	
	2020	2019	Change	% Change
	(In thousands)			
Stated/coupon interest	\$ 17,955	\$ 24,907	\$ 6,952	27.9 %
Deferred loan cost amortization	1,182	1,189	7	0.6 %
Interest rate hedge expense (benefit)	(808)	(1,514)	(706)	(46.6)%
Capitalized interest	(545)	(884)	(339)	(38.3)%
Interest on finance lease liabilities	2,681	2,515	(166)	(6.6)%
Other interest	297	268	(29)	(10.8)%
Total interest expense, other, net	<u>\$ 20,762</u>	<u>\$ 26,481</u>	<u>\$ 5,719</u>	<u>21.6 %</u>

Interest expense, other, net decreased approximately \$3.8 million during the three months ended June 30, 2020, primarily due to lower stated/coupon interest related to the repurchase of the remaining 5.0% Senior Subordinated Notes due 2023 (the "5.0% Notes") on December 30, 2019, offset partially by a decrease in interest rate hedge benefit. Interest expense, other, net decreased approximately \$5.7 million during the six months ended June 30, 2020, primarily due to lower stated/coupon interest related to the repurchase of the remaining 5.0% Notes on December 30, 2019, offset partially by a decrease in interest rate hedge benefit and capitalized interest.

Income Taxes

The overall effective tax rate from continuing operations was 17.2% and 18.3% for the three and six months ended June 30, 2020, respectively, and 27.4% and 29.6% for the three and six months ended June 30, 2019, respectively. Income tax benefit for the three months ended June 30, 2020 includes a \$3.4 million discrete benefit related to the favorable resolution of certain tax matters and other adjustments, offset partially by a \$0.3 million discrete charge related to vested or exercised stock compensation awards. Income tax benefit for the six months ended June 30, 2020 includes a \$55.8 million benefit, including the effect of non-deductible amounts, related to the \$268.0 million goodwill impairment charge, a \$0.2 million discrete benefit related to vested or exercised stock compensation awards, and a \$0.2 million discrete benefit related to the favorable resolution of certain tax matters, offset partially by a \$1.4 million discrete charge related to changes in uncertain tax positions and other

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adjustments. Income tax expense for the three months ended June 30, 2019 includes a \$0.4 million discrete benefit related to the favorable resolution of certain tax matters. Income tax expense for the six months ended June 30, 2019 includes a \$1.5 million discrete charge for non-deductible executive officer compensation related to executive transition costs, a \$0.2 million discrete charge related to changes in uncertain tax positions and a \$0.2 million discrete charge related to vested or exercised stock compensation awards, offset partially by a \$0.4 million discrete benefit related to the favorable resolution of certain tax matters. Sonic's effective tax rate varies from year to year based on the level of taxable income, the distribution of taxable income between states in which the Company operates and other tax adjustments.

Liquidity and Capital Resources

We require cash to fund debt service, lease obligations, working capital requirements, facility improvements and other capital improvements, and dividends on our common stock and to finance acquisitions and otherwise invest in our business. We rely on cash flows from operations, borrowings under our revolving credit and floor plan borrowing arrangements, real estate mortgage financing, asset sales and offerings of debt and equity securities to meet these requirements. We were in compliance with all restrictive covenants under our debt agreements as of June 30, 2020 and expect to be in compliance for at least the next 12 months. We closely monitor our available liquidity and projected future operating results in order to remain in compliance with the restrictive covenants under the 2016 Credit Facilities, the 2019 Mortgage Facility, the 2020 Line of Credit Facility, the indenture governing the 6.125% Notes and our other debt obligations and lease arrangements. However, our liquidity could be negatively affected if we fail to comply with the financial covenants in our existing debt obligations or lease arrangements. After giving effect to the applicable restrictions on the payment of dividends under our debt agreements, as of June 30, 2020, we had approximately \$284.9 million of net income and retained earnings free of such restrictions. Cash flows provided by our dealerships are derived from various sources. The primary sources include individual consumers, automobile manufacturers, automobile manufacturers' captive finance subsidiaries and other financial institutions. Disruptions in these cash flows could have a material adverse impact on our operations and overall liquidity.

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

We had the following liquidity resources available as of June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
	(In thousands)	
Cash and cash equivalents	\$ 115,724	\$ 29,103
Availability under the 2016 Revolving Credit Facility	183,434	230,689
Availability under our used vehicle floor plan facilities (1)	—	17,090
Availability under the 2019 Mortgage Facility	3,090	3,090
Availability under the 2020 Line of Credit Facility	69,000	—
Floor plan deposit balance	83,949	—
Total available liquidity resources	<u>\$ 455,197</u>	<u>\$ 279,972</u>

(1) As of June 30, 2020, there was \$98.8 million of availability under the VIN-specific amendment.

We participate in a program with two of our manufacturer-affiliated finance companies wherein we maintain a deposit balance (included in the table above) with the lender that earns interest based on the agreed upon rate. This deposit balance is not designated as a prepayment of notes payable – floor plan, nor is it our intent to use this amount to offset principal amounts owed under notes payable – floor plan in the future, although we have the right and ability to do so. The deposit balance of approximately \$83.9 million as of June 30, 2020 is classified in other current assets in the accompanying unaudited condensed consolidated balance sheet as of June 30, 2020. There was no deposit balance as of December 31, 2019.

Floor Plan Facilities

We finance our new and certain of our used vehicle inventory through standardized floor plan facilities with manufacturer captive finance companies and a syndicate of manufacturer-affiliated finance companies and commercial banks. These floor plan facilities are due on demand and bear interest at variable rates based on either LIBOR or the prime rate. The weighted-average interest rate for our combined new and used vehicle floor plan facilities was 1.62% and 3.15% in the three months ended June 30, 2020 and 2019, respectively, and 2.14% and 3.26% in the six months ended June 30, 2020 and 2019, respectively.

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We receive floor plan assistance from certain manufacturers. Floor plan assistance received is capitalized in inventory and charged against cost of sales when the associated inventory is sold. We received approximately \$6.2 million and \$9.9 million in floor plan assistance in the three months ended June 30, 2020 and 2019, respectively, and approximately \$16.2 million and \$19.2 million in floor plan assistance in the six months ended June 30, 2020 and 2019, respectively. We recognized in cost of sales approximately \$8.7 million and \$10.3 million in manufacturer floor plan assistance in the three months ended June 30, 2020 and 2019, respectively, and approximately \$17.7 million and \$19.3 million in the six months ended June 30, 2020 and 2019, respectively. Interest payments under each of our floor plan facilities are due monthly and we generally are not required to make principal repayments prior to the sale of the associated vehicles.

Long-Term Debt and Credit Facilities

See Note 6, "Long-Term Debt," to the accompanying unaudited condensed consolidated financial statements for a discussion of our long-term debt and credit facilities and compliance with debt covenants.

Capital Expenditures

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

Capital expenditures in the six months ended June 30, 2020 were approximately \$61.7 million, including approximately \$52.6 million related to our Franchised Dealerships Segment and approximately \$9.1 million related to our EchoPark Segment, all of which was funded through cash flows from operations. Of this amount, approximately \$35.0 million was related to facility construction projects, \$17.6 million was related to real estate acquisitions and \$9.1 million was for other fixed assets utilized in our store operations.

Of the \$61.7 million in capital expenditures in the six months ended June 30, 2020, approximately \$53.1 million was funded through mortgage financing and approximately \$8.6 million was funded through cash from operations and use of our credit facilities. As of June 30, 2020, commitments for facility construction projects totaled approximately \$21.8 million. We expect investments related to capital expenditures to be partly dependent upon our overall liquidity position and the availability of mortgage financing to fund significant capital projects.

Share Repurchase Program

Our Board of Directors has authorized us to repurchase shares of our Class A Common Stock. Historically, we have used our share repurchase authorization to offset dilution caused by the exercise of stock options or the vesting of equity compensation awards and to maintain our desired capital structure. During the six months ended June 30, 2020, we repurchased approximately 1.0 million shares of our Class A Common Stock for approximately \$27.8 million in open-market transactions at prevailing market prices and in connection with tax withholding on the vesting of equity compensation awards. As of June 30, 2020, our total remaining repurchase authorization was approximately \$53.4 million. Under the 2016 Credit Facilities, share repurchases are permitted to the extent that no Event of Default exists, and we do not exceed the restrictions set forth in our debt agreements. After giving effect to the applicable restrictions on share repurchases and certain other transactions under our debt agreements, as of June 30, 2020, we had approximately \$284.9 million of net income and retained earnings free of such restrictions.

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

Dividends

During the three months ended June 30, 2020, our Board of Directors approved a cash dividend of \$0.10 per share on all outstanding shares of Class A and Class B Common Stock as of June 15, 2020, which was paid on July 15, 2020. Subsequent to June 30, 2020, our Board of Directors approved a cash dividend of \$0.10 per share on all outstanding shares of Class A and Class B Common Stock as of September 15, 2020 to be paid on October 15, 2020. Under the 2016 Credit Facilities, dividends are permitted to the extent that no event of default exists and we are in compliance with the financial covenants contained therein. The indenture governing the 6.125% Notes also contains restrictions on our ability to pay dividends. After giving effect to the applicable restrictions on share repurchases and certain other transactions under our debt agreements, as of June 30, 2020, we had approximately \$284.9 million of net income and retained earnings free of such restrictions. The payment of any future

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dividend is subject to the business judgment of our Board of Directors, taking into consideration our historical and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance and share repurchases, the current economic environment and other factors considered relevant. These factors are considered each quarter and will be scrutinized as our Board of Directors determines our future dividend policy. There is no guarantee that additional dividends will be declared and paid at any time in the future. See Note 6, "Long-Term Debt," to the accompanying unaudited condensed consolidated financial statements for a description of restrictions on the payment of dividends.

Cash Flows

Net cash provided by operating activities in the six months ended June 30, 2020 was approximately \$227.7 million. This provision of cash was comprised primarily of a decrease in notes payable – floor plan – trade and inventories and an increase in other assets, offset partially by a decrease in receivables and cash inflows related to operating profits. In the six months ended June 30, 2019, net cash used in operating activities was approximately \$56.9 million. This use of cash was comprised primarily of an increase in other assets and a decrease in notes payable – floor plan – trade and inventories, offset partially by decreases in receivables and cash inflows related to operating profits.

Net cash used in investing activities in the six months ended June 30, 2020 was approximately \$62.5 million. This use of cash was comprised primarily of purchases of land, property and equipment. Net cash provided by investing activities in the six months ended June 30, 2019 was approximately \$72.4 million. This provision of cash was comprised primarily of proceeds from the sale of franchised dealerships and property and equipment, offset partially by purchases of land, property and equipment.

Net cash used in financing activities in the six months ended June 30, 2020 was approximately \$78.7 million. This use of cash was comprised primarily of net repayments of notes payable – floor plan – non-trade and purchases of treasury stock, offset partially by proceeds from the issuance of long-term debt. Net cash used in financing activities in the six months ended June 30, 2019 was approximately \$19.3 million. This use of cash was comprised primarily of payments on long-term debt and purchases of treasury stock, offset partially by proceeds from net borrowings of notes payable - floor plan - non-trade.

We arrange our inventory floor plan financing through both manufacturer captive finance companies and a syndicate of manufacturer-affiliated finance companies and commercial banks. Our floor plan financed with manufacturer captives is recorded as trade floor plan liabilities (with the resulting change being reflected as operating cash flows). Our dealerships that obtain floor plan financing from a syndicate of manufacturer-affiliated finance companies and commercial banks record their obligation as non-trade floor plan liabilities (with the resulting change being reflected as financing cash flows). Due to the presentation differences for changes in trade floor plan financing and non-trade floor plan financing in the accompanying unaudited condensed consolidated statements of cash flows, decisions made by us to move dealership floor plan financing arrangements from one finance source to another may cause significant variations in operating and financing cash flows without affecting our overall liquidity, working capital or cash flows. Net cash provided by combined trade and non-trade floor plan financing used in combined trade and non-trade floor plan financing was approximately \$321.8 million in the six months ended June 30, 2020. Net cash used in combined trade and non-trade floor plan financing was approximately \$66.2 million in the six months ended June 30, 2019. Accordingly, if all changes in floor plan notes payable were classified as an operating activity, the result would have been net cash used in operating activities of approximately \$163.6 million and \$55.2 million in the six months ended June 30, 2020 and 2019, respectively.

One factor that management uses to measure cash flow generation or use is Adjusted EBITDA, a non-GAAP financial measure, for each of the Company's reportable segments. That measure is provided and reconciled to the nearest comparable GAAP financial measure in the tables below:

	Three Months Ended June 30, 2020				Three Months Ended June 30, 2019			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In thousands)							
Net income (loss)				\$ 30,791				\$ 26,599
Provision for income taxes				6,353				10,009
Income (loss) before taxes	\$ 34,856	\$ 2,577	\$ (289)	\$ 37,144	\$ 35,129	\$ 1,693	\$ (213)	\$ 36,608
Non-floor plan interest (1)	8,938	234	—	9,172	12,599	431	—	13,030
Depreciation & amortization (2)	20,514	2,758	—	23,272	21,736	2,668	—	24,404
Stock-based compensation expense	2,971	—	—	2,971	2,612	—	—	2,612
Asset impairment charges	833	—	—	833	—	—	—	—
Loss (gain) on franchise disposals	1,117	—	—	1,117	356	—	—	356
Adjusted EBITDA (3)	\$ 69,229	\$ 5,569	\$ (289)	\$ 74,509	\$ 72,432	\$ 4,792	\$ (213)	\$ 77,010

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

	Six Months Ended June 30, 2020				Six Months Ended June 30, 2019			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In thousands)							
Net income (loss)				\$ (168,542)				\$ 68,821
Provision for income taxes				(37,846)				28,944
Income (loss) before taxes	\$ (210,487)	\$ 4,672	\$ (573)	\$ (206,388)	\$ 96,284	\$ 1,874	\$ (393)	\$ 97,765
Non-floor plan interest (1)	18,985	595	—	19,580	24,428	864	—	25,292
Depreciation & amortization (2)	40,655	5,471	—	46,126	42,560	5,085	—	47,645
Stock-based compensation expense	5,398	—	—	5,398	5,426	—	—	5,426
Loss (gain) on exit of leased dealerships	—	—	—	—	(170)	—	—	(170)
Asset impairment charges	268,833	—	—	268,833	26	1,926	—	1,952
Loss (gain) on franchise disposals	1,115	—	—	1,115	(46,394)	—	—	(46,394)
Adjusted EBITDA (3)	<u>\$ 124,499</u>	<u>\$ 10,738</u>	<u>\$ (573)</u>	<u>\$ 134,664</u>	<u>\$ 122,160</u>	<u>\$ 9,749</u>	<u>\$ (393)</u>	<u>\$ 131,516</u>

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

Future Liquidity Outlook

We believe our best sources of liquidity for operations and debt service remain cash flows generated from operations combined with the availability of borrowings under our floor plan facilities (or any replacements thereof), the 2016 Credit Facilities (or any replacements thereof), the 2019 Mortgage Facility (or any replacements thereof), the 2020 Line of Credit Facility (or any replacements thereof), real estate mortgage financing, selected dealership and other asset sales and our ability to raise funds in the capital markets through offerings of debt or equity securities. Because the majority of our consolidated assets are held by our dealership subsidiaries, the majority of our cash flows from operations are generated by these subsidiaries. As a result, our cash flows and our ability to service our obligations depend to a substantial degree on the results of operations of these subsidiaries and their ability to provide us with cash.

During the first half of 2020, we took actions to increase overall liquidity by ensuring all vehicles that were available for floor plan financing were submitted and funded, as well as negotiating with landlords and other vendors for payment abatements or deferrals, reviewing our portfolio of unencumbered owned real estate for mortgage opportunities, taking advantage of certain federal and state programs for the deferral of payment of certain types of taxes (income, payroll, sales, withholding and property), and seeking amendments to our outstanding credit facilities and exploring sources of liquidity provided through various governmental programs. Currently, the effects of the COVID-19 pandemic have not affected our cost of or access to capital and funding sources. We do not currently anticipate any materially negative changes to our cost of or access to capital over the near or longer term.

Off-Balance Sheet Arrangements

Guarantees and Indemnification Obligations

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

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

In accordance with the terms of agreements entered into for the sale of our dealerships, we generally agree to indemnify the buyer from certain liabilities and costs arising subsequent to the date of sale, including environmental exposure and exposure resulting from the breach of representations or warranties made in accordance with the agreements. While our exposure with respect to environmental remediation and repairs is difficult to quantify, our maximum exposure associated with these general indemnifications was approximately \$42.0 million and \$46.5 million at June 30, 2020 and December 31, 2019, respectively. These indemnifications typically expire within a period of one to three years following the date of sale. The estimated fair value of these indemnifications was not material and the amount recorded for this contingency was not significant at June 30, 2020.

We also guarantee the floor plan commitments of our 50%-owned joint venture, the amount of which was approximately \$4.3 million at both June 30, 2020 and December 31, 2019.

See Note 7, "Commitments and Contingencies," to the accompanying unaudited condensed consolidated financial statements and Note 12, "Commitments and Contingencies," to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2019 for further discussion regarding these guarantees and indemnification obligations.

Seasonality

Our operations are subject to seasonal variations. The first quarter historically has contributed less operating profit than the second and third quarters, while the fourth quarter historically has contributed the highest operating profit of any quarter. Weather conditions, the timing of manufacturer incentive programs and model changeovers cause seasonality and may adversely affect vehicle demand and, consequently, our profitability. Comparatively, parts and service demand remains stable throughout the year.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.**Interest Rate Risk**

Our variable rate floor plan facilities, the 2016 Revolving Credit Facility, the 2019 Mortgage Facility, the 2020 Line of Credit and our other variable rate notes expose us to risks caused by fluctuations in the applicable interest rates. The total outstanding balance of such variable instruments, after considering the effect of our interest rate caps (see below), was approximately \$937.6 million at June 30, 2020. An increase in interest rates of 100 basis points would have caused a change in interest expense of approximately \$11.6 million in the six months ended June 30, 2020. Of the total change in interest expense, approximately \$10.0 million would have resulted from our floor plan facilities.

In addition to our variable rate debt, certain of our dealership lease facilities have monthly lease payments that fluctuate based on LIBOR interest rates. An increase in interest rates of 100 basis points would not have had a significant impact on rent expense in the six months ended June 30, 2020 due to the leases containing LIBOR floors which were above the LIBOR rate during the six months ended June 30, 2020.

We also have interest rate cap agreements designated as hedging instruments to limit our exposure to increases in LIBOR rates above certain levels. Under the terms of these interest rate caps, interest rates reset monthly. The fair value of the outstanding interest rate cap positions at June 30, 2020 was an asset of approximately \$0.1 million, included in other assets in the accompanying unaudited condensed consolidated balance sheet as of such date. During 2018, we terminated all of our previously outstanding interest rate cash flow swap agreements for net cash proceeds of approximately \$4.8 million, which was amortized into income as a reduction of interest expense, other, net in the accompanying unaudited condensed consolidated statements of income on a ratable basis over the original term of the agreements (through July 1, 2020). The fair value of the outstanding interest rate cap positions at December 31, 2019 was a net asset of approximately \$0.1 million, included in other assets in the accompanying unaudited condensed consolidated balance sheet as of such date. See Note 6, "Long-Term Debt," to the accompanying unaudited condensed consolidated financial statements for a discussion of our outstanding interest rate instruments.

Foreign Currency Risk

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

Item 4. Controls and Procedures.

Disclosure Controls and Procedures – Under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), we evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2020. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2020.

Changes in Internal Control over Financial Reporting – There has been no change in our internal control over financial reporting during the six months ended June 30, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

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

Included in other accrued liabilities and other long-term liabilities in the accompanying unaudited condensed consolidated balance sheet as of June 30, 2020 was approximately \$0.3 million and \$0.2 million, respectively, in reserves that we were holding for pending proceedings. Except as reflected in such reserves, we are currently unable to estimate a range of reasonably possible loss, or a range of reasonably possible loss in excess of the amount accrued, for pending proceedings.

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those included in “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, except as noted below.

Our business could be adversely affected by the effects of widespread public health epidemics.

The automotive manufacturing supply chain spans the globe. As such, supply chain disruptions resulting from natural disasters, adverse weather and other events may affect the flow of new vehicle or parts inventory to us or our manufacturing partners. In 2020, the worldwide spread of COVID-19 led to widespread disruptions to travel and economic activity, including automobile manufacturing and supply chain shut-downs and delays. The extent to which COVID-19 may continue to adversely impact our business depends on future developments, which are highly uncertain and unpredictable, depending upon the severity and duration of the outbreak and the effectiveness of actions taken globally to contain or mitigate its effects. Any resulting financial impact cannot be estimated reasonably at this time, but may materially adversely affect our business, financial condition, results of operations and cash flows. Even after the COVID-19 pandemic has subsided, we may experience materially adverse impacts to our business due to any resulting economic recession or depression. Additionally, concerns over the economic impact of COVID-19 have caused extreme volatility in financial and other capital markets which has and may continue to adversely impact our stock price and our ability to access capital markets.

Our reported results could be affected by risk of future goodwill impairment charges.

Goodwill is subject to impairment assessments at least annually or more frequently when events or changes in circumstances indicate that an impairment may have occurred. During the first quarter of 2020, the COVID-19 global pandemic resulted in a significant decrease in our market capitalization that increased the risk of impairment. As a result we recorded a \$268.0 million non-cash impairment charge related to our franchised dealership reporting unit goodwill as of March 31, 2020. We considered indicators for impairment as of June 30, 2020 and did not identify any that would have triggered additional impairment testing and analysis, including triggering events related to our market capitalization. We may be required to record additional impairment charges if we experience significant adverse changes in the operating environment for our industry due to the COVID-19 global pandemic or our market capitalization (reflected in our stock price) declines below levels in the first quarter of 2020, and we cannot accurately predict the amount and timing of any additional impairment charge at this time, however, any such impairment charge could have an adverse effect on our results of operations and stockholders' equity.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth information about the shares of Class A Common Stock we repurchased during the three months ended June 30, 2020.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
(In thousands, except per share data)				
April 2020	1,868	\$ 28.95	1,868	\$ 59,856
May 2020	149,001	\$ 19.91	149,001	\$ 56,889
June 2020	123,196	\$ 28.39	123,196	\$ 53,387
Total	<u>274,065</u>		<u>274,065</u>	

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

	(In thousands)
February 2017 authorization	\$ 100,000
Total active program repurchases prior to June 30, 2020	(46,613)
Current remaining availability as of June 30, 2020 (2)	<u>\$ 53,387</u>

(2) On July 29, 2020, our Board of Directors increased the dollar amount authorized for us to repurchase shares of our Class A Common Stock pursuant to our share repurchase program by an additional \$60.0 million.

See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of restrictions on share repurchases and payment of dividends.

Item 6. Exhibits.

Exhibit No.	Description
3.1	<u>Amended and Restated Certificate of Incorporation of Sonic Automotive, Inc., dated August 7, 1997 (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)).</u>
3.2	<u>Certificate of Designation, Preferences and Rights of Class A Convertible Preferred Stock, dated March 20, 1998 (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)).</u>
3.3	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Sonic Automotive, Inc., dated June 16, 1999 (incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)).</u>
3.4	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Sonic Automotive, Inc., dated April 18, 2017 (incorporated by reference to Exhibit 3.4 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)).</u>
3.5	<u>Amended and Restated Bylaws of Sonic Automotive, Inc., dated July 27, 2017 (incorporated by reference to Exhibit 3.5 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (File No. 001-13395)).</u>
10.1*	<u>Amendment No. 1 to Third Amended and Restated Syndicated New and Used Vehicle Floorplan Credit Agreement, dated as of April 2, 2020 and effective as of March 31, 2020, among Sonic Automotive, Inc.; the subsidiaries of Sonic Automotive, Inc. named therein; each lender a party thereto; Bank of America, N.A., as administrative agent, new vehicle swing line lender and used vehicle swing line lender; and Bank of America, N.A., as revolving administrative agent.</u>
10.2*	<u>Amendment No. 2 to Third Amended and Restated Syndicated New and Used Vehicle Floorplan Credit Agreement and Modification to Loan Documents, dated as of May 20, 2020, among Sonic Automotive, Inc.; the subsidiaries of Sonic Automotive, Inc. named therein; each lender a party thereto; Bank of America, N.A., as administrative agent, new vehicle swing line lender and used vehicle swing line lender; and Bank of America, N.A., as revolving administrative agent.</u>
10.3*	<u>Amendment No. 1 to Fourth Amended and Restated Credit Agreement, dated as of May 20, 2020, among Sonic Automotive, Inc.; the subsidiaries of Sonic Automotive, Inc. named therein; each lender a party thereto; Bank of America, N.A., as administrative agent, swing line lender and an l/c issuer; Bank of America, N.A., as revolving administrative agent; and Wells Fargo Bank, National Association, as an l/c issuer.</u>
10.4*	<u>Revolving Joinder Agreement, dated as of May 20, 2020, executed by the subsidiaries of Sonic Automotive, Inc. named therein and delivered to Bank of America, N.A., as administrative agent for the lenders.</u>
10.5*	<u>Pledge Agreement Supplement, dated as of May 20, 2020, executed by EchoPark Automotive, Inc. in favor of Bank of America, N.A., as administrative agent for the lenders.</u>
10.6*	<u>First Amendment to Fourth Amended and Restated Security Agreement, dated as of May 20, 2020, among Sonic Automotive, Inc.; the subsidiaries of Sonic Automotive, Inc. named therein; each lender a party thereto; and Bank of America, N.A., as administrative agent for the lenders.</u>
10.7*	<u>Credit Agreement, dated as of June 23, 2020, between Sonic Automotive, Inc. and Ally Bank (Ally Capital in Hawaii, Mississippi, Montana and New Jersey), as lender.</u>
10.8*	<u>Revolving Commercial Promissory Note, effective June 23, 2020, executed by Sonic Automotive, Inc., as borrower, in favor of Ally Bank (Ally Capital in Hawaii, Mississippi, Montana and New Jersey).</u>
10.9*	<u>Cross Collateral, Cross Default, and Guaranty Agreement, effective June 23, 2020, by and among Sonic Automotive, Inc.; the subsidiaries of Sonic Automotive, Inc. named therein; Ally Financial Inc.; and Ally Bank (Ally Capital in Hawaii, Mississippi, Montana and New Jersey).</u>
10.10*	<u>Guaranty, dated as of June 23, 2020, by the subsidiaries of Sonic Automotive, Inc. named therein, as guarantors, to Ally Bank (Ally Capital in Hawaii, Mississippi, Montana and New Jersey).</u>
10.11*	<u>Sonic Automotive, Inc. Director Compensation Policy, effective April 29, 2020. (1)</u>
31.1*	<u>Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>

SONIC AUTOMOTIVE, INC.

32.1**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

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

**AMENDMENT NO. 1 TO
THIRD AMENDED AND RESTATED SYNDICATED NEW AND USED
VEHICLE FLOORPLAN CREDIT AGREEMENT**

This **AMENDMENT NO. 1 TO THIRD AMENDED AND RESTATED SYNDICATED NEW AND USED VEHICLE FLOORPLAN CREDIT AGREEMENT** (this “*Agreement*”) dated as of April 2, 2020 and effective as of March 31, 2020 (the “*Effective Date*”) is made by and among **SONIC AUTOMOTIVE, INC.**, a Delaware corporation (the “*Company*”), certain Subsidiaries of the Company (together with the Company, and collectively with any other Person that becomes a Borrower from time to time, the “*Borrowers*” and each individually a “*Borrower*”), the Lenders from time to time party thereto, **BANK OF AMERICA, N.A.**, as Administrative Agent, in its capacity as administrative agent for the Lenders (in such capacity, the “*Administrative Agent*”) signatory hereto.

WITNESSETH:

WHEREAS, the Company, certain subsidiaries of the Company party thereto pursuant to Section 2.19 thereof (each a “*New Vehicle Borrower*” and together with the Company, the “*Borrowers*” and each individually a “*Borrower*”), Bank of America, as Administrative Agent, New Vehicle Swing Line Lender and Used Vehicle Swing Line Lender, Bank of America, as Revolving Administrative Agent (in the capacity of collateral agent) and the lenders from time to time party thereto (collectively, the “*Lenders*” and individually, a “*Lender*”) have entered into that certain Third Amended and Restated Syndicated New and Used Vehicle Floorplan Credit Agreement dated as of November 30, 2016 (as hereby amended and as from time to time further amended, modified, supplemented, restated, or amended and restated, the “*Credit Agreement*”; capitalized terms used in this Agreement and not otherwise defined herein shall have the respective meanings given thereto in the Credit Agreement), pursuant to which the Lenders have made available to the Company a new vehicle floorplan revolving credit facility (including a swing line subfacility) and a used vehicle floorplan revolving credit facility (including a swing line subfacility); and

WHEREAS, the Company has entered into the Company Guaranty pursuant to which it has guaranteed the payment and performance of the obligations of each New Vehicle Borrower under the Credit Agreement and the other Loan Documents; and

WHEREAS, each of the other Guarantors has entered into a Subsidiary Guaranty pursuant to which it has guaranteed the payment and performance of the obligations of each Borrower under the Credit Agreement and the other Loan Documents; and

WHEREAS, the Company and the respective Loan Parties that are parties thereto have entered into the Security Agreement and other Security Instruments, securing the Obligations under the Credit Agreement and other Loan Documents; and

WHEREAS, the Company has requested that the Administrative Agent and the Lenders amend certain provisions of the Credit Agreement and the Security Agreement as set forth

below, and the Administrative Agent and the Lenders signatory hereto are willing to effect such amendment on the terms and conditions contained in this Agreement;

NOW, THEREFORE, in consideration of the premises and further valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Amendments to Credit Agreement**. Subject to the terms and conditions set forth herein, the Credit Agreement is hereby amended as follows:

(a) The definition of "Used Vehicle Borrowing Base" in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Used Vehicle Borrowing Base" means, as of any date of calculation, 85% of the Net Book Value of Eligible Used Vehicle Inventory; provided, however, that for the period commencing on the Amendment No. 1 Effective Date through that day which is ninety (90) days following the Amendment No. 1 Effective Date, the "Used Vehicle Borrower Base" shall mean, as of any date of calculation during such period, 95% of the Net Book Value of Eligible Used Vehicle Inventory.

(b) The definitions below are hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

"Amendment No. 1 Effective Date" means March 31, 2020.

"Beneficial Ownership Certification" means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

"Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

(c) Section 2.11(a)(iii)(A) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(iii)(A)

(X) The New Vehicle Borrowers (jointly and severally) shall pay in full an amount equal to the New Vehicle Floorplan Loan with respect to any New Vehicle (including without limitation, any New Vehicles that are dealer trades, Rental Vehicles, Demonstrators, and Service Loaner Vehicles) that has been sold or leased (other than the ordinary course lease of a Rental Vehicle) by any New Vehicle Borrower: (A) (1) with respect to New Vehicles (other than Fleet Vehicles), the earliest to occur of (x) fifteen (15) days after such sale or lease thereof or (y) with respect any New Vehicle for which cash has been received upon such sale or lease thereof, within five (5) days of the receipt of such cash, and (2) with respect to Fleet Vehicles, upon the earliest to occur of (aa) thirty (30) days after the

date of such sale or lease (other than the ordinary course lease of a Rental Vehicle) and (bb) two (2) Business Days following receipt of proceeds from such sale or lease thereof.

(Y) With respect to each New Vehicle that has not been sold, the New Vehicle Borrowers (jointly and severally) shall pay in full an amount equal to (i) in the case of any such New Vehicle held as Inventory, beginning 12 months after the date such New Vehicle is Deemed Floored, monthly payments of 10% of the original amount of the New Vehicle Floorplan Loan relating to such New Vehicle (each such required payment, an “NV Monthly Curtailment Payment”), with the final payment for all amounts then outstanding under such New Vehicle Floorplan Loan due 15 months after the date such New Vehicle is Deemed Floored (each such required payment, an “NV Final Curtailment Payment”), and (ii) in the case of each Demonstrator, Rental Vehicle, Service Loaner Vehicle and other mileage Vehicle, beginning the date such New Vehicle is Deemed Floored, monthly payments of 2% of the original amount of the New Vehicle Floorplan Loan relating to such New Vehicle (each such required payment, a “Mileaged Monthly Curtailment Payment”), with the final payment for all amounts then outstanding under such New Vehicle Floorplan Loan due 24 months after the date such New Vehicle is Deemed Floored (each such required payment, a “Mileaged Final Curtailment Payment”);

provided that, payments which are required to be made under this clause (Y) with respect to the period from March 1, 2020 through May 31, 2020 (and are required to be made on the Interest Payments Dates for April, 2020, May, 2020 and June, 2020) shall (1) with respect to NV Monthly Curtailment Payments and Mileaged Monthly Curtailment Payments, be temporarily waived for such period and such payment requirements will resume without waiver on the Interest Payment Date for July, 2020 (with respect to the month of June 2020) and thereafter shall continue to be due and payable as described in this Section and (2) with respect to NV Final Curtailment Payments and Mileaged Final Curtailment Payments, be deferred for ninety (90) days and such payment requirements will resume without deferral on the Interest Payment Date for July, 2020 (with respect to the month of June 2020) and thereafter shall continue to be due and payable as described in this Section. By way of example, an NV Final Curtailment Payment which would have come due during the month of May 2020 shall be deferred until August 2020 (and paid on the Interest Payment Date for September 2020) but an NV Final Curtailment Payment which comes due during the month of June 2020 shall not be deferred and shall be paid on the Interest Payment Date for July 2020.

(Z) Upon the funding thereof, any New Vehicle Floorplan Overdraft shall be due and payable in full by the New Vehicle Borrowers on the next following Business Day.

- (d) The first sentence of Section 2.18 of the Credit Agreement is hereby amended to add the following at the end thereof:

and (x) upon the reasonable request of any Lender made at least ten (10) days prior to the Increase Effective Date, the Company shall have provided to such Lender, and such Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act, in each case at least five (5) Business Days prior to the Increase Effective Date and (y) at least ten (10) days prior to the Increase Effective Date, any Loan Party that qualifies as a “legal entity customer” under the Beneficial Ownership Regulation shall have delivered, to each Lender that so requests, a Beneficial Ownership Certification in relation to such Loan Party.

- (e) Section 5.15 of the Credit Agreement is hereby amended to add the following at the end thereof:

As of the Amendment No. 1 Effective Date, the information included in the Beneficial Ownership Certification, if applicable, is true and correct in all respects.

- (f) Section 6.02(j) of the Credit Agreement is hereby amended and restated in its entirety to read as follows

(j) promptly following any request therefor, provide information and documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act and the Beneficial Ownership Regulation; and

- (g) The following Section 10.21 is hereby added to the Credit Agreement:

10.21 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Swap Contract or any other agreement or instrument that is a QFC (such support, “QFC Credit Support”, and each such QFC, a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”)

in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 10.21, the following terms have the following meanings:

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Covered Entity” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

1. **Effectiveness; Conditions Precedent.** This Agreement and the amendments to the Credit Agreement herein provided shall become effective as of the Effective Date at the time when each of the following conditions has been satisfied:

(a) the Administrative Agent shall have received counterparts of this Agreement, duly executed by each Borrower, Bank of America, as Administrative Agent, New Vehicle Swing Line Lender and Used Vehicle Swing Line Lender, each Guarantor and each Lender;

(b) Upon the reasonable request of any Lender made at least ten (10) days prior to the date hereof, the Company shall have provided to such Lender, and such Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act, in each case at least five (5) Business Days prior to the date hereof and (ii) at least ten (10) days prior to the date hereof, any Loan Party that qualifies as a “legal entity customer” under the Beneficial Ownership Regulation shall have delivered, to each Lender that so requests, a Beneficial Ownership Certification in relation to such Loan Party.

(c) all fees and expenses payable to the Administrative Agent, the Arranger and the Lenders (including the fees and expenses of counsel to the Administrative Agent) to the extent invoiced on or prior to the date hereof shall have been paid in full (without prejudice to final settling of accounts for such fees and expenses).

2. **Consent of the Loan Parties.** The Company hereby consents, acknowledges and agrees to the amendments set forth herein and hereby confirms and ratifies in all respects the Company Guaranty (including without limitation the continuation of the Company’s payment and performance obligations thereunder upon and after the effectiveness of this Agreement and the amendments contemplated hereby) and the enforceability of the Company Guaranty against the Company in accordance with its terms. Each Subsidiary Guarantor hereby consents, acknowledges and agrees to the amendments set forth herein and hereby confirms and ratifies in all respects the Subsidiary Guaranty (including without limitation the continuation of such Subsidiary Guarantor’s payment and performance obligations thereunder upon and after the effectiveness of this Agreement and the amendments contemplated hereby) and the enforceability of such Subsidiary Guaranty against such Subsidiary Guarantor in accordance with its terms. Each Loan Party hereby consents, acknowledges and agrees to the amendments set forth herein and hereby confirms and ratifies in all respects each Security Instrument to which such Loan Party is a party (including without limitation the continuation of the perfection and priority of each Lien thereunder upon and after the effectiveness of this Agreement and the amendments contemplated hereby) and the enforceability of such Security Instrument against such Loan Party in accordance with its terms.

3. **Representations and Warranties.** In order to induce the Administrative Agent and the Lenders to enter into this Agreement, each Loan Party represents and warrants to the Administrative Agent and the Lenders as follows:

(a) The representations and warranties made by each Loan Party in Article V of the Credit Agreement and in each of the other Loan Documents to which such Loan Party is a party are true and correct on and as of the date hereof, both before and after giving effect to this Agreement, in each case except to the extent that such representations and warranties expressly relate to an earlier date in which case they are true and correct as of such earlier date, and except that the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Credit Agreement will be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01 of the Credit Agreement;

(b) The Persons appearing as Subsidiary Guarantors on the signature pages to this Agreement constitute all Persons who are required to be Subsidiary Guarantors pursuant to the terms of the Credit Agreement and the other Loan Documents, including without limitation all Persons who became Subsidiaries or were otherwise required to become Subsidiary Guarantors after the Closing Date, and each of such Persons has become and remains a party to a Subsidiary Guaranty as a guarantor thereunder;

(c) This Agreement has been duly authorized, executed and delivered by the Company and each of the other Loan Parties party hereto and constitutes a legal, valid and binding obligation of each such party, except as may be limited by general principles of equity or by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally; and

(d) No Default or Event of Default has occurred and is continuing.

4. **Entire Agreement.** This Agreement, together with all the Loan Documents (collectively, the "**Relevant Documents**"), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other in relation to the subject matter hereof or thereof. None of the terms or conditions of this Agreement may be changed, modified, waived or canceled orally or otherwise, except in writing and in accordance with Section 10.01 of the Credit Agreement.

5. **Full Force and Effect of Agreement.** Except as hereby specifically amended, modified or supplemented, the Credit Agreement and all other Loan Documents are hereby confirmed and ratified in all respects and shall be and remain in full force and effect according to their respective terms.

6. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed

counterpart of a signature page of this Agreement by telecopy or electronic delivery (including by .pdf) shall be effective as delivery of a manually executed counterpart of this Agreement.

7. **Governing Law.** This Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of North Carolina applicable to contracts executed and to be performed entirely within such State, and shall be further subject to the provisions of Section 10.14 of the Credit Agreement.

8. **Enforceability.** Should any one or more of the provisions of this Agreement be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

9. **References.** All references in any of the Loan Documents to the “Credit Agreement” shall mean the Credit Agreement, as amended hereby and as further amended, modified, supplemented, restated, or amended and restated from time to time. All references in any of the Loan Documents to the “Security Agreement” shall mean the Security Agreement, as amended hereby and as further amended, modified, supplemented, restated, or amended and restated from time to time.

10. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Company, each of the other Loan Parties, the Administrative Agent, the Lenders, and their respective successors, legal representatives, and assignees to the extent such assignees are permitted assignees as provided in Section 10.06 of the Credit Agreement.

11. **Loan Document.** This Agreement shall be deemed to be a “Loan Document” under and as defined in the Credit Agreement, for all purposes.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be made, executed and delivered by their duly authorized officers as of the day and year first above written.

COMPANY:

SONIC AUTOMOTIVE, INC.

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

NEW VEHICLE BORROWERS:

**ARNGAR, INC.
FAA CONCORD H, INC.
FAA LAS VEGAS H, INC.
FAA POWAY H, INC.
FAA SERRAMONTE H, INC.
FRANCISCAN MOTORS, INC.
KRAMER MOTORS INCORPORATED
PHILPOTT MOTORS, LTD.
SAI CHAMBLEE V, LLC
SAI CHATTANOOGA N, LLC
SAI CLEVELAND N, LLC
SAI COLUMBUS MOTORS, LLC
SAI COLUMBUS VWK, LLC
SAI DS, LLC
SAI FORT MYERS H, LLC
SAI IRONDALE IMPORTS, LLC
SAI MONTGOMERY BCH, LLC
SAI MONTGOMERY CH, LLC
SAI NASHVILLE CSH, LLC
SAI NASHVILLE H, LLC
SAI NASHVILLE MOTORS, LLC
SAI ORLANDO CS, LLC
SAI PENSACOLA A, LLC
SAI ROARING FORK LR, INC.
SAI ROCKVILLE IMPORTS, LLC
SAI S ATLANTA JLR LLC
SAI TYSONS CORNER H, LLC**

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

AMENDMENT NO. 1 TO THIRD AMENDED AND RESTATED
SYNDICATED NEW AND USED VEHICLE FLOORPLAN CREDIT AGREEMENT
(Sonic Automotive, Inc.)
Signature Page

NEW VEHICLE BORROWERS, continued:

SANTA CLARA IMPORTED CARS, INC.
SONIC – CADILLAC D, L.P.
SONIC – LAS VEGAS C WEST, LLC
SONIC – LS CHEVROLET, L.P.
SONIC – LUTE RILEY, L.P.
SONIC – NEWSOME CHEVROLET WORLD, INC.
SONIC – SHOTTENKIRK, INC.
SONIC ADVANTAGE PA, L.P.
SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC
SONIC HOUSTON JLR, LP
SONIC HOUSTON LR, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC MOMENTUM VWA, L.P.
SONIC-2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC–BUENA PARK H, INC.
SONIC–CAPITOL IMPORTS, INC.
SONIC–HARBOR CITY H, INC.
SONIC–VOLVO LV, LLC
STEVENS CREEK CADILLAC, INC.
WINDWARD, INC.

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

AMENDMENT NO. 1 TO THIRD AMENDED AND RESTATED
SYNDICATED NEW AND USED VEHICLE FLOORPLAN CREDIT AGREEMENT
(Sonic Automotive, Inc.)
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SUBSIDIARY GUARANTORS:

AM GA, LLC
ARNGAR, INC.
ECHOPARK NC, LLC
ECHOPARK SC, LLC
ECHOPARK TX, LLC
FAA CONCORD H, INC.
FAA LAS VEGAS H, INC.
FAA POWAY H, INC.
FAA SERRAMONTE H, INC.
FRANCISCAN MOTORS, INC.
KRAMER MOTORS INCORPORATED
PHILPOTT MOTORS, LTD.
SAI AM FLORIDA, LLC
SAI CHAMBLEE V, LLC
SAI CHATTANOOGA N, LLC
SAI CLEVELAND N, LLC
SAI COLUMBUS MOTORS, LLC
SAI COLUMBUS VWK, LLC
SAI DS, LLC
SAI FORT MYERS H, LLC
SAI IRONDALE IMPORTS, LLC
SAI MONTGOMERY BCH, LLC
SAI MONTGOMERY CH, LLC
SAI NASHVILLE CSH, LLC
SAI NASHVILLE H, LLC
SAI NASHVILLE MOTORS, LLC
SAI ORLANDO CS, LLC
SAI PENSACOLA A, LLC
SAI ROARING FORK LR, INC.
SAI ROCKVILLE IMPORTS, LLC
SAI TYSONS CORNER H, LLC
SANTA CLARA IMPORTED CARS, INC.
SONIC – CADILLAC D, L.P.
SONIC – LAS VEGAS C WEST, LLC
SONIC – LS CHEVROLET, L.P.
SONIC – LUTE RILEY, L.P.

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

SUBSIDIARY GUARANTORS, continued:

SONIC – NEWSOME CHEVROLET WORLD, INC.
SONIC – SHOTTENKIRK, INC.
SONIC ADVANTAGE PA, L.P.
SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC
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SONIC HOUSTON LR, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC MOMENTUM VWA, L.P.
SONIC-2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC–BUENA PARK H, INC.
SONIC–CAPITOL IMPORTS, INC.
SONIC–HARBOR CITY H, INC.
SONIC–VOLVO LV, LLC
STEVENS CREEK CADILLAC, INC.
TT DENVER, LLC
WINDWARD, INC.

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

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BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Denise Jones
Typed Name: Denise Jones
Typed Title: Vice President

BANK OF AMERICA, N.A.,
as Revolving Administrative Agent
(in its capacity as collateral agent for the Secured Parties under the Loan Documents)

By: /s/ Denise Jones
Typed Name: Denise Jones
Typed Title: Vice President

AMENDMENT NO. 1 TO THIRD AMENDED AND RESTATED
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LENDERS:

BANK OF AMERICA, N.A., as a Lender, New Vehicle Swing Line Lender and Used Vehicle Swing Line Lender

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

AMENDMENT NO. 1 TO THIRD AMENDED AND RESTATED
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JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ Adam Sigman
Typed Name: Adam Sigman
Typed Title: Executive Director

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U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Katherine Taylor
Typed Name: Katherine Taylor
Typed Title: Vice President

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MERCEDES-BENZ FINANCIAL SERVICES USA LLC, as a Lender

By: /s/ Michele Nowak

Typed Name: Michele Nowak

Typed Title: Credit Director, National Accounts

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WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Jeffrey Bullard
Typed Name: Jeffrey Bullard
Typed Title: Senior Vice President

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COMERICA BANK, as a Lender

By: /s/ Coby McGee

Typed Name: Coby McGee

Typed Title: Portfolio Manager

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CAPITAL ONE, N.A., as a Lender

By: /s/ Jeff Edge

Typed Name: Jeff Edge

Typed Title: Senior Vice President

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AMERICAN HONDA FINANCE CORPORATION, as a Lender

By: /s/ John M. Johnston
Typed Name: John M. Johnston
Typed Title: Senior Manager

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MASSMUTUAL ASSET FINANCE LLC, as a Lender

By: /s/ Donald Buttler
Typed Name: Donald Buttler
Typed Title: Senior Vice President

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PNC BANK, NATIONAL ASSOCIATION, as a Lender

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

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TD BANK, N.A., as a Lender

By: /s/ Judy C. Johnson

Typed Name: Judy C. Johnson

Typed Title: VP Market Credit Manager, Major Accounts

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TOYOTA MOTOR CREDIT CORPORATION, as a Lender

By: /s/ Gerald Jules

Typed Name: Gerald Jules

Typed Title: National Manager, National Accounts

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VW CREDIT, INC., as a Lender

By: /s/ Robb Nerdin

Typed Name: Robb Nerdin

Typed Title: Senior Manager Commercial Credit

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**AMENDMENT NO. 2 TO THIRD AMENDED AND RESTATED
SYNDICATED NEW AND USED VEHICLE FLOORPLAN
CREDIT AGREEMENT AND MODIFICATION TO LOAN DOCUMENTS**

This **AMENDMENT NO. 2 TO THIRD AMENDED AND RESTATED SYNDICATED NEW AND USED VEHICLE FLOORPLAN CREDIT AGREEMENT AND MODIFICATION TO LOAN DOCUMENTS** (this “*Agreement*”), dated as of May 20, 2020 (the “*Effective Date*”), is made by and among **SONIC AUTOMOTIVE, INC.**, a Delaware corporation (the “*Company*”), certain Subsidiaries of the Company signatory hereto, as Used Vehicle Borrowers and/or New Vehicle Borrowers, the Lenders signatory thereto, which constitute all of the Lenders, **BANK OF AMERICA, N.A.** (“*Bank of America*”), in its capacity as administrative agent for the Lenders (in such capacity, the “*Administrative Agent*”), Bank of America, as Revolving Administrative Agent (in the capacity of collateral agent for the Secured Parties) and each of the other Loan Parties signatory hereto.

WITNESSETH:

WHEREAS, the Company, certain Subsidiaries of the Company party thereto as New Vehicle Borrowers, Bank of America, as Administrative Agent, New Vehicle Swing Line Lender, Used Vehicle Swing Line Lender and Revolving Administrative Agent (in the capacity of collateral agent) and the Lenders from time to time party thereto have entered into that certain Third Amended and Restated Syndicated New and Used Vehicle Floorplan Credit Agreement dated as of November 30, 2016 (as amended by that certain Amendment No. 1, dated as of April 2, 2020 and effective as of March 31, 2020, as hereby amended and as from time to time further amended, modified, supplemented, restated, or amended and restated, the “*Credit Agreement*”; capitalized terms used in this Agreement and not otherwise defined herein shall have the respective meanings given thereto in the Credit Agreement), pursuant to which the Lenders have made available to the Company and certain Subsidiaries of the Company a new vehicle floorplan revolving credit facility (including a swing line subfacility) and a used vehicle floorplan revolving credit facility (including a swing line subfacility); and

WHEREAS, the Company has entered into the Company Guaranty pursuant to which it has guaranteed the payment and performance of the obligations of each New Vehicle Borrower under the Credit Agreement and the other Loan Documents; and

WHEREAS, each of the other Guarantors has entered into a Subsidiary Guaranty pursuant to which it has guaranteed the payment and performance of the obligations of each Borrower under the Credit Agreement and the other Loan Documents; and

WHEREAS, the Company and the respective Loan Parties that are parties thereto have entered into the Security Agreement and other Security Instruments, securing the Obligations under the Credit Agreement and the other Loan Documents; and

WHEREAS, the Company has requested that the Administrative Agent and the Lenders amend certain provisions of the Credit Agreement and certain of the other Loan Documents as set forth below, and the Administrative Agent and the Lenders signatory hereto are willing to effect such amendment on the terms and conditions contained in this Agreement;

NOW, THEREFORE, in consideration of the premises and further valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Amendments; Release and Joinder; Exiting Lender.**

(a) **Amendments to Credit Agreement.** Subject to the terms and conditions set forth herein, the Credit Agreement is hereby amended so that, as amended, it shall read as set forth in, and shall have the terms, covenants, conditions and other provisions in the form of Credit Agreement set forth as Exhibit A to this Agreement (the "Consolidated Form Credit Agreement"). The parties hereto acknowledge and agree that each amendment to the Credit Agreement reflected in the Consolidated Form Credit Agreement is and shall be effective as if individually specified in this Agreement (the parties further acknowledging that amending the Credit Agreement by reference to the Consolidated Form Credit Agreement provides a convenience to the parties to permit the amended terms to be read in the context of the full Credit Agreement), and that this Agreement is not a novation of the Credit Agreement or of any credit facility provided thereunder or in respect thereof. The signature pages contained may be left off of the Consolidated Form Credit Agreement. Notwithstanding that the cover page of the Consolidated Form Credit Agreement is dated "as of November 30, 2016", the changes to the Credit Agreement effected by this Agreement shall be effective as of the satisfaction or waiver to the conditions to effectiveness set forth in Section 2 of this Agreement.

(b) **Amendments to Schedules and Exhibits to Credit Agreement.**

(i) Each of the following Schedules and Exhibits to the Credit Agreement is hereby amended and restated to read in its entirety as set forth on the respective Schedule and Exhibit attached hereto, as follows:

(A) Schedule 1.01A (Silo Subsidiaries), Schedule 1.01B (Dual Subsidiaries), Schedule 2.01A, (Commitments and Applicable Percentages), Schedule 2A.03(a) (Information Regarding Collateral) and Schedule 10.02 (Administrative Agent's Office; Certain Addresses for Notices; Tax Identification Number) of the Credit Agreement shall hereby be replaced with Schedule 1.01A (Silo Subsidiaries), Schedule 1.01B (Dual Subsidiaries), Schedule 2.01A, (Commitments and Applicable Percentages), Schedule 2A.03(a) (Information Regarding Collateral) and Schedule 10.02 (Administrative Agent's Office; Certain Addresses for Notices; Tax Identification Number) of this Agreement, respectively; and

(B) Exhibit A-2 (Form of Used Vehicle Floorplan Committed Loan Notice), Exhibit B-2 (Form of Used Vehicle Floorplan Swing Line Loan Notice), Exhibit C (Form of Note), Exhibit H (Floorplan Joinder Agreement) and Exhibit P (Form of Notice of Loan Prepayment) of the Credit Agreement shall hereby be replaced with Exhibit A-2 (Form of Used Vehicle Floorplan Committed Loan Notice), Exhibit B-2 (Form of Used Vehicle Floorplan Swing Line Loan Notice), Exhibit C (Form of Note), Exhibit H (Floorplan Joinder Agreement) and Exhibit P (Form of Notice of Loan Prepayment) of this Agreement, respectively.

(ii) Exhibit I (Used Vehicle Borrowing Base Certificate) is hereby deleted from the Credit Agreement.

(iii) Exhibit K-2 (Form of Used Vehicle Borrower Notice) is hereby added as set forth on the respective Exhibit attached hereto.

(c) **Amendments to Company Guaranty.** Subject to the terms and conditions set forth herein, the Company Guaranty is hereby amended as follows:

(i) Any references to “Borrower” or “Borrowers” in the Company Guaranty shall refer to each Borrower and all of the Borrowers under the Credit Agreement, including, without limitation, after giving effect to the amendments to the Credit Agreement provided herein;

(ii) Each of Section 1, 2, 6, 7, 8 and 15 of the Company Guaranty is amended to replace each reference therein to “New Vehicle Borrower” with “Borrower”; and

(iii) Section 2 of the Company Guaranty is amended to replace the reference therein to “Section 8.02” with “Sections 8.02 or 8.04”.

(d) **Amendments to Subsidiary Guaranty.** Subject to the terms and conditions set forth herein, the Subsidiary Guaranty is hereby amended as follows:

(i) Any references to “Borrower” or “Borrowers” in the Subsidiary Guaranty shall refer to each Borrower and all of the Borrowers under the Credit Agreement, including, without limitation, after giving effect to the amendments to the Credit Agreement provided herein; and

(ii) Section 2 of the Subsidiary Guaranty is amended to replace the reference therein to “Section 8.02” with “Sections 8.02 or 8.04”.

(e) **Release.** The Administrative Agent, the Revolving Administrative Agent and the Lenders party hereto hereby (i) acknowledge that substantially all of the assets of Kramer Motors Incorporated, a California corporation, SAI Cleveland N, LLC, a Tennessee limited liability company, SAI Columbus Motors, LLC, an Ohio limited liability company, SAI Columbus VWK, LLC, an Ohio limited liability company, SAI Fort Myers H, LLC, a Florida limited liability company, SAI Tysons Corner H, LLC, a Virginia limited liability company, Sonic – Cadillac D, L.P., a Texas limited partnership, Sonic–Volvo LV, LLC, a Nevada limited liability company and Stevens Creek Cadillac, Inc., a California corporation, have been sold prior to the date hereof and EchoPark SC, LLC, a South Carolina limited liability company, no longer operates a dealership facility (such entities described in this clause (i), collectively, the “***Disposed Dealership Entities***”), (ii) without limitation of any obligations or liabilities of the Disposed Dealership Entities under the Revolving Loan Documents (including without limitation, the Security Agreement), agree that the Disposed Dealership Entities shall no longer constitute “Loan Parties” (as defined in the Credit Agreement) under the Loan Documents and the obligations of the Disposed Dealership Entities under any of the Loan Documents are hereby released (except for any obligations or liabilities of any Disposed Dealership Entities thereunder which expressly survive such release), (iii) the security interests and liens granted by the Disposed Dealership Entities to the Revolving Administrative Agent, on behalf of the Secured Parties, securing the Obligations under the Loan Documents (and relating to the floorplan facility provided thereunder) are hereby released, provided that, in no event shall the release described above result in any additional obligations on the Revolving Administrative Agent, the Administrative Agent or any Lender under any of the Loan Documents and (iv) SAI DS, LLC, a Florida limited liability company, shall no longer constitute a “New Vehicle Borrower” under the Loan Documents.

(f) **Joinder to Credit Agreement:**

(i) **Credit Agreement.** Each of the undersigned Persons identified on the signature pages hereto as a “**Used Vehicle Borrower**” hereby agrees that, by its execution

of this Agreement, such Person hereby becomes a party to the Credit Agreement and the Notes, and is and shall be for all purposes a “Used Vehicle Borrower” and a “Borrower” (each term having the respective meanings set forth in the Credit Agreement after giving effect to this Agreement) under the Loan Documents and shall have (and hereby unconditionally, absolutely and irrevocably assumes) all the terms, conditions, obligations, liabilities and undertakings of, and joins in each grant, pledge and assignment of any interest by, a Borrower as if it had manually executed the Credit Agreement, the Notes, and each other applicable Loan Document. Each of the undersigned Persons identified on the signature pages hereto as a “Used Vehicle Borrower” hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Credit Agreement, the Notes, and each other applicable Loan Document.

(ii) Affirmations. Each of the undersigned Persons identified on the signature pages hereto as a “Used Vehicle Borrower” hereby acknowledges and reaffirms as of the date hereof with respect to itself, its properties and its affairs each of the representations, warranties, acknowledgments and certifications applicable to, and each of the waivers by, any Borrower contained in the Credit Agreement (after giving effect to this Agreement).

(iii) Obligations. Without limiting the generality of the terms of Sections 1(f)(i) and (ii) above or the terms of the Credit Agreement, each of the undersigned Persons identified on the signature pages hereto as a “Used Vehicle Borrower” hereby jointly and severally, together with the other Borrowers, promises to each Lender and the Administrative Agent, the prompt payment and performance of all Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, or otherwise) strictly in accordance with the terms thereof. Notwithstanding the foregoing, the liability of each of the undersigned Persons identified on the signature pages hereto as a “Used Vehicle Borrower” with respect to its Used Vehicle Borrowers’ Liabilities under the Credit Agreement shall be limited to an aggregate amount equal to the largest amount that would not render its obligations under the Credit Agreement subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law.

(iv) Assignment. Without limiting the generality of the terms of Sections 1(f)(i) and (ii) above or the terms of Article II of the Credit Agreement, each of the undersigned Persons identified on the signature pages hereto as a “Used Vehicle Borrower” hereby irrevocably designates, appoints, authorizes and directs the Company (including each Responsible Officer of the Company) to act on behalf of such Person for the purposes set forth in said Article II or any other provisions of the Credit Agreement or any other Loan Document, including without limitation the purpose of giving Requests for Borrowing and otherwise giving and receiving such notices and notifications and taking all such other actions contemplated by Article II or any other provision of the Credit Agreement or any other Loan Document.

(g) **Joinder to Subsidiary Guaranty**.

(i) Joinder. Each of the undersigned Persons identified on the signature pages hereto as a “Used Vehicle Borrower” (other than the Company) hereby irrevocably,

absolutely and unconditionally becomes a party to the Subsidiary Guaranty as a “Guarantor” (such term having the meaning set forth in the Subsidiary Guaranty after giving effect to this Agreement) and bound by all the terms, conditions, obligations, liabilities and undertakings of each Guarantor or to which any Guarantor is subject thereunder, including without limitation the joint and several, unconditional, absolute, continuing and irrevocable guarantee to the Administrative Agent for the benefit of the Secured Parties of the payment and performance in full of the Guaranteed Liabilities (as defined in the Subsidiary Guaranty) whether now existing or hereafter arising, all with the same force and effect as if such Person were a signatory to the Subsidiary Guaranty.

(ii) **Affirmations.** Each of the undersigned Persons identified on the signature pages hereto as a “Used Vehicle Borrower” hereby acknowledges and reaffirms as of the date hereof with respect to itself, its properties and its affairs each of the representations, warranties, acknowledgments and certifications applicable to, and each of the waivers by, any Guarantor contained in the Subsidiary Guaranty Agreement.

(h) **Exiting Lender; Reallocation.**

(i) Each of the Administrative Agent, the undersigned Lenders and the Loan Parties hereby (x) acknowledge and agree that (A) American Honda Finance Corporation (“*AHFC*”) shall be repaid on the Effective Date the outstanding amount of principal on the Loans owed to it under the Credit Agreement and the other Loan Documents (the “*AFHC Payment*”) (with accrued interest and fees owing to it for the period May 1-20, 2020 to be paid in the ordinary course thereafter upon receipt of such amounts from the Borrowers), (B) the Commitment (including the New Vehicle Floorplan Commitment and the Used Vehicle Floorplan Commitment) of AHFC shall automatically terminate on the Effective Date without further action; and (y) waive any requirement under the Loan Documents (including, without limitation, Sections 2.10, 2.11 and 2.18 of the Credit Agreement) that such AHFC Payment be made to the Lenders on a pro rata basis or any prior notice thereof.

(ii) Simultaneously with the Effective Date, the parties hereby agree that the Commitment ((including the New Vehicle Floorplan Commitment and the Used Vehicle Floorplan Commitment) of each of the Lenders shall be as set forth in Schedule 2.01A attached hereto, and the outstanding amount of the Loans (the “*Outstanding Loans*”) (without giving effect to any Borrowings of Loans under the Credit Agreement on the Effective Date, but after giving effect to this Agreement) shall be reallocated in accordance with such Commitments. On the Effective Date, the Lenders shall make full cash settlement with one another with respect to the Outstanding Loans and outstanding Commitments, and with any exiting Lender, either directly or through the Administrative Agent, as the Administrative Agent may direct or approve, with respect to all such reallocations in Commitments, such that after giving effect to such settlements the Commitment of each Lender as of the Effective Date shall be as set forth on Schedule 2.01A attached hereto.

2. **Effectiveness; Conditions Precedent.** This Agreement and the amendments to the Credit Agreement and the other Loan Documents herein provided shall become effective as of the Effective Date at the time when each of the following conditions has been satisfied:

(a) the Administrative Agent shall have received the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Effective Date (or, in the case of certificates of governmental officials, a recent date before the Effective Date) and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) (A) counterparts of this Agreement, duly executed by each Borrower, Bank of America, as Administrative Agent, New Vehicle Swing Line Lender, Used Vehicle Swing Line Lender and Revolving Administrative Agent, each other Loan Party and each Lender (other than AHFC), (B) a Note executed by the Borrowers in favor of each Lender requesting a Note; (C) counterparts of that certain Amendment No. 1 to Fourth Amended and Restated Security Agreement, dated as of the Effective Date (the "Security Agreement Amendment") by the Company, certain Subsidiaries of the Company, Bank of America, as Administrative Agent and Revolving Administrative Agent (including in the capacity of collateral agent for the Secured Parties) and (D) counterparts of a letter agreement dated as of the Effective Date, duly executed by the Company and Bank of America, as Administrative Agent, New Vehicle Swing Line Lender and Used Vehicle Swing Line Lender (collectively, the "Amendment Documents");

(ii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iii) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and (except as provided in Section 6.21 of the Consolidated Form Credit Agreement) that each Loan Party is validly existing, in good standing and qualified to engage in business in the respective jurisdictions, which includes each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(iv) a favorable opinion of Parker Poe Adams & Bernstein LLP, counsel to the Loan Parties, addressed to the Administrative Agent, the Revolving Administrative Agent and each Lender, in form and substance satisfactory to the Administrative Agent;

(v) a certificate of a Responsible Officer of each Loan Party either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by such Loan Party and the validity against such Loan Party of the Amendment Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(vi) a certificate signed by a Responsible Officer of the Company certifying (A) that the conditions specified in Sections 2(a) have been satisfied, and (B) that there has been no event or circumstance since December 31, 2019 that has had or could be

reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;

(vii) a certificate signed by the chief executive officer, chief financial officer, treasurer or chief accounting officer of each Loan Party certifying that each Loan Party is Solvent, after giving effect to this Agreement and the other Loan Documents and the Indebtedness pursuant hereto and thereto;

(viii) to the extent not otherwise delivered prior to the date hereof, a copy of (A) each standard form of Franchise Agreement for each vehicle manufacturer or distributor and (B) each executed Framework Agreement;

(ix) to the extent not otherwise delivered prior to the date hereof, duly executed consents and waivers required pursuant to any Franchise Agreement or Framework Agreement;

(x) to the extent requested by the Administrative Agent, evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect, including endorsements naming the Revolving Administrative Agent (on behalf of the Secured Parties) as an additional insured and loss payee, as the case may be, on all such insurance policies maintained with respect to properties of the Company or any Loan Party constituting part of the Collateral;

(xi) the Loan Parties shall have delivered to the Administrative Agent and the Revolving Administrative Agent an authorization to share insurance information in form and substance satisfactory to the Administrative Agent and the Revolving Administrative Agent (or such other form as required by each of the Loan Party's insurance companies (the "Authorization to Share Insurance Information");

(xii) the Loan Parties shall have delivered to the Administrative Agent a Statement of Purpose for an Credit Extension Secured by Margin Stock (Federal Reserve Form U-1);

(xiii) consolidating balance sheets for the Company and each Subsidiary as at the end of March 31, 2020, and the related consolidating statements of income or operations, all in reasonable detail prepared by management of the Company or such Subsidiary, in each case with subtotals for (a) each Subsidiary, (b) all New Vehicle Borrowers (excluding the results of any Dual Subsidiaries), (c) all Used Vehicle Borrowers (excluding the results of any Dual Subsidiaries) and (d) all Silo Subsidiaries grouped by each Silo Lender, and in each case prior to intercompany eliminations;

(xiv) UCC financing statements or amendments to previously filed UCC financing statements for filing in all places required by applicable law to perfect the Liens of the Revolving Administrative Agent for the benefit of the Secured Parties under the Security Instruments as a valid and perfected Lien (with the priority described therein) as to items of Collateral in which a security interest may be perfected by the filing of financing statements, and such other documents and/or evidence of other actions as may be necessary under applicable law to perfect the Liens of the Revolving Administrative Agent for the benefit of the Secured Parties under the Security Instruments as a valid and perfected Lien in and to such other Collateral as the Administrative Agent may require;

(xv) UCC search results with respect to the Borrowers showing only Liens acceptable to the Administrative Agent (or pursuant to which arrangements satisfactory to the Administrative Agent shall have been made to remove any unacceptable Liens promptly after the Effective Date);

(xvi) such duly executed Landlord Waivers for locations of the Borrowers not already in effect, as may be requested by the Administrative Agent in its sole discretion;

(xvii) a certificate signed by a Responsible Officer of the Company certifying as to the status of the Unrestricted Subsidiaries;

(xviii) an exiting lender letter executed by AHFC pursuant to which AHFC waives any requirement in the Credit Agreement to provide prior notice of the AHFC Payment and any right to consent to this Agreement, in form and substance acceptable to the Administrative Agent; and

(xix) such other assurances, certificates, documents, consents or opinions as the Administrative Agent, the New Vehicle Swing Line Lender, the Used Vehicle Swing Line Lender or the Lenders reasonably may require.

(b) Upon the reasonable request of any Lender made at least ten (10) days prior to the date hereof, the Company shall have provided to such Lender, and such Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act, in each case at least five (5) Business Days prior to the date hereof and (ii) at least ten (10) days prior to the date hereof, any Loan Party that qualifies as a “legal entity customer” under the Beneficial Ownership Regulation shall have delivered, to each Lender that so requests, a Beneficial Ownership Certification in relation to such Loan Party.

(c) All fees and expenses payable to the Administrative Agent, the Arranger and the Lenders (including the fees and expenses of counsel to the Administrative Agent) to the extent invoiced on or prior to the date hereof shall have been paid in full (without prejudice to final settling of accounts for such fees and expenses).

3. **Consent of the Loan Parties.** The Company hereby consents, acknowledges and agrees to the amendments set forth herein and hereby confirms and ratifies in all respects the Company Guaranty (including without limitation the continuation of the Company’s payment and performance obligations thereunder upon and after the effectiveness of this Agreement and the amendments contemplated hereby) and the enforceability of the Company Guaranty against the Company in accordance with its terms. Each Subsidiary Guarantor hereby consents, acknowledges and agrees to the amendments set forth herein and hereby confirms and ratifies in all respects the Subsidiary Guaranty (including without limitation the continuation of such Subsidiary Guarantor’s payment and performance obligations thereunder upon and after the effectiveness of this Agreement and the amendments contemplated hereby) and the enforceability of such Subsidiary Guaranty against such Subsidiary Guarantor in accordance with its terms. Each Loan Party hereby consents, acknowledges and agrees to the amendments set forth herein and hereby confirms and ratifies in all respects each Security Instrument to which such Loan Party is a party (including without limitation the continuation of the perfection and priority of each Lien thereunder upon and after the effectiveness of this Agreement and the amendments contemplated hereby) and the enforceability of such Security Instrument against such Loan Party in accordance with its terms.

4. **Representations and Warranties.** In order to induce the Administrative Agent and the Lenders to enter into this Agreement, each Loan Party represents and warrants to the Administrative Agent and the Lenders as follows:

(a) The representations and warranties made by each Loan Party in Article V of the Credit Agreement and in each of the other Loan Documents to which such Loan Party is a party are true and correct on and as of the date hereof, both before and after giving effect to this Agreement and the other Amendment Documents, in each case except to the extent that such representations and warranties expressly relate to an earlier date in which case they are true and correct as of such earlier date, and except that the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Credit Agreement will be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01 of the Credit Agreement;

(b) The Persons appearing as Subsidiary Guarantors on the signature pages to this Agreement constitute all Persons who are required to be Subsidiary Guarantors pursuant to the terms of the Credit Agreement and the other Loan Documents, including without limitation all Persons who became Subsidiaries or were otherwise required to become Subsidiary Guarantors after the Closing Date, and each of such Persons has become and remains a party to a Subsidiary Guaranty as a guarantor thereunder;

(c) This Agreement and each other Amendment Document has been duly authorized, executed and delivered by the Company and each of the other Loan Parties party hereto and constitutes a legal, valid and binding obligation of each such party, except as may be limited by general principles of equity or by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally; and

(d) Both before and after giving effect to this Agreement and the other Amendment Documents, no Default or Event of Default has occurred and is continuing.

5. **Entire Agreement.** This Agreement, together with all the other Loan Documents (collectively, the "**Relevant Documents**"), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other in relation to the subject matter hereof or thereof. None of the terms or conditions of this Agreement may be changed, modified, waived or canceled orally or otherwise, except in writing and in accordance with Section 10.01 of the Credit Agreement.

6. **Full Force and Effect of Agreement.** Except as hereby specifically amended, modified or supplemented, the Credit Agreement and all other Loan Documents are hereby confirmed and ratified in all respects and shall be and remain in full force and effect according to their respective terms.

7. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or electronic delivery (including by .pdf) shall be effective as delivery of a manually executed counterpart of this Agreement.

8. **Governing Law.** This Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of North Carolina applicable to contracts executed and to be performed entirely within such State, and shall be further subject to the provisions of Section 10.14 of the Credit Agreement.

9. **Enforceability.** Should any one or more of the provisions of this Agreement be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

10. **References.** All references in any of the Loan Documents to the “Credit Agreement” shall mean the Credit Agreement, as amended hereby and as further amended, modified, supplemented, restated, or amended and restated from time to time. All references in any of the Loan Documents to the “Company Guaranty” shall mean the Company Guaranty, as amended hereby and as further amended, modified, supplemented, restated, or amended and restated from time to time. All references in any of the Loan Documents to the “Subsidiary Guaranty” shall mean the Subsidiary Guaranty, as amended hereby and as further amended, modified, supplemented, restated, or amended and restated from time to time. All references in any of the Loan Documents to the “Security Agreement” shall mean the Security Agreement, as amended by the Security Agreement Amendment and as further amended, modified, supplemented, restated, or amended and restated from time to time.

11. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Company, each of the other Loan Parties, the Administrative Agent, the Lenders, and their respective successors, legal representatives, and assignees to the extent such assignees are permitted assignees as provided in Section 10.06 of the Credit Agreement.

12. **Loan Document.** This Agreement shall be deemed to be a “Loan Document” under and as defined in the Credit Agreement, for all purposes.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be made, executed and delivered by their duly authorized officers as of the day and year first above written.

COMPANY:

SONIC AUTOMOTIVE, INC.

By: /s/ Heath R. Byrd

Typed Name: Heath R. Byrd

Typed Title: Executive Vice President and
Chief Financial Officer

AMENDMENT NO. 2 TO THIRD AMENDED AND RESTATED
SYNDICATED NEW AND USED VEHICLE FLOORPLAN CREDIT AGREEMENT
(Sonic Automotive, Inc.)
Signature Page

NEW VEHICLE BORROWERS:

ARNGAR, INC.
FAA CONCORD H, INC.
FAA LAS VEGAS H, INC.
FAA POWAY H, INC.
FAA SERRAMONTE H, INC.
FRANCISCAN MOTORS, INC.
PHILPOTT MOTORS, LTD.
SAI CHAMBLEE V, LLC
SAI CHATTANOOGA N, LLC
SAI IRONDALE IMPORTS, LLC
SAI MONTGOMERY BCH, LLC
SAI MONTGOMERY CH, LLC
SAI NASHVILLE CSH, LLC
SAI NASHVILLE H, LLC
SAI NASHVILLE MOTORS, LLC
SAI ORLANDO CS, LLC
SAI PENSACOLA A, LLC
SAI ROARING FORK LR, INC.
SAI ROCKVILLE IMPORTS, LLC
SAI S. ATLANTA JLR, LLC
SANTA CLARA IMPORTED CARS, INC.
SONIC – LAS VEGAS C WEST, LLC
SONIC – LS CHEVROLET, L.P.
SONIC – LUTE RILEY, L.P.
SONIC – SHOTTENKIRK, INC.
SONIC ADVANTAGE PA, L.P.
SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC
SONIC HOUSTON JLR, LP
SONIC HOUSTON LR, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC MOMENTUM VWA, L.P.
SONIC-2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC–BUENA PARK H, INC.
SONIC–HARBOR CITY H, INC.
WINDWARD, INC.

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

USED VEHICLE BORROWERS:

SONIC AUTOMOTIVE, INC.

By: /s/ Heath R. Byrd

Typed Name: Heath R. Byrd

Typed Title: Executive Vice President and
Chief Financial Officer

ARNGAR, INC.

ECHOPARK AZ, LLC

ECHOPARK CA, LLC

ECHOPARK FL, LLC

ECHOPARK NC, LLC

ECHOPARK TX, LLC

FAA CONCORD H, INC.

FAA LAS VEGAS H, INC.

FAA POWAY H, INC.

FAA SERRAMONTE H, INC.

FRANCISCAN MOTORS, INC.

SAI CHAMBLEE V, LLC

SAI CHATTANOOGA N, LLC

SAI DS, LLC

SAI MONTGOMERY BCH, LLC

SAI MONTGOMERY CH, LLC

SAI NASHVILLE CSH, LLC

SAI NASHVILLE H, LLC

SAI NASHVILLE MOTORS, LLC

SAI ORLANDO CS, LLC

SAI PENSACOLA A, LLC

SAI ROARING FORK LR, INC.

SAI ROCKVILLE IMPORTS, LLC

SAI S. ATLANTA JLR, LLC

SANTA CLARA IMPORTED CARS, INC.

SONIC – LAS VEGAS C WEST, LLC

SONIC – LS CHEVROLET, L.P.

SONIC – LUTE RILEY, L.P.

SONIC – SHOTTENKIRK, INC.

SONIC ADVANTAGE PA, L.P.

SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.

SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC

By: /s/ Heath R. Byrd

Typed Name: Heath R. Byrd

Typed Title: Vice President and Treasurer

USED VEHICLE BORROWERS, continued:

**SONIC HOUSTON JLR, LP
SONIC HOUSTON LR, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC-2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC-BUENA PARK H, INC.
SONIC-HARBOR CITY H, INC.
TT DENVER, LLC
WINDWARD, INC.**

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

SUBSIDIARY GUARANTORS:

**ARNGAR, INC.
ECHOPARK AZ, LLC
ECHOPARK CA, LLC
ECHOPARK FL, LLC
ECHOPARK NC, LLC
ECHOPARK TX, LLC
FAA CONCORD H, INC.
FAA LAS VEGAS H, INC.
FAA POWAY H, INC.
FAA SERRAMONTE H, INC.
FRANCISCAN MOTORS, INC.
PHILPOTT MOTORS, LTD.
SAI CHAMBLEE V, LLC
SAI CHATTANOOGA N, LLC
SAI DS, LLC
SAI IRONDALE IMPORTS, LLC
SAI MONTGOMERY BCH, LLC
SAI MONTGOMERY CH, LLC
SAI NASHVILLE CSH, LLC
SAI NASHVILLE H, LLC
SAI NASHVILLE MOTORS, LLC
SAI ORLANDO CS, LLC
SAI PENSACOLA A, LLC
SAI ROARING FORK LR, INC.
SAI ROCKVILLE IMPORTS, LLC**

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

SUBSIDIARY GUARANTORS, continued:

SAI S. ATLANTA JLR, LLC
SANTA CLARA IMPORTED CARS, INC.
SONIC – LAS VEGAS C WEST, LLC
SONIC – LS CHEVROLET, L.P.
SONIC – LUTE RILEY, L.P.
SONIC – SHOTTENKIRK, INC.
SONIC ADVANTAGE PA, L.P.
SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC
SONIC HOUSTON JLR, LP
SONIC HOUSTON LR, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC MOMENTUM VWA, L.P.
SONIC-2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC–BUENA PARK H, INC.
SONIC–HARBOR CITY H, INC.
TT DENVER, LLC
WINDWARD, INC.

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

AGREED AND ACKNOWLEDGED:

KRAMER MOTORS INCORPORATED
SAI CLEVELAND N, LLC
SAI COLUMBUS MOTORS, LLC
SAI COLUMBUS VWK, LLC
SAI FORT MYERS H, LLC
SAI TYSONS CORNER H, LLC
SONIC – CADILLAC D, L.P.
SONIC–CAPITOL IMPORTS, INC.
SONIC – NEWSOME CHEVROLET WORLD, INC.
SONIC–VOLVO LV, LLC
STEVENS CREEK CADILLAC, INC.
ECHOPARK SC, LLC
SAI DS, LLC

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

BANK OF AMERICA, N.A.,
as Administrative Agent

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

BANK OF AMERICA, N.A.,
as Revolving Administrative Agent
(in its capacity as collateral agent for the Secured Parties under the Loan Documents)

By: /s/ Denise Jones
Typed Name: Denise Jones
Typed Title: Vice President

LENDERS:

BANK OF AMERICA, N.A., as a Lender, New Vehicle Swing Line Lender and Used Vehicle Swing Line Lender

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

JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ Adam Sigman
Typed Name: Adam Sigman
Typed Title: Executive Director

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Katherine Taylor
Typed Name: Katherine Taylor
Typed Title: Vice President

MERCEDES-BENZ FINANCIAL SERVICES USA LLC, as a Lender

By: /s/ Michele Nowak

Typed Name: Michele Nowak

Typed Title: Credit Director, National Accounts

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Jeffrey Bullard

Typed Name: Jeffrey Bullard

Typed Title: Senior Vice President

COMERICA BANK, as a Lender

By: /s/ Coby McGee

Typed Name: Coby McGee

Typed Title: Portfolio Manager

CAPITAL ONE, N.A., as a Lender

By: /s/ Jeff Edge

Typed Name: Jeff Edge

Typed Title: Senior Vice President

MASSMUTUAL ASSET FINANCE LLC, as a Lender

By: /s/ Donald Buttler

Typed Name: Donald Buttler

Typed Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Krutesh Trivedi

Typed Name: Krutesh Trivedi

Typed Title: Senior Vice President

TD BANK, N.A., as a Lender

By: /s/ Judy C. Johnson
Typed Name: Judy C. Johnson
Typed Title: VP Market Credit Manager,
Major Accounts

TOYOTA MOTOR CREDIT CORPORATION, as a Lender

By: /s/ Gerald Jules
Typed Name: Gerald Jules
Typed Title: National Manager, National Accounts

VW CREDIT, INC., as a Lender

By: /s/ Robb Nerdin
Typed Name: Robb Nerdin
Typed Title: Senior Manager

AMENDMENT NO. 2 TO THIRD AMENDED AND RESTATED
SYNDICATED NEW AND USED VEHICLE FLOORPLAN CREDIT AGREEMENT
(Sonic Automotive, Inc.)
Signature Page

CONSOLIDATED FORM CREDIT AGREEMENT

See attached.

**FORM OF USED VEHICLE FLOORPLAN
COMMITTED LOAN NOTICE**

Date: _____, _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Third Amended and Restated Syndicated New and Used Vehicle Floorplan Credit Agreement, dated as of November 30, 2016 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement" the terms defined therein being used herein as therein defined), among Sonic Automotive, Inc., a Delaware corporation (the "Company"), certain Subsidiaries of the Company from time to time party thereto, the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, New Vehicle Swing Line Lender, and Used Vehicle Swing Line Lender, and Bank of America, N.A., as Revolving Administrative Agent (in the capacity of collateral agent for the Secured Parties).

The undersigned hereby requests (select one):

- A Used Vehicle Floorplan Committed Borrowing
- A conversion of Used Vehicle Floorplan Committed Loans

1. For _____, the applicable Used Vehicle Borrower.
2. On _____ (a Business Day).
3. In the amount of \$_____.
4. Comprised of _____.
[Type of Used Vehicle Floorplan Committed Loan requested]

The Used Vehicle Floorplan Committed Borrowing, if any, requested herein complies with the provisos to the first sentence of Section 2.06 of the Credit Agreement.

SONIC AUTOMOTIVE, INC.

By:____
Name:____
Title:____

FORM OF USED VEHICLE FLOORPLAN
SWING LINE LOAN NOTICE

Date: _____, _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Third Amended and Restated Syndicated New and Used Vehicle Floorplan Credit Agreement, dated as of November 30, 2016 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement" the terms defined therein being used herein as therein defined), among Sonic Automotive, Inc., a Delaware corporation (the "Company"), certain Subsidiaries of the Company from time to time party thereto, the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, New Vehicle Swing Line Lender, and Used Vehicle Swing Line Lender, and Bank of America, N.A., as Revolving Administrative Agent (in the capacity of collateral agent for the Secured Parties).

The undersigned hereby requests (select one):

- A Used Vehicle Floorplan Committed Borrowing
- A conversion of Used Vehicle Floorplan Committed Loans

1. For _____, the applicable Used Vehicle Borrower.
2. On _____ (a Business Day).
3. In the amount of \$ _____.
4. Comprised of _____.
[Type of Used Vehicle Floorplan Committed Loan requested]

SONIC AUTOMOTIVE, INC.

By:____
Name:____
Title:____

FORM OF [REPLACEMENT] NOTE

_____, 20__

FOR VALUE RECEIVED, each of the undersigned (each a "Borrower" and collectively the "Borrowers") hereby promises, jointly and severally, to pay to _____ or registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of each New Vehicle Floorplan Loan from time to time made by the Lender to Sonic Automotive, Inc. (the "Company") or any New Vehicle Borrower under the Credit Agreement and the principal amount of each Used Vehicle Floorplan Loan from time to time made by the Lender to the Company or any Used Vehicle Floorplan Borrower under that certain Third Amended and Restated Syndicated New and Used Vehicle Floorplan Credit Agreement, dated as of November 30, 2016 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the Company, certain Subsidiaries of the Company from time to time party thereto, the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, New Vehicle Swing Line Lender, and Used Vehicle Swing Line Lender, and Bank of America, N.A., as Revolving Administrative Agent (in the capacity of collateral agent for the Secured Parties).

Each Borrower promises, jointly and severally, to pay interest on the unpaid principal amount of each Loan from the date of such New Vehicle Floorplan Loan or Used Vehicle Floorplan Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. Except as otherwise provided in Section 2.03(h) with respect to New Vehicle Floorplan Swing Line Loans, and Section 2.08(h) with respect to Used Vehicle Floorplan Swing Line Loans, all payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Note is one of the Notes referred to in the Credit Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also entitled to the benefits of the Guaranties and is secured by the Collateral. **[This Note is issued in replacement of a Note dated November 30, 2016, issued to the Lender pursuant to the Credit Agreement (the "Existing Note"), and does not effect any refinancing or extinguishment of the indebtedness and obligations of such Existing Note and is not a novation but is a replacement of such Existing Note.]** Upon the occurrence and continuation of one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall (if required by the Credit Agreement) become, or may be declared to be, immediately due and payable all as provided in the Credit Agreement. New Vehicle Floorplan Loans and Used Vehicle Floorplan Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its New Vehicle Floorplan Loans and Used Vehicle Floorplan Loans and payments with respect thereto.

Each Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH CAROLINA.

NEW VEHICLE BORROWERS:

**ARNGAR, INC.
FAA CONCORD H, INC.
FAA LAS VEGAS H, INC.
FAA POWAY H, INC.
FAA SERRAMONTE H, INC.
FRANCISCAN MOTORS, INC.
PHILPOTT MOTORS, LTD.
SAI CHAMBLEE V, LLC
SAI CHATTANOOGA N, LLC
SAI IRONDALE IMPORTS, LLC
SAI MONTGOMERY BCH, LLC
SAI MONTGOMERY CH, LLC
SAI NASHVILLE CSH, LLC
SAI NASHVILLE H, LLC
SAI NASHVILLE MOTORS, LLC
SAI ORLANDO CS, LLC
SAI PENSACOLA A, LLC
SAI ROARING FORK LR, INC.
SAI ROCKVILLE IMPORTS, LLC
SAI S. ATLANTA JLR, LLC
SANTA CLARA IMPORTED CARS, INC.
SONIC – LAS VEGAS C WEST, LLC
SONIC – LS CHEVROLET, L.P.
SONIC – LUTE RILEY, L.P.
SONIC – SHOTTENKIRK, INC.
SONIC ADVANTAGE PA, L.P.
SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC
SONIC HOUSTON JLR, LP
SONIC HOUSTON LR, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC MOMENTUM VWA, L.P.**

By: _____
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

NEW VEHICLE BORROWERS, continued:

**SONIC-2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC-BUENA PARK H, INC.
SONIC-HARBOR CITY H, INC.
WINDWARD, INC.**

By: _____
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

USED VEHICLE BORROWERS:

SONIC AUTOMOTIVE, INC.

By: _____
Typed Name: Heath R. Byrd
Typed Title: Executive Vice President and Chief
Financial Officer

**ARNGAR, INC.
ECHOPARK AZ, LLC
ECHOPARK CA, LLC
ECHOPARK FL, LLC
ECHOPARK NC, LLC
ECHOPARK TX, LLC
FAA CONCORD H, INC.
FAA LAS VEGAS H, INC.
FAA POWAY H, INC.
FAA SERRAMONTE H, INC.
FRANCISCAN MOTORS, INC.
SAI CHAMBLEE V, LLC
SAI CHATTANOOGA N, LLC
SAI DS, LLC
SAI MONTGOMERY BCH, LLC
SAI MONTGOMERY CH, LLC
SAI NASHVILLE CSH, LLC**

By: _____
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

USED VEHICLE BORROWERS, continued:

**SAI ORLANDO CS, LLC
SAI NASHVILLE H, LLC
SAI NASHVILLE MOTORS, LLC
SAI PENSACOLA A, LLC
SAI ROARING FORK LR, INC.
SAI ROCKVILLE IMPORTS, LLC
SAI S. ATLANTA JLR, LLC
SANTA CLARA IMPORTED CARS, INC.
SONIC – LAS VEGAS C WEST, LLC
SONIC – LS CHEVROLET, L.P.
SONIC – LUTE RILEY, L.P.
SONIC – SHOTTENKIRK, INC.
SONIC ADVANTAGE PA, L.P.
SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC
SONIC HOUSTON JLR, LP
SONIC HOUSTON LR, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC-2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC–BUENA PARK H, INC.
SONIC–HARBOR CITY H, INC.
TT DENVER, LLC
WINDWARD, INC.**

By: _____

Typed Name: Heath R. Byrd

Typed Title: Vice President and Treasurer

FORM OF FLOORPLAN JOINDER AGREEMENT

THIS FLOORPLAN JOINDER AGREEMENT (the “Floorplan Joinder Agreement”), dated as of _____, 20__ is made by _____, a _____ (the “Joining Subsidiary”), and delivered to **BANK OF AMERICA, N.A.**, in its capacity as Administrative Agent (the “Administrative Agent”) under that certain Third Amended and Restated Syndicated New and Used Vehicle Floorplan Credit Agreement (as amended, revised, modified, supplemented or amended and restated from time to time, the “Floorplan Credit Agreement”), dated as of November 30, 2016, by and among Sonic Automotive, Inc., a Delaware corporation (the “Company”), certain Subsidiaries of the Company (together with the Company, and collectively with any other Person that becomes a Borrower (as defined in the Floorplan Credit Agreement) from time to time pursuant to Section 6.14 of the Floorplan Credit Agreement, the “Borrowers” and each individually a “Borrower”), the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, New Vehicle Swing Line Lender and Used Vehicle Swing Line Lender, and **Bank of America, N.A.**, as Revolving Administrative Agent (in the capacity of collateral agent for the Floorplan Secured Parties referenced below) (in such capacity, the “Revolving Administrative Agent”). All capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Floorplan Credit Agreement.

WHEREAS, certain Subsidiaries of the Company and the Administrative Agent have entered into a Third Amended and Restated Subsidiary Guaranty Agreement dated as of November 30, 2016 (as amended, revised, modified, supplemented or amended and restated from time to time, the “Subsidiary Guaranty Agreement”);

WHEREAS, the Company, certain Subsidiaries of the Company, the Administrative Agent and the Revolving Administrative Agent have entered into a Fourth Amended and Restated Security Agreement dated as of November 30, 2016 (as amended, revised, modified, supplemented or amended and restated from time to time, the “Security Agreement”);

WHEREAS, the Joining Subsidiary does engage in the business of selling [new][used][new and used] motor vehicles;

[**WHEREAS**, the Joining Subsidiary is a Dual Subsidiary;]¹

[**WHEREAS**, the Joining Subsidiary desires to become a “New Vehicle Borrower” under the Floorplan Credit Agreement and be joined as a party to the Floorplan Credit Agreement as a New Vehicle Borrower;]

[**WHEREAS**, the Joining Subsidiary desires to become a “Used Vehicle Borrower” under the Floorplan Credit Agreement and be joined as a party to the Floorplan Credit Agreement as a Used Vehicle Borrower;]

¹ Note to Draft: Dual Subsidiaries may not become Used Vehicle Borrowers.

WHEREAS, the Joining Subsidiary is required by the terms of the Floorplan Credit Agreement to become a “Guarantor” under the Subsidiary Guaranty Agreement and be joined as a party to the Subsidiary Guaranty Agreement as a Guarantor (as defined in the Subsidiary Guaranty Agreement);

WHEREAS, the Joining Subsidiary is required by the terms of the Floorplan Credit Agreement to become a “Floorplan Subsidiary Grantor” under the Security Agreement and be joined as a party to the Security Agreement as a Floorplan Subsidiary Grantor (as defined in the Security Agreement); and

WHEREAS, the Joining Subsidiary will materially benefit from the credit facilities made available and to be made available to the Borrowers by the Lenders under the Floorplan Credit Agreement;

NOW, THEREFORE, the Joining Subsidiary hereby agrees as follows with the Administrative Agent, for the benefit of the Floorplan Secured Parties (as defined in the Subsidiary Guaranty Agreement and the Security Agreement):

1. Floorplan Credit Agreement

a. Joinder. The Joining Subsidiary hereby agrees that, by its execution of this Floorplan Joinder Agreement, the Joining Subsidiary hereby becomes a party to the Floorplan Credit Agreement and the Notes, and is and shall be for all purposes a [“New Vehicle Borrower”][and a][“Used Vehicle Borrower”] and a “Borrower” (each term as used in this Section 1 having the respective meanings set forth in the Floorplan Credit Agreement) under the Loan Documents and shall have (and hereby unconditionally, absolutely and irrevocably assumes) all the terms, conditions, obligations, liabilities and undertakings of, and joins in each grant, pledge and assignment of any interest by, a Borrower as if it had manually executed the Floorplan Credit Agreement, the Notes, and each other applicable Loan Document. The Joining Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Floorplan Credit Agreement, the Notes, and each other applicable Loan Document.

b. Affirmations. The Joining Subsidiary hereby acknowledges and reaffirms as of the date hereof with respect to itself, its properties and its affairs each of the representations, warranties, acknowledgments and certifications applicable to, and each of the waivers by, any Borrower contained in the Floorplan Credit Agreement.

c. Obligations. Without limiting the generality of the terms of Sections 1(a) and (b) above or the terms of the Floorplan Credit Agreement, the Joining Subsidiary hereby jointly and severally, together with the other Borrowers, promises to each Lender and the Administrative Agent, the prompt payment and performance of all Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, or otherwise) strictly in accordance with the terms thereof. Notwithstanding the foregoing, the liability of the Joining Subsidiary with respect to its [New Vehicle Borrowers’ Liabilities][and][Used Vehicle Borrowers’ Liabilities] under the Floorplan Credit Agreement shall be limited to an aggregate amount equal to the largest amount that would not render its obligations under the Floorplan Credit Agreement subject to avoidance

under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law.

d. Assignment. Without limiting the generality of the terms of Sections 1(a) and (b) above or the terms of Article II of the Floorplan Credit Agreement, the Joining Subsidiary hereby irrevocably designates, appoints, authorizes and directs the Company (including each Responsible Officer of the Company) to act on behalf of the Joining Subsidiary for the purposes set forth in said Article II or any other provisions of the Floorplan Credit Agreement or any other Loan Document, including without limitation the purpose of giving Requests for Borrowing and otherwise giving and receiving such notices and notifications and taking all such other actions contemplated by Article II or any other provision of the Floorplan Credit Agreement or any other Loan Document.

2. Subsidiary Guaranty Agreement.

a. Joinder. The Joining Subsidiary hereby irrevocably, absolutely and unconditionally becomes a party to the Subsidiary Guaranty Agreement as a "Guarantor" (such term as used in this Section 2 having the meaning set forth in the Subsidiary Guaranty Agreement) and bound by all the terms, conditions, obligations, liabilities and undertakings of each Guarantor or to which any Guarantor is subject thereunder, including without limitation the joint and several, unconditional, absolute, continuing and irrevocable guarantee to the Administrative Agent for the benefit of the Floorplan Secured Parties of the payment and performance in full of the Guaranteed Liabilities (as defined in the Subsidiary Guaranty Agreement) whether now existing or hereafter arising, all with the same force and effect as if the Joining Subsidiary were a signatory to the Subsidiary Guaranty Agreement.

b. Affirmations. The Joining Subsidiary hereby acknowledges and reaffirms as of the date hereof with respect to itself, its properties and its affairs each of the representations, warranties, acknowledgements and certifications applicable to, and each of the waivers by, any Guarantor contained in the Subsidiary Guaranty Agreement.

3. Security Agreement.

a. Joinder. The Joining Subsidiary hereby irrevocably, absolutely and unconditionally becomes a party to the Security Agreement as a "Floorplan Subsidiary Grantor" (such term as used in this Section 3 having the meaning set forth in the Security Agreement) and bound by all the terms, conditions, obligations, liabilities and undertakings of each Floorplan Subsidiary Grantor or to which any Floorplan Subsidiary Grantor is subject thereunder, including without limitation the grant pursuant to Section 2 of the Security Agreement of a security interest to the Revolving Administrative Agent for the benefit of the Floorplan Secured Parties in the property and property rights constituting Collateral (as defined in Section 2 of the Security Agreement) of the Joining Subsidiary or in which the Joining Subsidiary has or may have or acquire an interest or the power to transfer rights therein as security for the payment and performance of the Floorplan Secured Obligations (as defined in the Security Agreement), all with the same force and effect as if the Joining Subsidiary were a signatory to the Security Agreement.

b. Grant of Security Interest. Without limiting the generality of the terms of Section 3(a) above, the Joining Subsidiary hereby grants as collateral security for (i) the payment, performance and satisfaction of all of its Obligations (including all of its Guarantor's Obligations (as defined in the Subsidiary Guaranty Agreement)) and (ii) the payment and performance of its obligations and liabilities (whether now existing or hereafter arising) under the Security Agreement or any of the Loan Documents to which it is now or hereafter becomes a party, a security interest in all of the Collateral (as defined in Section 2 of the Security Agreement) of the Joining Subsidiary or in which the Joining Subsidiary has or may have or acquire an interest or the power to transfer rights therein, whether now owned or existing or hereafter acquired or arising and wherever located.

c. Affirmations. The Joining Subsidiary hereby acknowledges and reaffirms as of the date hereof with respect to itself, its properties and its affairs each of the representations, warranties, acknowledgments and certifications applicable to, and each of the waivers by, any Floorplan Subsidiary Grantor contained in the Security Agreement.

d. Supplemental Schedules. Attached to this Floorplan Joinder Agreement are duly completed schedules (the "Supplemental Schedules") supplementing as thereon indicated the respective Schedules to the Security Agreement. The Joining Subsidiary represents and warrants that the information contained on each of the Supplemental Schedules with respect to the Joining Subsidiary and its properties and affairs is true, complete and accurate as of the date hereof.

4. Miscellaneous.

a. Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Floorplan Joinder Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Floorplan Credit Agreement.

b. Severability. Whenever possible, each provision of this Floorplan Joinder Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of this Floorplan Joinder Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Floorplan Joinder Agreement. This Floorplan Joinder Agreement is to be read, construed and applied together with the Floorplan Credit Agreement and the other Loan Documents, which, taken together, set forth the complete understanding and agreement of the Administrative Agent, the Revolving Administrative Agent (in its capacity as collateral agent for the Floorplan Secured Parties) and the Lenders and the Joining Subsidiary with respect to the matters referred to herein and therein.

c. Successors and Assigns. This Floorplan Joinder Agreement and all obligations of the Joining Subsidiary hereunder shall be binding upon the successors and assigns of the Joining Subsidiary (including any debtor-in-possession on behalf of the Joining Subsidiary) and shall, together with the rights and remedies of the Administrative Agent and the Revolving

Administrative Agent, in each case for the benefit of the Floorplan Secured Parties, hereunder, inure to the benefit of the Administrative Agent and the Revolving Administrative Agent and the Floorplan Secured Parties, all future holders of any instrument evidencing any of the Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner affect the Liens granted to the Revolving Administrative Agent, for the benefit of the Floorplan Secured Parties, hereunder. The Joining Subsidiary may not assign, sell, hypothecate or otherwise transfer any interest in or obligation under this Floorplan Joinder Agreement.

d. Counterparts. This Floorplan Joinder Agreement may be authenticated in any number of separate counterparts, each of which shall collectively and separately constitute one and the same agreement. This Floorplan Joinder Agreement may be authenticated by manual signature, facsimile or, if approved in writing by the Administrative Agent, electronic means, all of which shall be equally valid. Without limiting the foregoing provisions of this Section 4(d), the provisions of Section 10.10 of the Floorplan Credit Agreement shall be applicable to this Floorplan Joinder Agreement.

e. Section Titles. The Section titles contained in this Floorplan Joinder Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

f. Delivery. The Joining Subsidiary hereby irrevocably waives notice of acceptance of this Floorplan Joinder Agreement and acknowledges that the Obligations are and shall be deemed to be incurred, and credit extensions under the Loan Documents made and maintained, in reliance on this Floorplan Joinder Agreement and the Joining Subsidiary's joinder as a party to the Floorplan Credit Agreement, the Security Agreement and the Subsidiary Guaranty Agreement, as herein provided.

g. Governing Law; Venue; Waiver of Jury Trial. The provisions of Sections 10.14 and 10.15 of the Floorplan Credit Agreement are hereby incorporated by reference as if fully set forth herein..

IN WITNESS WHEREOF, the Joining Subsidiary has duly executed and delivered this Floorplan Joinder Agreement as of the day and year first written above.

JOINING SUBSIDIARY:

[_____]

By: _____

Name: _____

Title: _____

**SUPPLEMENTAL
SCHEDULE 7(f) TO SECURITY AGREEMENT**

Grantor Information

I.	II.	III.	IV.	V.	VI.	VII.
<u>Name</u>	Jurisdiction of Formation/ Form of Equity/State I.D. Number/ Federal Tax I.D. Number	Address of Chief Executive Office	Trade Names, Trade Styles, Fictitious Names, "d/b/a" Names and brand	Collateral Locations (and Type of Collateral)	Name and address of Owner of Collateral Location (If other than Grantor)	Relationship of Persons listed in VI to Grantor (e.g., lessor, warehousemen)

Delivered pursuant to Floorplan Joinder Agreement of _____.
Applicable Date: _____, 20__

FORM OF USED VEHICLE BORROWER NOTICE

Date: _____, _____

To: Sonic Automotive, Inc.
The Lenders party to the Credit Agreement referred to below

Ladies and Gentlemen:

This Used Vehicle Borrower Notice is made and delivered pursuant to Section 2.21(b) of that certain Third Amended and Restated Syndicated New and Used Vehicle Floorplan Credit Agreement, dated as of November 30, 2016 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement"), among Sonic Automotive, Inc., a Delaware corporation (the "Company"), certain Subsidiaries of the Company from time to time party thereto, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Collateral Agent, New Vehicle Swing Line Lender, and Used Vehicle Swing Line Lender, and reference is made thereto for full particulars of the matters described therein. All capitalized terms used in this Used Vehicle Borrower Notice and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

The Administrative Agent hereby notifies the Company and the Lenders that effective as of the date hereof [_____] shall be a Used Vehicle Borrower and may receive Used Vehicle Swing Line Loans for its account on the terms and conditions set forth in the Credit Agreement.

This Used Vehicle Borrower Notice shall constitute a Loan Document under the Credit Agreement.

BANK OF AMERICA, N.A.,
as Administrative Agent

By:____
Name:____
Title:____



**FORM OF
NOTICE OF LOAN PREPAYMENT**

TO: Bank of America, N.A., as Administrative Agent

RE: Third Amended and Restated Syndicated New and Used Vehicle Floorplan Credit Agreement, dated as of November 30, 2016 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement" the terms defined therein being used herein as therein defined), among SONIC AUTOMOTIVE, INC., a Delaware corporation (the "Company"), certain Subsidiaries of the Company party hereto (together with the Company, the "Borrowers" and each individually a "Borrower"), each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender"), and BANK OF AMERICA, N.A., as Administrative Agent, New Vehicle Swing Line Lender and Used Vehicle Swing Line Lender, and BANK OF AMERICA, N.A., as Revolving Administrative Agent (in the capacity of collateral agent for the Secured Parties referenced below); capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement

DATE: [Date]

The undersigned hereby notifies the Administrative Agent that on _____² pursuant to the terms of Section 2.10 (Prepayments) of the Credit Agreement, the Company intends to prepay/repay the following Loans as more specifically set forth below:

Optional prepayment of New Vehicle Floorplan Committed Loans in the following amount(s):

Eurodollar Rate Loans: \$ _____³

Applicable Interest Period: ____

Base Rate Loans: \$ _____⁴

Applicable New Vehicle Borrower: ____

² Specify date of such prepayment.

³ Any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof (or if less, the entire principal amount thereof outstanding).

⁴ Any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof (or if less, the entire principal amount thereof outstanding).

New Vehicle(s) (including the make, model and vehicle identification number of such New Vehicle(s): _____

Optional prepayment of New Vehicle Floorplan Swingline Loans in the following amounts:

Eurodollar Rate Loans: \$ _____
Applicable Interest Period: ____

Base Rate Loans: \$ _____
Applicable New Vehicle Borrower: ____

New Vehicle(s) (including the make, model and vehicle identification number of such New Vehicle(s): _____

Optional prepayment of Used Vehicle Floorplan Committed Loans in the following amount(s):

Eurodollar Rate Loans: \$ _____⁵
Applicable Interest Period: ____

Base Rate Loans: \$ _____⁶
Applicable Used Vehicle Borrower: ____

Used Vehicle(s) (including the make, model and vehicle identification number of such Used Vehicle(s): _____

⁵ Any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof (or if less, the entire principal amount thereof outstanding).

⁶ Any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof (or if less, the entire principal amount thereof outstanding).

Optional prepayment of Used Vehicle Floorplan Swingline Loans in the following amounts:⁷

Eurodollar Rate Loans: \$ _____

Applicable Interest Period: ____

Base Rate Loans: \$ _____

Applicable Used Vehicle Borrower: ____

Used Vehicle(s) (including the make, model and vehicle identification number of such Used Vehicle(s): _____

Delivery of an executed counterpart of a signature page of this notice by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this notice.

SONIC AUTOMOTIVE, INC.

By: _____

Name: _____

Title: _____

⁷ Any prepayment of Used Vehicle Swingline Loans shall be in a principal amount of \$100,000 or a whole multiple of \$100,000 in excess thereof (or if less, the entire principal amount thereof outstanding).

**AMENDMENT NO. 1 TO
FOURTH AMENDED AND RESTATED CREDIT AGREEMENT**

This **AMENDMENT NO. 1 TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT** (this “*Agreement*”) dated as of May 20, 2020 is made by and among SONIC AUTOMOTIVE, INC., a Delaware corporation (the “*Company*”), each Lender party hereto, BANK OF AMERICA, N.A. (“*Bank of America*”), in its capacity as administrative agent for the Lenders (in such capacity, the “*Administrative Agent*”), and as Swing Line Lender and L/C Issuer and each of the Loan Parties (as defined in the Credit Agreement) signatory hereto.

WITNESSETH:

WHEREAS, the Company, the Administrative Agent, Swing Line Lender and L/C Issuer, Wells Fargo Bank, National Association, as an L/C Issuer, and the lenders parties thereto from time to time (collectively, the “*Lenders*” and individually, a “*Lender*”) have entered into that certain Fourth Amended and Restated Credit Agreement dated as of November 30, 2016 (as hereby amended and as from time to time further amended, modified, supplemented, restated, or amended and restated, the “*Credit Agreement*”); capitalized terms used in this Agreement and not otherwise defined herein shall have the respective meanings given thereto in the Credit Agreement), pursuant to which the Lenders have made available to the Company a revolving credit facility, including a letter of credit subfacility and a swing line subfacility; and

WHEREAS, each of the Subsidiary Guarantors has entered into the Subsidiary Guaranty pursuant to which each has guaranteed the payment and performance of the obligations of the Company under the Credit Agreement and other Loan Documents; and

WHEREAS, the Company and the respective Loan Parties that are parties thereto have entered into the Security Agreement, the Escrow Security Agreement, the Pledge Agreement and other Security Instruments, securing the Obligations under the Credit Agreement and other Loan Documents; and

WHEREAS, the Company has requested that the Administrative Agent and the Lenders amend certain provisions of the Credit Agreement as set forth below, and the Administrative Agent and the Lenders signatory hereto are willing to effect such amendment on the terms and conditions contained in this Agreement;

NOW, THEREFORE, in consideration of the premises and further valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Amendment to Credit Agreement; Exiting Lender.** Subject to the terms and conditions set forth herein, the Credit Agreement is hereby amended as follows:

(a) **Schedule 2.01** (*Commitments and Applicable Percentages*) of the Credit Agreement is hereby amended and restated to read in its entirety as set forth on Schedule 2.01 attached hereto.

(b) **Exiting Lender; Reallocation.**

(i) Each of the Administrative Agent, the undersigned Lenders and the Loan Parties hereby (x) acknowledge and agree that (A) American Honda Finance Corporation (“*AHFC*”) shall be repaid on the Effective Date the outstanding amount of principal on

the Loans and accrued and unpaid interest and fees owed to it under the Credit Agreement and the other Loan Documents (the “*AHFC Payment*”) and (B) the Commitment of AHFC shall automatically terminate on the Effective Date without further action; and (y) waive any requirement under the Loan Documents (including, without limitation, Sections 2.05, 2.06 and 2.13 of the Credit Agreement) that such AHFC Payment be made to the Lenders on a pro rata basis or any prior notice thereof.

(ii) Simultaneously with the Effective Date, the parties hereby agree that the Commitment of each of the Lenders shall be as set forth in Schedule 2.01 attached hereto, and the outstanding amount of the Loans (the “Outstanding Loans”) (without giving effect to any Borrowings of Loans under the Credit Agreement on the Effective Date, but after giving effect to this Agreement) shall be reallocated in accordance with such Commitments. On the Effective Date, the Lenders shall make full cash settlement with one another with respect to the Outstanding Loans and outstanding Commitments, and with any exiting Lender, either directly or through the Administrative Agent, as the Administrative Agent may direct or approve, with respect to all such reallocations in Commitments, such that after giving effect to such settlements the Commitment of each Lender as of the Effective Date shall be as set forth on Schedule 2.01 attached hereto

2. **Effectiveness; Conditions Precedent.** This Agreement and the amendments to the Credit Agreement herein provided shall become effective as of the Effective Date at the time when each of the following conditions has been satisfied:

(a) the Administrative Agent shall have received counterparts of this Agreement, duly executed by the Company, Bank of America, as Administrative Agent, L/C Issuer and Swing Line Lender, each Guarantor and each Lender (other than AHFC);

(b) an exiting lender letter executed by AHFC, pursuant to which AHFC waives any requirement in the Credit Agreement to provide prior notice of the AHFC Payment and any right to consent to this Agreement in form and substance acceptable to the Administrative Agent;

(c) upon the reasonable request of any Lender made at least ten (10) days prior to the date hereof, the Company shall have provided to such Lender, and such Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act, in each case at least five (5) Business Days prior to the date hereof and (ii) at least ten (10) days prior to the date hereof, any Loan Party that qualifies as a “legal entity customer” under the Beneficial Ownership Regulation shall have delivered, to each Lender that so requests, a Beneficial Ownership Certification in relation to such Loan Party; and

(d) all fees and expenses payable to the Administrative Agent, the Arranger and the Lenders (including the fees and expenses of counsel to the Administrative Agent) to the extent invoiced on or prior to the date hereof shall have been paid in full (without prejudice to final settling of accounts for such fees and expenses).

3. **Consent of the Loan Parties.** The Company hereby consents, acknowledges and agrees to the amendments set forth herein and hereby confirms and ratifies in all respects the Company Guaranty (including without limitation the continuation of the Company’s payment and performance obligations thereunder upon and after the effectiveness of this Agreement and the amendments contemplated hereby) and the enforceability of the Company Guaranty against the Company in accordance with its terms. Each

Subsidiary Guarantor hereby consents, acknowledges and agrees to the amendments set forth herein and hereby confirms and ratifies in all respects the Subsidiary Guaranty (including without limitation the continuation of such Subsidiary Guarantor's payment and performance obligations thereunder upon and after the effectiveness of this Agreement and the amendments contemplated hereby) and the enforceability of such Subsidiary Guaranty against such Subsidiary Guarantor in accordance with its terms. Each Loan Party hereby consents, acknowledges and agrees to the amendments set forth herein and hereby confirms and ratifies in all respects each Security Instrument to which such Loan Party is a party (including without limitation the continuation of the perfection and priority of each Lien thereunder upon and after the effectiveness of this Agreement and the amendments contemplated hereby) and the enforceability of such Security Instrument against such Loan Party in accordance with its terms.

4. **Representations and Warranties.** In order to induce the Administrative Agent and the Lenders to enter into this Agreement, each Loan Party represents and warrants to the Administrative Agent and the Lenders as follows:

(a) The representations and warranties made by each Loan Party in Article V of the Credit Agreement and in each of the other Loan Documents to which such Loan Party is a party are true and correct on and as of the date hereof, both before and after giving effect to this Agreement and the other Amendment Documents, in each case except to the extent that such representations and warranties expressly relate to an earlier date in which case they are true and correct as of such earlier date, and except that the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Credit Agreement will be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01 of the Credit Agreement;

(b) The Persons appearing as Subsidiary Guarantors on the signature pages to this Agreement constitute all Persons who are required to be Subsidiary Guarantors pursuant to the terms of the Credit Agreement and the other Loan Documents, including without limitation all Persons who became Subsidiaries or were otherwise required to become Subsidiary Guarantors after the Closing Date, and each of such Persons has become and remains a party to a Subsidiary Guaranty as a guarantor thereunder;

(c) This Agreement and each other Amendment Document has been duly authorized, executed and delivered by the Company and each of the other Loan Parties party hereto and constitutes a legal, valid and binding obligation of each such party, except as may be limited by general principles of equity or by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally; and

(d) Both before and after giving effect to this Agreement and the other Amendment Documents, no Default or Event of Default has occurred and is continuing.

5. **Entire Agreement.** This Agreement, together with all the other Loan Documents (collectively, the "**Relevant Documents**"), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other in relation to the subject matter hereof or thereof. None of the terms or conditions of this Agreement may be changed,

modified, waived or canceled orally or otherwise, except in writing and in accordance with Section 10.01 of the Credit Agreement.

6. **Full Force and Effect of Agreement.** Except as hereby specifically amended, modified or supplemented, the Credit Agreement and all other Loan Documents are hereby confirmed and ratified in all respects and shall be and remain in full force and effect according to their respective terms.

7. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or electronic delivery (including by .pdf) shall be effective as delivery of a manually executed counterpart of this Agreement.

8. **Governing Law.** This Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of North Carolina applicable to contracts executed and to be performed entirely within such State, and shall be further subject to the provisions of Section 10.14 of the Credit Agreement.

9. **Enforceability.** Should any one or more of the provisions of this Agreement be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

10. **References.** All references in any of the Loan Documents to the “Credit Agreement” shall mean the Credit Agreement, as amended hereby and as further amended, modified, supplemented, restated, or amended and restated from time to time.

11. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Company, each of the other Loan Parties, the Administrative Agent, the Lenders, and their respective successors, legal representatives, and assignees to the extent such assignees are permitted assignees as provided in Section 10.06 of the Credit Agreement.

12. **Loan Document.** This Agreement shall be deemed to be a “Loan Document” under and as defined in the Credit Agreement, for all purposes.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be made, executed and delivered by their duly authorized officers as of the day and year first above written.

COMPANY:

SONIC AUTOMOTIVE, INC.

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

GUARANTORS / GRANTORS:

**AM GA, LLC
AM REALTY GA, LLC
ANTREV, LLC
ARNGAR, INC.
AUTOBAHN, INC.
ECHOPARK AUTOMOTIVE, INC.
ECHOPARK NC, LLC
ECHOPARK REALTY TX, LLC
ECHOPARK SC, LLC
ECHOPARK TX, LLC
EP REALTY NC, LLC
EP REALTY SC, LLC
FAA BEVERLY HILLS, INC.
FAA CONCORD H, INC.
FAA CONCORD T, INC.
FAA HOLDING CORP.
FAA LAS VEGAS H, INC.
FAA POWAY H, INC.
FAA SAN BRUNO, INC.
FAA SERRAMONTE H, INC.
FAA SERRAMONTE L, INC.
FIRSTAMERICA AUTOMOTIVE, INC.
FORT MILL FORD, INC.
FRANCISCAN MOTORS, INC.
KRAMER MOTORS INCORPORATED
L DEALERSHIP GROUP, INC.
MARCUS DAVID CORPORATION
ONTARIO L, LLC
PHILPOTT MOTORS, LTD.**

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

AMENDMENT NO. 1 TO
FOURTH AMENDED AND RESTATED CREDIT AGREEMENT
(Sonic Automotive, Inc.)

GUARANTORS / GRANTORS, continued:

SAI AL HC1, INC.
SAI AL HC2, INC.
SAI AM FLORIDA, LLC
SAI ATLANTA B, LLC
SAI CHAMBLEE V, LLC
SAI CHATTANOOGA N, LLC
SAI CLEARWATER T, LLC
SAI CLEVELAND N, LLC
SAI COLUMBUS MOTORS, LLC
SAI COLUMBUS T, LLC
SAI COLUMBUS VWK, LLC
SAI DENVER B, INC.
SAI DENVER M, INC.
SAI DS, LLC
SAI DS REALTY TX, LLC
SAI FAIRFAX B, LLC
SAI FL HC2, INC.
SAI FL HC3, INC.
SAI FL HC4, INC.
SAI FL HC7, INC.
SAI FORT MYERS B, LLC
SAI FORT MYERS H, LLC
SAI FORT MYERS M, LLC
SAI FORT MYERS VW, LLC
SAI GA HC1, LLC
SAI IRONDALE IMPORTS, LLC
SAI IRONDALE L, LLC
SAI LONG BEACH B, INC.
SAI MCKINNEY M, LLC
SAI MD HC1, INC.
SAI MONROVIA B, INC.
SAI MONTGOMERY B, LLC
SAI MONTGOMERY BCH, LLC
SAI MONTGOMERY CH, LLC
SAI NASHVILLE CSH, LLC
SAI NASHVILLE H, LLC
SAI NASHVILLE M, LLC
SAI NASHVILLE MOTORS, LLC
SAI OK HC1, INC.
SAI ORLANDO CS, LLC
SAI PEACHTREE, LLC
SAI PENSACOLA A, LLC
SAI PHILPOTT T, LLC

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

GUARANTORS / GRANTORS, continued:

SAI ROARING FORK LR, INC.
SAI ROCKVILLE IMPORTS, LLC
SAI ROCKVILLE L, LLC
SAI S. ATLANTA JLR, LLC
SAI STONE MOUNTAIN T, LLC
SAI TN HC1, LLC
SAI TN HC2, LLC
SAI TN HC3, LLC
SAI TYSONS CORNER H, LLC
SAI VA HC1, INC.
SAI WEST HOUSTON B, LLC
SANTA CLARA IMPORTED CARS, INC.
SONIC - 2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC – CADILLAC D, L.P.
SONIC – DENVER T, INC.
SONIC – FORT WORTH T, L.P.
SONIC – HOUSTON V, L.P.
SONIC - INTEGRITY DODGE LV, LLC
SONIC – LAS VEGAS C WEST, LLC
SONIC – LS CHEVROLET, L.P.
SONIC – LS, LLC
SONIC – LUTE RILEY, L.P.
SONIC – NEWSOME CHEVROLET WORLD, INC.
SONIC – RICHARDSON F, L.P.
SONIC – SHOTTENKIRK, INC.
SONIC – STEVENS CREEK B, INC.
SONIC ADVANTAGE PA, L.P.
SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE – 4701 I-10 EAST, TX, L.P.
SONIC AUTOMOTIVE 2752 LAURENS RD., GREENVILLE, INC.
SONIC AUTOMOTIVE AVIATION, LLC
SONIC AUTOMOTIVE F&I, LLC
SONIC AUTOMOTIVE OF CHATTANOOGA, LLC
SONIC AUTOMOTIVE OF NASHVILLE, LLC
SONIC AUTOMOTIVE OF NEVADA, INC.
SONIC AUTOMOTIVE OF TEXAS, L.P.
SONIC AUTOMOTIVE SUPPORT, LLC
SONIC AUTOMOTIVE WEST, LLC
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC
SONIC CALABASAS M, INC.
SONIC DEVELOPMENT, LLC

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

GUARANTORS / GRANTORS, continued:

**SONIC DIVISIONAL OPERATIONS, LLC
SONIC HOUSTON JLR, LP
SONIC HOUSTON LR, L.P.
SONIC MOMENTUM B, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC MOMENTUM VWA, L.P.
SONIC OF TEXAS, INC.
SONIC RESOURCES, INC.
SONIC SANTA MONICA M, INC.
SONIC WALNUT CREEK M, INC.
SONIC-BUENA PARK H, INC.
SONIC-CAPITOL IMPORTS, INC.
SONIC-CLEAR LAKE VOLKSWAGEN, L.P.
SONIC - HARBOR CITY H, INC.
SONIC-JERSEY VILLAGE VOLKSWAGEN, L.P.
SONIC-VOLVO LV, LLC
SRE ALABAMA-2, LLC
SRE ALABAMA-5, LLC
SRE CALIFORNIA – 1, LLC
SRE CALIFORNIA–2, LLC
SRE CALIFORNIA – 3, LLC
SRE CALIFORNIA – 5, LLC
SRE CALIFORNIA – 6, LLC
SRE CALIFORNIA – 7 SCB, LLC
SRE CALIFORNIA – 8 SCH, LLC
SRE CALIFORNIA – 9 BHB, LLC
SRE CALIFORNIA 10 LBB, LLC
SRE COLORADO – 1, LLC
SRE COLORADO – 2, LLC
SRE COLORADO – 3, LLC
SRE COLORADO – 4 RF, LLC
SRE COLORADO – 5 CC, LLC
SRE FLORIDA – 1, LLC
SRE GEORGIA 4, LLC
SRE HOLDING, LLC
SRE MARYLAND - 1, LLC
SRE NEVADA-2, LLC
SRE NORTH CAROLINA – 2, LLC
SRE NORTH CAROLINA – 3, LLC
SRE OHIO 1, LLC
SRE OHIO 2, LLC
SRE OKLAHOMA-2, LLC
SRE SOUTH CAROLINA-2, LLC**

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

GUARANTORS / GRANTORS, continued:

**SRE SOUTH CAROLINA – 3, LLC
SRE SOUTH CAROLINA – 4, LLC
SRE TENNESSEE – 1, LLC
SRE TENNESSEE – 2, LLC
SRE TENNESSEE – 3, LLC
SRE TENNESSEE 6, LLC
SRE TENNESSEE-4, LLC
SRE TENNESSEE-5, LLC
SRE TENNESSEE 7, LLC
SRE TEXAS – 1, L.P.
SRE TEXAS – 2, L.P.
SRE TEXAS – 3, L.P.
SRE TEXAS – 4, L.P.
SRE TEXAS – 5, L.P.
SRE TEXAS – 6, L.P.
SRE TEXAS – 7, L.P.
SRE TEXAS – 8, L.P.
SRE TEXAS 10, LLC
SRE TEXAS 11, LLC
SRE TEXAS 12, LLC
SRE TEXAS 13, LLC
SRE TEXAS 14, LLC
SRE TEXAS 15, LLC
SRE TEXAS 9, LLC
SRE VIRGINIA – 1, LLC
SRE VIRGINIA – 2, LLC
STEVENS CREEK CADILLAC, INC.
TOWN AND COUNTRY FORD, INCORPORATED
TT DENVER, LLC
TTRE CO 1, LLC
WINDWARD, INC.**

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Denise Jones
Typed Name: Denise Jones
Typed Title: Senior Vice President

BANK OF AMERICA, N.A.,
as Revolving Administrative Agent
(as collateral agent under the Loan Documents)

By: /s/ Denise Jones
Typed Name: Denise Jones
Typed Title: Senior Vice President

LENDERS:

BANK OF AMERICA, N.A., as Swing Line Lender, L/C Issuer and as a Lender

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

MERCEDES-BENZ FINANCIAL SERVICES USA LLC, as a Lender

By: /s/ Michele Nowak
Typed Name: Michele Nowak
Typed Title: Credit Director, National Accounts

BMW FINANCIAL SERVICES NA, LLC,
as a Lender

By: /s/ Thomas Rumfola
Typed Name: Thomas Rumfola
Typed Title: GM, Commercial Finance Credit

By: /s/ Alexander Calcasola
Typed Name: Alexander Calcasola
Typed Title: Commercial Credit Manager

TOYOTA MOTOR CREDIT CORPORATION,
as a Lender

By: /s/ Gerald Jules
Typed Name: Gerald Jules
Typed Title: National Manager, National Accounts

JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ Adam Sigman
Typed Name: Adam Sigman
Typed Title: Executive Director

COMERICA BANK, as a Lender

By: /s/ Coby McGee
Typed Name: Coby McGee
Typed Title: Portfolio Manager

VW CREDIT, INC., as a Lender

By: /s/ Robb Nerdin
Typed Name: Robb Nerdin
Typed Title: Senior Manager

U.S. BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Katherine Taylor
Typed Name: Katherine Taylor
Typed Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender and as an L/C Issuer

By: /s/ Chad McNeill
Typed Name: Chad McNeill
Typed Title: Vice President

AMENDMENT NO. 1 TO
FOURTH AMENDED AND RESTATED CREDIT AGREEMENT
(Sonic Automotive, Inc.)

WORLD OMNI FINANCIAL CORP., as a Lender

By: /s/ Marc Einorn
Typed Name: Marc Einhorn
Typed Title: Vice President Credit Administration

CAPITAL ONE, N.A., as a Lender

By: /s/ Jeff Edge
Typed Name: Jeff Edge
Typed Title: Senior Vice President

MASSMUTUAL ASSET FINANCE LLC,
as a Lender

By: /s/ Donald Buttler
Typed Name: Donald Buttler
Typed Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Krutesh Trivedi
Typed Name: Krutesh Trivedi
Typed Title: Senior Vice President

TD BANK, N.A., as a Lender

By: /s/ Judy C. Johnson
Typed Name: Judy C. Johnson
Typed Title: VP Market Credit Manager, Major Accounts

AMENDMENT NO. 1 TO
FOURTH AMENDED AND RESTATED CREDIT AGREEMENT
(Sonic Automotive, Inc.)

COMMITMENTS AND

APPLICABLE PERCENTAGES

Lender	Commitment	Applicable Percentage
Mercedes-Benz Financial Services USA LLC	\$ 53,000,000.00	21.588594705%
BMW Financial Services NA, LLC	\$ 43,000,000.00	17.515274949%
Toyota Motor Credit Corporation	\$ 27,000,000.00	10.997963340%
Bank of America, N.A.	\$ 26,000,000.00	10.590631365%
JPMorgan Chase Bank, N.A.	\$ 17,500,000.00	7.128309572%
Comerica Bank	\$ 17,000,000.00	6.924643585%
VW Credit, Inc.	\$ 15,000,000.00	6.109979633%
U.S. Bank National Association	\$ 12,000,000.00	4.887983707%
Wells Fargo Bank, National Association	\$ 10,000,000.00	4.073319756%
World Omni Financial Corp.	\$ 7,000,000.00	2.851323829%
Capital One, N.A.	\$ 4,500,000.00	1.832993890%
MassMutual Asset Finance LLC	\$ 4,500,000.00	1.832993890%
PNC Bank, National Association	\$ 4,500,000.00	1.832993890%
TD Bank, N.A.	\$ 4,500,000.00	1.832993890%
Total	\$ 245,500,000.00	100.000000000%

SCHEDULE 2.01
TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT
(Sonic Automotive, Inc.)

REVOLVING JOINDER AGREEMENT

THIS REVOLVING JOINDER AGREEMENT (this “*Revolving Joinder Agreement*”), dated as of May 20, 2020, is made by EchoPark AZ, LLC, an Arizona limited liability company (“*EchoPark AZ*”), EchoPark CA, LLC, a California limited liability company (“*EchoPark CA*”), EchoPark Realty CA, LLC, a California limited liability company (“*EP Realty CA*”), and EchoPark FL, LLC, a Florida limited liability company (“*EchoPark FL*”), and together with EchoPark AZ, EchoPark CA, and EP Realty CA, the “*Joining Subsidiaries*”), and delivered to **BANK OF AMERICA, N.A.**, in its capacity as Administrative Agent (the “*Administrative Agent*”) under that certain Fourth Amended and Restated Credit Agreement (as amended, revised, modified, supplemented or amended and restated from time to time, the “*Revolving Credit Agreement*”), dated as of November 30, 2016, by and among Sonic Automotive, Inc., a Delaware corporation (the “*Company*”), the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer and Wells Fargo Bank, National Association, as an L/C Issuer. All capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Revolving Credit Agreement.

WHEREAS, certain Subsidiaries of the Company and the Administrative Agent have entered into a Fourth Amended and Restated Subsidiary Guaranty Agreement dated as of November 30, 2016 (as amended, revised, modified, supplemented or amended and restated from time to time, the “*Subsidiary Guaranty Agreement*”);

WHEREAS, the Company, certain Subsidiaries of the Company and the Administrative Agent have entered into a Fourth Amended and Restated Security Agreement dated as of November 30, 2016 (as amended, revised, modified, supplemented or amended and restated from time to time, the “*Security Agreement*”);

WHEREAS, the Company, certain Subsidiaries of the Company and the Administrative Agent have entered into a Fourth Amended and Restated Securities Pledge Agreement dated as of November 30, 2016 (as amended, revised, modified, supplemented or amended and restated from time to time, the “*Pledge Agreement*”);

WHEREAS, the Company, certain Subsidiaries of the Company and the Administrative Agent have entered into a Fourth Amended and Restated Escrow and Security Agreement dated as of November 30, 2016 (as amended, revised, modified, supplemented or amended and restated from time to time, the “*Escrow and Security Agreement*”);

WHEREAS, each of EchoPark AZ, EchoPark CA, and EchoPark FL engages in the business of selling used motor vehicles;

WHEREAS, EP Realty CA does not engage in the business of selling new or used motor vehicles;

WHEREAS, each Joining Subsidiary is required by the terms of the Revolving Credit Agreement to become a “*Guarantor*” under the Subsidiary Guaranty Agreement and be joined as a party to the Subsidiary Guaranty Agreement as a Guarantor (as defined in the Subsidiary Guaranty Agreement);

WHEREAS, each Joining Subsidiary is required by the terms of the Revolving Credit Agreement to become a “*Revolving Subsidiary Grantor*” under the Security Agreement and be joined as a party to the Security Agreement as a Revolving Subsidiary Grantor (as defined in the Security Agreement);

WHEREAS, each Joining Subsidiary will materially benefit from the credit facilities made available and to be made available to the Company by the Lenders and the L/C Issuers under the Revolving Credit Agreement;

NOW, THEREFORE, each Joining Subsidiary hereby agrees as follows with the Administrative Agent, for the benefit of the Revolving Secured Parties (as defined in the Subsidiary Guaranty Agreement and the Security Agreement):

1. Subsidiary Guaranty Agreement.

a. Joinder. Each Joining Subsidiary hereby irrevocably, absolutely and unconditionally becomes a party to the Subsidiary Guaranty Agreement as a “*Guarantor*” (such term as used in this Section 1 having the meaning set forth in the Subsidiary Guaranty Agreement) and bound by all the terms, conditions, obligations, liabilities and undertakings of each Guarantor or to which any Guarantor is subject thereunder, including without limitation the joint and several, unconditional, absolute, continuing and irrevocable guarantee to the Administrative Agent for the benefit of the Revolving Secured Parties of the payment and performance in full of the Guaranteed Liabilities (as defined in the Subsidiary Guaranty Agreement) whether now existing or hereafter arising, all with the same force and effect as if such Joining Subsidiary were a signatory to the Subsidiary Guaranty Agreement.

b. Affirmations. Each Joining Subsidiary hereby acknowledges and reaffirms as of the date hereof with respect to itself, its properties and its affairs each of the representations, warranties, acknowledgements and certifications applicable to, and each of the waivers by, any Guarantor contained in the Subsidiary Guaranty Agreement.

2. Security Agreement.

a. Joinder. Each Joining Subsidiary hereby irrevocably, absolutely and unconditionally becomes a party to the Security Agreement as a “*Revolving Subsidiary Grantor*” (such term as used in this Section 2 having the meaning set forth in the Security Agreement) and bound by all the terms, conditions, obligations, liabilities and undertakings of each Revolving Subsidiary Grantor or to which any Revolving Subsidiary Grantor is subject thereunder, including without limitation the grant pursuant to Section 2 of the Security Agreement of a security interest to the Administrative Agent for the benefit of the Revolving Secured Parties in the property and property rights constituting Collateral (as defined in Section 2 of the Security Agreement) of such Joining Subsidiary or in which such Joining Subsidiary has or may have or acquire an interest or the power to transfer rights therein as security for the payment and performance of the Revolving Secured Obligations (as defined in the Security Agreement), all with the same force and effect as if each such Joining Subsidiary were a signatory to the Security Agreement.

b. Grant of Security Interest. Without limiting the generality of the terms of Section 2(a) above, each Joining Subsidiary hereby grants as collateral security for (i) the payment, performance and satisfaction of all of its Obligations (including all of its Guarantor’s Obligations (as defined in the Subsidiary Guaranty Agreement)), (ii) the payment and performance of its obligations and liabilities (whether now existing or hereafter arising) under the Security Agreement or any of the Loan Documents to which it is now or hereafter becomes a party and (iii) the obligations and liabilities of any Loan Party now existing or hereafter arising under Related Swap Contracts and Secured Cash Management Arrangements, to the Administrative Agent for the benefit of the Revolving Secured Parties, a security interest in all of the Collateral (as defined in Section 2 of the Security Agreement) of such Joining Subsidiary or in which such Joining Subsidiary has or may have or acquire an interest or the power to transfer rights therein, whether now owned or existing or hereafter acquired or arising and wherever located.

c. Affirmations. Each Joining Subsidiary hereby acknowledges and reaffirms as of the date hereof with respect to itself, its properties and its affairs each of the representations, warranties, acknowledgements and certifications applicable to, and each of the waivers by, any Revolving Subsidiary Grantor contained in the Security Agreement.

d. Supplemental Schedules. Attached to this Revolving Joinder Agreement is a duly completed schedule (the “*Supplemental Schedule*”) supplementing as thereon indicated the corresponding Schedule to the Security Agreement. Each Joining Subsidiary represents and warrants that the information contained on the Supplemental Schedule with respect to such Joining Subsidiary and its properties and affairs is true, complete and accurate as of the date hereof.

3. Miscellaneous.

a. Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Revolving Joinder Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Revolving Credit Agreement.

b. Severability. Whenever possible, each provision of this Revolving Joinder Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of this Revolving Joinder Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Revolving Joinder Agreement. This Revolving Joinder Agreement is to be read, construed and applied together with the Revolving Credit Agreement and the other Loan Documents, which, taken together, set forth the complete understanding and agreement of the Administrative Agent and the Lenders and each Joining Subsidiary with respect to the matters referred to herein and therein.

c. Successors and Assigns. This Revolving Joinder Agreement and all obligations of each Joining Subsidiary hereunder shall be binding upon the successors and assigns of such Joining Subsidiary (including any debtor-in-possession on behalf of such Joining Subsidiary) and shall, together with the rights and remedies of the Administrative Agent, for the benefit of the Revolving Secured Parties, hereunder, inure to the benefit of the Administrative Agent and the Revolving Secured Parties, all future holders of any instrument evidencing any of the Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner affect the Liens granted to the Administrative Agent, for the benefit of the Revolving Secured Parties, hereunder. No Joining Subsidiary may assign, sell, hypothecate or otherwise transfer any interest in or obligation under this Revolving Joinder Agreement.

d. Counterparts. This Revolving Joinder Agreement may be authenticated in any number of separate counterparts, each of which shall collectively and separately constitute one and the same agreement. This Revolving Joinder Agreement may be authenticated by manual signature, facsimile or, if approved in writing by the Administrative Agent, electronic means, all of which shall be equally valid. Without limiting the foregoing provisions of this Section 5(d), the provisions of Section 10.10 of the Revolving Credit Agreement shall be applicable to this Revolving Joinder Agreement.

e. Section Titles. The Section titles contained in this Revolving Joinder Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

f. Delivery. Each Joining Subsidiary hereby irrevocably waives notice of acceptance of this Revolving Joinder Agreement and acknowledges that the Obligations are and shall be deemed to be incurred, and credit extensions under the Loan Documents made and maintained, in reliance on this Revolving Joinder Agreement and each Joining Subsidiary's joinder as a party to the Security Agreement and the Subsidiary Guaranty Agreement.

g. Governing Law; Venue; Waiver of Jury Trial. The provisions of Sections 10.14 and 10.15 of the Credit Agreement are hereby incorporated by reference as if fully set forth herein.

[Signature pages follow.]

IN WITNESS WHEREOF, each Joining Subsidiary has duly executed and delivered this Revolving Joinder Agreement as of the day and year first written above.

JOINING SUBSIDIARIES:

ECHOPARK AZ, LLC,
an Arizona limited liability company

By: Heath R. Byrd
Name: Heath R. Byrd
Title: Vice President and Treasurer

ECHOPARK CA, LLC,
a California limited liability company

By: Heath R. Byrd
Name: Heath R. Byrd
Title: Vice President and Treasurer

ECHOPARK REALTY CA, LLC,
a California limited liability company

By: Heath R. Byrd
Name: Heath R. Byrd
Title: Vice President and Treasurer

ECHOPARK FL, LLC,
a Florida limited liability company

By: Heath R. Byrd
Name: Heath R. Byrd
Title: Vice President and Treasurer

**SUPPLEMENTAL
SCHEDULE 7(f) TO SECURITY AGREEMENT**

Grantor Information

I	II	III	IV	V	VI	VII
<u>Name</u>	<u>Jurisdiction of Formation/ Form of Equity/State I.D. Number/ Federal Tax I.D. Number</u>	<u>Address of Chief Executive Office</u>	<u>Trade Names, Trade Styles, Fictitious Names, "d/b/a" Names and brand</u>	<u>Collateral Locations* (and Type of Collateral)</u>	<u>Name and address of Owner of Collateral Location (If other than Grantor)</u>	<u>Relationship of Persons listed in VI to Grantor (e.g., lessor, warehousemen)</u>
EchoPark AZ, LLC	Arizona Limited Liability Company State I.D. Number: 23032012 Federal Tax I.D. Number: 84-4487145	4401 Colwick Road Charlotte, NC 28211	EchoPark Phoenix	Not yet known	N/A	N/A
EchoPark CA, LLC	California Limited Liability Company State I.D. Number: 201923110260 Federal Tax I.D. Number: 84-2849489	4401 Colwick Road Charlotte, NC 28211	EchoPark Long Beach	2998 Cherry Avenue Signal Hill, CA 90755	EchoPark Realty CA, LLC	EchoPark Realty CA, LLC is an indirect subsidiary of Sonic Automotive, Inc.
EchoPark Realty CA, LLC	California Limited Liability Company State I.D. Number: 201923910263 Federal Tax I.D. Number: 84-3399140	4401 Colwick Road Charlotte, NC 28211	N/A	N/A	N/A	N/A

I	II	III	IV	V	VI	VII
<u>Name</u>	Jurisdiction of Formation/ Form of Equity/State I.D. Number/ <u>Federal Tax I.D. Number</u>	Address of Chief <u>Executive Office</u>	Trade Names, Trade Styles, Fictitious Names, " <u>d/b/a</u> " Names <u>and brand</u>	Collateral Locations* (and Type of <u>Collateral</u>)	Name and address of Owner of Collateral Location (If other <u>than Grantor</u>)	Relationship of Persons listed in VI to Grantor (e.g., lessor, <u>warehousemen</u>)
EchoPark FL, LLC	Florida Limited Liability Company State I.D. Number: L16000126299 Federal Tax I.D. Number: 38-4008535	4401 Colwick Road Charlotte, NC 28211	EchoPark Tampa	4636 N. Dale Mabry Hwy Tampa, FL 33614	JT Dale Mabry Holdings LLC	Lessor

*In addition to the locations listed, books and records for all entities are located at 4401 Colwick Rd., Charlotte, NC.

Delivered pursuant to Revolving Joinder Agreement of EchoPark AZ, LLC, EchoPark CA, LLC, EchoPark Realty CA, LLC, and EchoPark FL, LLC

Applicable Date: May 20, 2020

PLEDGE AGREEMENT SUPPLEMENT

THIS PLEDGE AGREEMENT SUPPLEMENT (as from time to time amended, revised, modified, supplemented or amended and restated, this “*Supplement*”), dated as of May 20, 2020, is made by **ECHOPARK AUTOMOTIVE, INC.**, a Delaware corporation (“*Pledgor*”), in favor of **BANK OF AMERICA, N.A.**, in its capacity as Administrative Agent (the “*Administrative Agent*”) for the Revolving Secured Parties (as defined in the Pledge Agreement referenced below) now or hereafter party to the Revolving Credit Agreement (as defined in the Pledge Agreement referred to below). All capitalized terms used but not defined herein shall have the meanings given to such terms in such Pledge Agreement.

RECITALS:

A. Pledgor is required under the terms of that certain Fourth Amended and Restated Securities Pledge Agreement dated as of November 30, 2016 executed by the Pledgors (among others) in favor of the Administrative Agent for the benefit of the Revolving Secured Parties (as from time to time amended, revised, modified, supplemented or amended and restated, the “*Pledge Agreement*”), to cause certain Pledged Interests held by such Pledgor and listed on Annex A to this Supplement (the “*Additional Interests*”) to be specifically identified as subject to the Pledge Agreement.

B. A material part of the consideration given in connection with and as an inducement to the execution and delivery of the Revolving Credit Agreement by the Revolving Secured Parties was the obligation of each Pledgor to pledge to the Administrative Agent for the benefit of the Revolving Secured Parties its Additional Interests, whether then owned or subsequently acquired or created.

C. Pledgor has acquired rights in its Additional Interests and desires to pledge, and evidence its prior pledge, to the Administrative Agent for the benefit of the Revolving Secured Parties all of its Additional Interests in accordance with the terms of the Revolving Credit Agreement and the Pledge Agreement.

In order to induce the Revolving Secured Parties to from time to time make and maintain extensions of credit under the Revolving Credit Agreement, Related Swap Contracts and Related Cash Management Arrangements, Pledgor hereby agrees as follows:

1. Affirmations. Pledgor hereby reaffirms and acknowledges the pledge and collateral assignment to, and the grant of security interest in, its Additional Interests contained in the Pledge Agreement and pledges and collaterally assigns to the Administrative Agent for the benefit of the Revolving Secured Parties, and grants to the Administrative Agent for the benefit of the Revolving Secured Parties, a first priority lien and security interest in, its Additional Interests and all of the following:

(a) all money, securities, security entitlements and other investment property, dividends, rights, general intangibles and other property at any time and from time to time (x) declared or distributed in respect of or in exchange for or on conversion of any or all of the Additional Interests or (y) by its or their terms exchangeable or exercisable for or convertible into any Additional Interest or other Pledged Interest;

(b) all other property of whatever character or description, including money, securities, security entitlements and other investment property, and general intangibles hereafter delivered to the Administrative Agent in substitution for or as an addition to any of the foregoing;

(c) all securities accounts to which may at any time be credited any or all of the foregoing or any proceeds thereof and all certificates and instruments representing or evidencing any of the foregoing or any proceeds thereof; and

(d) all proceeds of any of the foregoing.

Pledgor hereby acknowledges, agrees and confirms by its execution of this Supplement that the Additional Interests constitute “*Pledged Interests*” under and are subject to the Pledge Agreement, and the items of property referred to in clauses (a) through (d) above (collectively, the “*Additional Collateral*”) shall collectively constitute “*Collateral*” under and are subject to the Pledge Agreement. Each of the representations and warranties with respect to Pledged Interests and Collateral contained in the Pledge Agreement is hereby made by Pledgor with respect to its Additional Interests and Additional Collateral, respectively. Pledgor further represents and warrants that Annex A attached to this Supplement contains a true, correct and complete description of its Additional Interests, and that all other documents required to be furnished to the Administrative Agent pursuant to Section 2(c) of the Pledge Agreement in connection with its Additional Collateral have been delivered or are being delivered simultaneously herewith to the Administrative Agent. Pledgor further acknowledges that Schedule I to the Pledge Agreement shall be deemed, as of the date hereof to include its Additional Interests as described on Annex A to this Supplement.

2. Counterparts. This Supplement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and it shall not be necessary in making proof of this Supplement to produce or account for more than one such counterpart executed by the Pledgor. Without limiting the foregoing provisions of this Section 2, the provisions of Section 10.10 of the Revolving Credit Agreement shall be applicable to this Supplement.

3. Governing Law; Venue; Waiver of Jury Trial. The provisions of Section 25 of the Pledge Agreement are hereby incorporated by reference as if fully set forth herein.

[SIGNATURE APPEARS ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Pledgor has caused this Supplement to be duly executed by its authorized officer as of the day and year first above written.

PLEDGOR:

ECHOPARK AUTOMOTIVE, INC.

By: /s/Heath R. Byrd

Name: Heath R. Byrd

Title: Vice President and Treasurer

ANNEX A

(to Pledge Agreement Supplement of EchoPark Automotive, Inc. dated May 30, 2020)

Additional Interests

Name of Pledgor	Name, Jurisdiction of Formation and Type of Entity of Pledged Subsidiary	Class or Type of Additional Interest	Total Amount of Class or Type of Additional Interests Authorized	Total Amount of Class or Type Outstanding	Total Amount Pledged	Certificate Number (if applicable)	Par Value (if applicable)	Name of Transfer Agent (if any)
EchoPark Automotive, Inc.	EchoPark AZ, LLC , an Arizona limited liability company	LLC Interest	N/A	N/A	100%	N/A	N/A	N/A
EchoPark Automotive, Inc.	EchoPark CA, LLC , a California limited liability company	LLC Interest	N/A	N/A	100%	N/A	N/A	N/A
EchoPark Automotive, Inc.	EchoPark Realty CA, LLC , a California limited liability company	LLC Interest	N/A	N/A	100%	N/A	N/A	N/A
EchoPark Automotive, Inc.	EchoPark FL, LLC , a Florida limited liability company	LLC Interest	N/A	N/A	100%	N/A	N/A	N/A

**FIRST AMENDMENT TO
FOURTH AMENDED AND RESTATED SECURITY AGREEMENT**

This **FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED SECURITY AGREEMENT** (this "Amendment") is dated as of May 20, 2020 (the "First Amendment Effective Date"), and entered into by and among **SONIC AUTOMOTIVE, INC.**, a Delaware corporation (the "Company"), **EACH OF THE UNDERSIGNED GRANTORS, BANK OF AMERICA, N.A.**, as Revolving Administrative Agent, **EACH OF THE UNDERSIGNED LENDERS UNDER THE REVOLVING CREDIT AGREEMENT**, which collectively constitute the "Required Lenders" under the Revolving Credit Agreement, **BANK OF AMERICA, N.A.**, as Floorplan Administrative Agent, and **EACH OF THE UNDERSIGNED LENDERS UNDER THE FLOORPLAN CREDIT AGREEMENT**, which collectively constitute the "Required Lenders" under the Floorplan Credit Agreement.

WHEREAS, the Grantors and the Revolving Administrative Agent have entered into that certain Fourth Amended and Security Agreement, dated as of November 30, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "Security Agreement");

WHEREAS, in connection with that certain Amendment No. 2 to Third Amended and Restated Syndicated New and Used Vehicle Floorplan Credit Agreement and Modification to Loan Documents, dated as of the date hereof (the "Floorplan Amendment"), by and among the Company, the Grantors, the Floorplan Administrative Agent, and each of the lenders under the Floorplan Credit Agreement, the Company has requested that the Revolving Administrative Agent, the Floorplan Administrative Agent, the "Required Lenders" as defined and under the Revolving Credit Agreement and the "Required Lenders" as defined in and under the Floorplan Credit Agreement amend certain provisions of the Security Agreement as set forth herein and subject to the terms and conditions set forth herein; and

WHEREAS, the Revolving Administrative Agent, the Floorplan Administrative Agent, the "Required Lenders" under the Revolving Credit Agreement and the "Required Lenders" under the Floorplan Credit Agreement are willing to approve the foregoing requests accordance with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth in the Security Agreement and this Amendment, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

ARTICLE I
Definitions

Section 1.01. Definitions. Capitalized terms used but not defined in this Amendment have the respective meanings set forth in the Security Agreement, as amended hereby.

ARTICLE II
Amendments

Section 2.01. Amendment to Recitals to the Security Agreement. The Tenth "WHEREAS" clause is hereby amended by deleting the phrase "(each a "New Vehicle Borrower" and together with the Company, the "Floorplan Borrowers" and each individually a "Floorplan Borrower")".

Section 2.02. Amendment to Section 1 of the Security Agreement. Section 1 of the Security Agreement is hereby amended by adding the following definitions in proper alphabetical order:

“Floorplan Borrowers” means, collectively, the New Vehicle Borrowers and the Used Vehicle Borrowers.

“Floorplan Subsidiary Borrowers” means, collectively, the Floorplan Borrowers other than the Company.

“New Vehicle Borrowers” has the meaning specified in the Floorplan Credit Agreement.

“Used Vehicle Borrowers” has the meaning specified in the Floorplan Credit Agreement.

Section 2.03. Amendment to Section 2 of the Security Agreement. Section 2(b) of the Security Agreement is hereby amended and restated in its entirety to read as follows:

Each Floorplan Subsidiary Borrower hereby grants as collateral security for the payment, performance and satisfaction of all Floorplan Obligations, and each other Floorplan Subsidiary Grantor hereby grants as collateral security for the payment, performance and satisfaction of all Guarantors’ Obligations (as defined in the Floorplan Subsidiary Guaranty) and the payment and performance of its obligations and liabilities (whether now existing or hereafter arising) hereunder or under any of the other Floorplan Loan Documents to which it is now or hereafter becomes a party (such obligations and liabilities of the Floorplan Subsidiary Borrowers and the other Floorplan Subsidiary Grantors referred to collectively as the “Floorplan Secured Obligations”), to the Revolving Administrative Agent for the benefit of the Floorplan Secured Parties a continuing first priority security interest in and to, and collaterally assigns to the Revolving Administrative Agent for the benefit of the Floorplan Secured Parties, all of the personal property and trade fixtures of such Grantor or in which such Grantor has or may have or acquire an interest or the power to transfer rights therein, whether now owned or existing or hereafter created, acquired or arising and wheresoever located, including the Collateral (as defined below).

ARTICLE III.

Joinder and Grant of Security Interest; Acknowledgement

Section 3.01. Joinder and Grant of Security Interest; Acknowledgement.

(i) Joinder of Used Vehicle Borrowers relating to Floorplan Secured Obligations. Each of the undersigned Persons identified on the signature pages hereto as a “Used Vehicle Borrower” hereby irrevocably, absolutely and unconditionally becomes a party to the Security Agreement as a “Used Vehicle Borrower”, a “Floorplan Borrower”, a “Floorplan Subsidiary Guarantor” (other than the Company) and a “Floorplan Subsidiary Grantor” (other than the Company) (as such terms are defined in the Security Agreement after giving effect to this Amendment) and bound by all the terms, conditions, obligations, liabilities and undertakings of each Used Vehicle Borrower, Floorplan Borrower, Floorplan Subsidiary Guarantor and Floorplan Subsidiary Grantor, as the case may be, or to which any Used Vehicle Borrower, Floorplan Borrower, Floorplan Subsidiary Guarantor or Floorplan Subsidiary Grantor, as the case may be, is subject thereunder, including without limitation (in the case of each Floorplan Subsidiary Guarantor and Floorplan Subsidiary Grantor), the grant pursuant to Section 2 of the Security Agreement of a security interest to the Revolving Administrative Agent for the benefit of the Floorplan Secured Parties in the property and property rights constituting Collateral (as defined in Section 2 of the Security Agreement) of such Person or in which such Person has or may have or acquire an interest or the power to transfer rights therein as security for the payment and performance of the

Floorplan Secured Obligations (as defined in the Security Agreement), all with the same force and effect as if such Person were a signatory to the Security Agreement.

(ii) Grant of Security Interest. Without limiting the generality of the terms of Section 3.01(i) above, each of the undersigned Persons identified on the signature pages hereto as a “Used Vehicle Borrower” (other than the Company) hereby grants as collateral security for the payment, performance and satisfaction of all of its Floorplan Secured Obligations, a security interest in all of the Collateral (as defined in Section 2 of the Security Agreement) of such Person or in which such Person has or may have or acquire an interest or the power to transfer rights therein, whether now owned or existing or hereafter acquired or arising and wherever located.

(iii) Affirmations. Each of the undersigned Persons identified on the signature pages hereto as a “Used Vehicle Borrower” hereby acknowledges and reaffirms as of the date hereof with respect to itself, its properties and its affairs each of the representations, warranties, acknowledgements and certifications applicable to, and each of the waivers by, any such Person contained in the Security Agreement.

(iv) Supplemental Schedules. Attached to this Amendment is a duly completed schedule (the “Supplemental Schedule”) supplementing as thereon indicated Schedule 7(f) to the Security Agreement. Each of the undersigned Persons identified on the signature pages hereto as a “Used Vehicle Borrower” represents and warrants that the information contained on such Supplemental Schedule with respect to such Person and its properties and affairs is true, complete and accurate as of the date hereof.

(v) Acknowledgement. The parties hereto hereby (w) acknowledge that substantially all of the assets of Kramer Motors Incorporated, a California corporation, SAI Cleveland N, LLC, a Tennessee limited liability company, SAI Columbus Motors, LLC, an Ohio limited liability company, SAI Columbus VWK, LLC, an Ohio limited liability company, SAI Fort Myers H, LLC, a Florida limited liability company, SAI Tysons Corner H, LLC, a Virginia limited liability company, Sonic – Cadillac D, L.P., a Texas limited partnership, Sonic–Volvo LV, LLC, a Nevada limited liability company and Stevens Creek Cadillac, Inc., a California corporation, have been sold prior to the date hereof and EchoPark SC, LLC, a South Carolina limited liability company, no longer operates a dealership facility (such entities described in this clause (w), collectively, the “Disposed Dealership Entities”), (x) without limitation of any obligations or liabilities of the Disposed Dealership Entities under the Revolving Loan Documents (including without limitation, the Security Agreement), agree that the Disposed Dealership Entities shall no longer constitute “Floorplan Loan Parties” (as defined in the Security Agreement after giving effect to this Amendment), (y) the security interests and liens granted by the Disposed Dealership Entities to the Revolving Administrative Agent, on behalf of the Floorplan Secured Parties, securing the Floorplan Obligations under the Floorplan Loan Documents (and relating to the floorplan facility provided thereunder) are hereby released, provided that, in no event shall the release described above result in any additional obligations on the Revolving Administrative Agent, the Floorplan Administrative Agent or any Lender under any of the Floorplan Loan Documents or Revolving Loan Documents and (z) SAI DS, LLC, a Florida limited liability company, shall no longer constitute a “New Vehicle Borrower” under the Floorplan Loan Documents.

ARTICLE IV
Conditions Precedent

Section 4.01. Conditions Precedent. This Amendment shall become effective as of the Amendment No. 2 Effective Date (as defined in the Floorplan Amendment) at the time when each of the conditions set forth in Section 2 of the Floorplan Amendment has been satisfied.

ARTICLE V
Representations and Warranties

Section 5.01 Representations and Warranties. Each Grantor hereby represents and warrants as follows:

(i) The representations and warranties of such Grantor contained in the Security Agreement are true and correct on and as of the date hereof, both before and after giving effect to this Amendment, in each case except to the extent that such representations and warranties expressly relate to an earlier date in which case they are true and correct as of such earlier date; and

(ii) Such Grantor has the requisite corporate power and authority to execute and deliver this Amendment, and to perform its obligations hereunder and under the Security Agreement (as amended or modified hereby) to which it is a party;

(iii) This Amendment has been duly authorized, executed and delivered by the Company and each of the other Grantors party hereto and this Amendment and the Security Agreement (as amended by this Amendment) constitutes a legal, valid and binding obligation of each such party, except as may be limited by general principles of equity or by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally;

(iv) Both before and after giving effect to this Amendment, no event has occurred and is continuing that constitutes a default under the Security Agreement.

ARTICLE VI
Miscellaneous

Section 6.01. Reaffirmation. Each Grantor hereby confirms its respective guarantees, pledges and grants of security interests and other obligations, as applicable, under each of the Revolving Loan Documents and Floorplan Loan Documents to which it is party, and agrees that such guarantees, pledges and grants of security interests and other obligations shall continue to be in full force and effect. Each Revolving Grantor hereby confirms its grant of a security interest under the Security Agreement in favor of Revolving Administrative Agent (for the benefit of the Revolving Secured Parties) and agrees that its grant of a security interest under the Security Agreement secures all of the Revolving Secured Obligations, direct or indirect, contingent or absolute, matured or unmatured, now or at any time and from time to time hereafter due or owing to the Revolving Secured Parties arising under or in connection with the Revolving Credit Agreement and the other Revolving Loan Documents. Each New Vehicle Borrower hereby confirms its grant of a security interest under the Security Agreement in favor of Revolving Administrative Agent (for the benefit of the Floorplan Secured Parties) and agrees that its grant of a security interest under the Security Agreement secures all of the Floorplan Secured Obligations, direct or indirect, contingent or absolute, matured or unmatured, now or at any time and from time to time hereafter due or owing to the Floorplan Secured Parties arising under or in connection with the Floorplan Credit Agreement and the other Floorplan Loan Documents.

Section 6.02 Effect on Security Agreement. Except as specifically amended hereby, the terms and provisions of the Security Agreement are, in all other respects, ratified and confirmed and remain in full force and effect. No reference to this Amendment need be made in any notice, writing, or other communication relating to the Loan Agreement and the other Loan Documents, any such reference to the Loan Agreement and the other Loan Documents to be deemed a reference thereto as respectively amended by this Amendment. All references to the Security Agreement in any document, instrument, or agreement executed in connection with the Security Agreement will be deemed to refer to the Security Agreement as amended hereby.

Section 6.03 Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or electronic delivery (including by .pdf) shall be effective as delivery of a manually executed counterpart of this Amendment.

Section 6.04 Governing Law. This Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of North Carolina applicable to contracts executed and to be performed entirely within such State, and shall be further subject to the provisions of Section 28 of the Security Agreement.

Section 6.05 Enforceability. Should any one or more of the provisions of this Amendment be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

Section 6.06 Incorporation of Security Agreement Terms. Sections 22 through 28 of the Security Agreement shall apply to this Amendment as if incorporated herein *mutatis mutandis*.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment as of the day and year first above written.

COMPANY:

SONIC AUTOMOTIVE, INC.

By: /s/ Heath R. Byrd

Name: Heath R. Byrd

Title: Executive Vice President and Chief
Financial Officer

REVOLVING SUBSIDIARY GRANTORS:

**AM GA, LLC
AM REALTY GA, LLC
ANTREV, LLC
ARNGAR, INC.
AUTOBAHN, INC.
ECHOPARK AUTOMOTIVE, INC.
ECHOPARK NC, LLC
ECHOPARK REALTY TX, LLC
ECHOPARK SC, LLC
ECHOPARK TX, LLC
EP REALTY NC, LLC
EP REALTY SC, LLC
FAA BEVERLY HILLS, INC.
FAA CONCORD H, INC.
FAA CONCORD T, INC.
FAA HOLDING CORP.
FAA LAS VEGAS H, INC.
FAA POWAY H, INC.,
FAA SAN BRUNO, INC.
FAA SERRAMONTE H, INC.
FAA SERRAMONTE L, INC.
FIRSTAMERICA AUTOMOTIVE, INC.
FORT MILL FORD, INC.
FRANCISCAN MOTORS, INC.
KRAMER MOTORS INCORPORATED
L DEALERSHIP GROUP, INC.
MARCUS DAVID CORPORATION
ONTARIO L, LLC
PHILPOTT MOTORS, LTD.
SAI AL HC1, INC.
SAI AL HC2, INC.**

By: /s/ Heath R. Byrd

Typed Name: Heath R. Byrd

Typed Title: Vice President and Treasurer

REVOLVING SUBSIDIARY GRANTORS, continued:

SAI AM FLORIDA, LLC
SAI ATLANTA B, LLC
SAI CHAMBLEE V, LLC
SAI CHATTANOOGA N, LLC
SAI CLEARWATER T, LLC
SAI CLEVELAND N, LLC
SAI COLUMBUS MOTORS, LLC
SAI COLUMBUS T, LLC
SAI COLUMBUS VWK, LLC
SAI DENVER B, INC.
SAI DENVER M, INC.
SAI DS, LLC
SAI DS REALTY TX, LLC
SAI FAIRFAX B, LLC
SAI FL HC2, INC.
SAI FL HC3, INC.
SAI FL HC4, INC.
SAI FL HC7, INC.
SAI FORT MYERS B, LLC
SAI FORT MYERS H, LLC
SAI FORT MYERS M, LLC
SAI FORT MYERS VW, LLC
SAI GA HC1, LLC
SAI IRONDALE IMPORTS, LLC
SAI IRONDALE L, LLC
SAI LONG BEACH B, INC.
SAI MCKINNEY M, LLC
SAI MD HC1, INC.
SAI MONROVIA B, INC.
SAI MONTGOMERY B, LLC
SAI MONTGOMERY BCH, LLC
SAI MONTGOMERY CH, LLC
SAI NASHVILLE CSH, LLC
SAI NASHVILLE H, LLC
SAI NASHVILLE M, LLC
SAI NASHVILLE MOTORS, LLC
SAI OK HC1, INC.
SAI ORLANDO CS, LLC
SAI PEACHTREE, LLC
SAI PENSACOLA A, LLC
SAI PHILPOTT T, LLC
SAI ROARING FORK LR, INC.
SAI ROCKVILLE IMPORTS, LLC
SAI ROCKVILLE L, LLC

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

REVOLVING SUBSIDIARY GRANTORS, continued:

SAI S. ATLANTA JLR, LLC
SAI STONE MOUNTAIN T, LLC
SAI TN HC1, LLC
SAI TN HC2, LLC
SAI TN HC3, LLC
SAI TYSONS CORNER H, LLC
SAI VA HC1, INC.
SAI WEST HOUSTON B, LLC
SANTA CLARA IMPORTED CARS, INC.
SONIC - 2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC – CADILLAC D, L.P.
SONIC – DENVER T, INC.
SONIC – FORT WORTH T, L.P.
SONIC – HOUSTON V, L.P.
SONIC - INTEGRITY DODGE LV, LLC
SONIC – LAS VEGAS C WEST, LLC
SONIC – LS CHEVROLET, L.P.
SONIC – LS, LLC
SONIC – LUTE RILEY, L.P.
SONIC – NEWSOME CHEVROLET WORLD, INC.
SONIC – RICHARDSON F, L.P.
SONIC – SHOTTENKIRK, INC.
SONIC – STEVENS CREEK B, INC.
SONIC ADVANTAGE PA, L.P.
SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE – 4701 I-10 EAST, TX, L.P.
SONIC AUTOMOTIVE 2752 LAURENS RD., GREENVILLE, INC.
SONIC AUTOMOTIVE AVIATION, LLC
SONIC AUTOMOTIVE F&I, LLC
SONIC AUTOMOTIVE OF CHATTANOOGA, LLC
SONIC AUTOMOTIVE OF NASHVILLE, LLC
SONIC AUTOMOTIVE OF NEVADA, INC.
SONIC AUTOMOTIVE OF TEXAS, L.P.
SONIC AUTOMOTIVE SUPPORT, LLC
SONIC AUTOMOTIVE WEST, LLC
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC
SONIC CALABASAS M, INC.
SONIC DEVELOPMENT, LLC
SONIC DIVISIONAL OPERATIONS, LLC
SONIC HOUSTON JLR, LP
SONIC HOUSTON LR, L.P.

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

REVOLVING SUBSIDIARY GRANTORS, continued:

SONIC MOMENTUM B, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC MOMENTUM VWA, L.P.
SONIC OF TEXAS, INC.
SONIC RESOURCES, INC.
SONIC SANTA MONICA M, INC.
SONIC WALNUT CREEK M, INC.
SONIC-BUENA PARK H, INC.
SONIC-CAPITOL IMPORTS, INC.
SONIC-CLEAR LAKE VOLKSWAGEN, L.P.
SONIC - HARBOR CITY H, INC.
SONIC-JERSEY VILLAGE VOLKSWAGEN, L.P.
SONIC-VOLVO LV, LLC
SRE ALABAMA-2, LLC
SRE ALABAMA-5, LLC
SRE CALIFORNIA – 1, LLC
SRE CALIFORNIA–2, LLC
SRE CALIFORNIA – 3, LLC
SRE CALIFORNIA – 5, LLC
SRE CALIFORNIA – 6, LLC
SRE CALIFORNIA – 7 SCB, LLC
SRE CALIFORNIA – 8 SCH, LLC
SRE CALIFORNIA – 9 BHB, LLC
SRE CALIFORNIA 10 LBB, LLC
SRE COLORADO – 1, LLC
SRE COLORADO – 2, LLC
SRE COLORADO – 3, LLC
SRE COLORADO – 4 RF, LLC
SRE COLORADO – 5 CC, LLC
SRE FLORIDA – 1, LLC
SRE GEORGIA 4, LLC
SRE HOLDING, LLC
SRE MARYLAND - 1, LLC
SRE NEVADA-2, LLC
SRE NORTH CAROLINA – 2, LLC
SRE NORTH CAROLINA – 3, LLC
SRE OHIO 1, LLC
SRE OHIO 2, LLC
SRE OKLAHOMA-2, LLC
SRE SOUTH CAROLINA-2, LLC
SRE SOUTH CAROLINA – 3, LLC
SRE SOUTH CAROLINA – 4, LLC
SRE TENNESSEE – 1, LLC
SRE TENNESSEE – 2, LLC

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

REVOLVING SUBSIDIARY GRANTORS, continued:

**SRE TENNESSEE – 3, LLC
SRE TENNESSEE 6, LLC
SRE TENNESSEE-4, LLC
SRE TENNESSEE-5, LLC
SRE TENNESSEE 7, LLC
SRE TEXAS – 1, L.P.
SRE TEXAS – 2, L.P.
SRE TEXAS – 3, L.P.
SRE TEXAS – 4, L.P.
SRE TEXAS – 5, L.P.
SRE TEXAS – 6, L.P.
SRE TEXAS – 7, L.P.
SRE TEXAS – 8, L.P.
SRE TEXAS 10, LLC
SRE TEXAS 11, LLC
SRE TEXAS 12, LLC
SRE TEXAS 13, LLC
SRE TEXAS 14, LLC
SRE TEXAS 15, LLC
SRE TEXAS 9, LLC
SRE VIRGINIA – 1, LLC
SRE VIRGINIA – 2, LLC
STEVENS CREEK CADILLAC, INC.
TOWN AND COUNTRY FORD, INCORPORATED
TT DENVER, LLC
TTRE CO 1, LLC
WINDWARD, INC.**

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

USED VEHICLE BORROWERS:

SONIC AUTOMOTIVE, INC.

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

USED VEHICLE BORROWERS, continued:

ARNGAR, INC.
ECHOPARK AZ, LLC
ECHOPARK CA, LLC
ECHOPARK FL, LLC
ECHOPARK NC, LLC
ECHOPARK TX, LLC
FAA CONCORD H, INC.
FAA LAS VEGAS H, INC.
FAA POWAY H, INC.
FAA SERRAMONTE H, INC.
FRANCISCAN MOTORS, INC.
SAI CHAMBLEE V, LLC
SAI CHATTANOOGA N, LLC
SAI DS, LLC
SAI MONTGOMERY BCH, LLC
SAI MONTGOMERY CH, LLC
SAI NASHVILLE CSH, LLC
SAI NASHVILLE H, LLC
SAI NASHVILLE MOTORS, LLC
SAI ORLANDO CS, LLC
SAI PENSACOLA A, LLC
SAI ROARING FORK LR, INC.
SAI ROCKVILLE IMPORTS, LLC
SAI S. ATLANTA JLR, LLC
SANTA CLARA IMPORTED CARS, INC.
SONIC – LAS VEGAS C WEST, LLC
SONIC – LS CHEVROLET, L.P.
SONIC – LUTE RILEY, L.P.
SONIC – SHOTTENKIRK, INC.
SONIC ADVANTAGE PA, L.P.
SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC
SONIC HOUSTON JLR, LP
SONIC HOUSTON LR, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC-2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC–BUENA PARK H, INC.
SONIC–HARBOR CITY H, INC.
TT DENVER, LLC
WINDWARD, INC.

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

NEW VEHICLE BORROWERS:

ARNGAR, INC.
FAA CONCORD H, INC.
FAA LAS VEGAS H, INC.
FAA POWAY H, INC.
FAA SERRAMONTE H, INC.
FRANCISCAN MOTORS, INC.
PHILPOTT MOTORS, LTD.
SAI CHAMBLEE V, LLC
SAI CHATTANOOGA N, LLC
SAI IRONDALE IMPORTS, LLC
SAI MONTGOMERY BCH, LLC
SAI MONTGOMERY CH, LLC
SAI NASHVILLE CSH, LLC
SAI NASHVILLE H, LLC
SAI NASHVILLE MOTORS, LLC
SAI ORLANDO CS, LLC
SAI PENSACOLA A, LLC
SAI ROARING FORK LR, INC.
SAI ROCKVILLE IMPORTS, LLC
SAI S. ATLANTA JLR, LLC
SANTA CLARA IMPORTED CARS, INC.
SONIC – LAS VEGAS C WEST, LLC
SONIC – LS CHEVROLET, L.P.
SONIC – LUTE RILEY, L.P.
SONIC – SHOTENKIRK, INC.
SONIC ADVANTAGE PA, L.P.
SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC
SONIC HOUSTON JLR, LP
SONIC HOUSTON LR, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC MOMENTUM VWA, L.P.
SONIC-2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC–BUENA PARK H, INC.
SONIC–HARBOR CITY H, INC.
WINDWARD, INC.

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

FLOORPLAN SUBSIDIARY GRANTORS:

ARNGAR, INC.
ECHOPARK AZ, LLC
ECHOPARK CA, LLC
ECHOPARK FL, LLC
ECHOPARK NC, LLC
ECHOPARK TX, LLC
FAA CONCORD H, INC.
FAA LAS VEGAS H, INC.
FAA POWAY H, INC.
FAA SERRAMONTE H, INC.
FRANCISCAN MOTORS, INC.
PHILPOTT MOTORS, LTD.
SAI CHAMBLEE V, LLC
SAI CHATTANOOGA N, LLC
SAI DS, LLC
SAI IRONDALE IMPORTS, LLC
SAI MONTGOMERY BCH, LLC
SAI MONTGOMERY CH, LLC
SAI NASHVILLE CSH, LLC
SAI NASHVILLE H, LLC
SAI NASHVILLE MOTORS, LLC
SAI ORLANDO CS, LLC
SAI PENSACOLA A, LLC
SAI ROARING FORK LR, INC.
SAI ROCKVILLE IMPORTS, LLC
SAI S. ATLANTA JLR, LLC
SANTA CLARA IMPORTED CARS, INC.
SONIC – LAS VEGAS C WEST, LLC
SONIC – LS CHEVROLET, L.P.
SONIC – LUTE RILEY, L.P.
SONIC – SHOTTENKIRK, INC.
SONIC ADVANTAGE PA, L.P.
SONIC AUTOMOTIVE – 3401 N. MAIN, TX, L.P.
SONIC AUTOMOTIVE-9103 E. INDEPENDENCE, NC, LLC
SONIC HOUSTON JLR, LP
SONIC HOUSTON LR, L.P.
SONIC MOMENTUM JVP, L.P.
SONIC MOMENTUM VWA, L.P.
SONIC-2185 CHAPMAN RD., CHATTANOOGA, LLC
SONIC–BUENA PARK H, INC.
SONIC–HARBOR CITY H, INC.
TT DENVER, LLC
WINDWARD, INC.

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Title: Vice President and Treasurer

AGREED AND ACKNOWLEDGED:

**KRAMER MOTORS INCORPORATED
SAI CLEVELAND N, LLC
SAI COLUMBUS MOTORS, LLC
SAI COLUMBUS VWK, LLC
SAI FORT MYERS H, LLC
SAI TYSONS CORNER H, LLC
SONIC – CADILLAC D, L.P.
SONIC–CAPITOL IMPORTS, INC.
SONIC – NEWSOME CHEVROLET WORLD, INC.
SONIC–VOLVO LV, LLC
STEVENS CREEK CADILLAC, INC.
ECHOPARK SC, LLC
SAI DS, LLC**

By: /s/ Heath R. Byrd
Typed Name: Heath R. Byrd
Typed Title: Vice President and Treasurer

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.,
as Revolving Administrative Agent

By: /s/ Denise Jones
Typed Name: Denise Jones
Typed Title: Vice President

BANK OF AMERICA, N.A.,
as Floorplan Administrative Agent

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

**LENDERS UNDER
THE FLOORPLAN CREDIT AGREEMENT:**

BANK OF AMERICA, N.A., as a Floorplan Lender,
New Vehicle Swing Line Lender and Used Vehicle Swing Line Lender

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

JPMORGAN CHASE BANK, N.A.,
as a Floorplan Lender

By: /s/ Adam Sigman
Typed Name: Adam Sigman
Typed Title: Executive Director

U.S. BANK NATIONAL ASSOCIATION,
as a Floorplan Lender

By: /s/ Katherine Taylor
Typed Name: Katherine Taylor
Typed Title: Vice President

MERCEDES-BENZ FINANCIAL SERVICES USA LLC,
as a Floorplan Lender

By: /s/ Michele Nowak
Typed Name: Michele Nowak
Typed Title: Credit Director, National Accounts

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Floorplan Lender

By: /s/ Jeffrey Bullard
Typed Name: Jeffrey Bullard
Typed Title: Senior Vice President

COMERICA BANK,
as a Floorplan Lender

By: /s/ Coby McGee
Typed Name: Coby McGee
Typed Title: Portfolio Manager

CAPITAL ONE, N.A.,
as a Floorplan Lender

By: /s/ Jeff Edge
Typed Name: Jeff Edge
Typed Title: Senior Vice President

MASSMUTUAL ASSET FINANCE LLC,
as a Floorplan Lender

By: /s/ Don Buttler
Typed Name: Don Butler
Typed Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Floorplan Lender

By: /s/ Krutesh Trivedi
Typed Name: Krutesh Trivedi
Typed Title: Senior Vice President

TD BANK, N.A.,
as a Floorplan Lender

By: /s/ Judy C. Johnson
Typed Name: Judy C. Johnson
Typed Title: VP, Market Credit Manager, Major
Accounts

TOYOTA MOTOR CREDIT CORPORATION,
as a Floorplan Lender

By: /s/ Gerald Jules
Typed Name: Gerald Jules
Typed Title: National Manager, National Accounts

VW CREDIT, INC.,
as a Floorplan Lender

By: /s/ Robb Nerdin
Typed Name: Robb Nerdin
Typed Title: Senior Manager Commercial Credit

**LENDERS UNDER
THE REVOLVING CREDIT AGREEMENT:**

BANK OF AMERICA, N.A., as Swing Line Lender,
L/C Issuer and as a Revolving Lender

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

MERCEDES-BENZ FINANCIAL SERVICES USA LLC, as a Revolving Lender

By: /s/ Michele Nowak
Typed Name: Michele Nowak
Typed Title: Credit Director, National Accounts

BMW FINANCIAL SERVICES NA, LLC,
as a Revolving Lender

By: /s/ Aaron Grener
Typed Name: Aaron Grener
Typed Title: National Manager, National Accounts

By: /s/ Thomas Rumfola
Typed Name: Thomas Rumfola
Typed Title: GM, Commercial Finance Credit

TOYOTA MOTOR CREDIT CORPORATION,
as a Revolving Lender

By: /s/ Michele Nowak
Typed Name: Michele Nowak
Typed Title: Credit Director, National Accounts

JPMORGAN CHASE BANK, N.A.,
as a Revolving Lender

By: /s/ Adam Sigman
Typed Name: Adam Sigman
Typed Title: Executive Director

COMERICA BANK,
as a Revolving Lender

By: /s/ Coby McGee
Typed Name: Coby McGee
Typed Title: Portfolio Manager

VW CREDIT, INC.,
as a Revolving Lender

By: /s/ Robb Nerdin
Typed Name: Robb Nerdin
Typed Title: Senior Manager Commercial Credit

U.S. BANK, NATIONAL ASSOCIATION,
as a Revolving Lender

By: /s/ Katherine Taylor
Typed Name: Katherine Taylor
Typed Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Revolving Lender

By: /s/ Jeffrey Bullard
Typed Name: Jeffrey Bullard
Typed Title: Senior Vice President

WORLD OMNI FINANCIAL CORP.,
as a Revolving Lender

By: /s/ Charles Marc Einhorn
Typed Name: Charles Marc Einhorn
Typed Title: Vice-President Credit Administration

CAPITAL ONE, N.A.,
as a Revolving Lender

By: /s/ Jeff Edge
Typed Name: Jeff Edge
Typed Title: Senior Vice President

MASSMUTUAL ASSET FINANCE LLC,
as a Revolving Lender

By: /s/ Don Buttler
Typed Name: Don Butler
Typed Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Revolving Lender

By: /s/ Krutesh Trivedi
Typed Name: Krutesh Trivedi
Typed Title: Senior Vice President

TD BANK, N.A.,
as a Revolving Lender

By: /s/ Judy C. Johnson
Typed Name: Judy C. Johnson
Typed Title: VP, Market Credit Manager, Major
Accounts

FIRST AMENDMENT TO SECURITY AGREEMENT
(Sonic Automotive, Inc.)
Signature Page

**SUPPLEMENTAL
SCHEDULE 7(f) TO SECURITY AGREEMENT**

Grantor Information

I. Name	II. Jurisdiction of Formation/ Form of Equity/L.D. Number	III. Address of Chief Executive Office	IV. Trade Names, Trade Styles, Fictitious Names and "d/b/a" Names	V. Collateral Locations	VI. Name and address of Owner of Collateral Location (if other than Grantor)	VII. Relationship of Persons listed in VI to Grantor (e.g., lessor, warehousemen)
1. Sonic Automotive, Inc.	Delaware Corporation 2714319	The chief executive office for all entities is 4401 Colwick Rd., Charlotte, NC		4401 Colwick Rd. Charlotte, NC In addition to the locations listed below, books and records for all entities are located at 4401 Colwick Rd., Charlotte, NC.		
2. AM GA, LLC	Georgia Limited Liability Company 16063806		AutoMatch	8805 Abercorn Street Savannah GA 31406	AM Realty GA, LLC	AM Realty GA, LLC is an indirect subsidiary of Sonic Automotive, Inc.
3. AM Realty GA, LLC	Georgia Limited Liability Company 16063850		N/A			

I. Name	II. Jurisdiction of Formation/ Form of Equity/I.D. Number	III. Address of Chief Executive Office	IV. Trade Names, Trade Styles, Fictitious Names and "d/b/a" Names	V. Collateral Locations	VI. Name and address of Owner of Collateral Location (if other than Grantor)	VII. Relationship of Persons listed in VI to Grantor (e.g., lessor, warehousemen)
4. AnTrev, LLC	North Carolina Limited Liability Company 0659676			4401 Colwick Rd. Charlotte, NC		
5. EchoPark AZ, LLC	Arizona Limited Liability 23032012		EchoPark	Not yet known		
6. EchoPark CA, LLC	California Limited Liability Company 201923110260		EchoPark	2998 Cherry Avenue Signal Hill, CA 90755	EchoPark Realty CA, LLC	EchoPark Realty CA, LLC is an indirect subsidiary of Sonic Automotive, Inc.
7. EchoPark Realty CA, LLC	California Limited Liability Company 201923910263			N/A		

I. Name	II. Jurisdiction of Formation/ Form of Equity/I.D. Number	III. Address of Chief Executive Office	IV. Trade Names, Trade Styles, Fictitious Names and "d/b/a" Names	V. Collateral Locations	VI. Name and address of Owner of Collateral Location (if other than Grantor)	VII. Relationship of Persons listed in VI to Grantor (e.g., lessor, warehousemen)
8. EchoPark FL, LLC	Florida Limited Liability Company L16000126299		EchoPark	4636 N. Dale Mabry Hwy Tampa, FL 33614	JT Dale Mabry Holdings LLC	Lessor
9. EchoPark NC, LLC	North Carolina Limited Liability Company 1436923		EchoPark	13231 Statesville Road Huntersville, NC 28078	EP Realty NC, LLC	EP Realty NC, LLC is an indirect subsidiary of Sonic Automotive, Inc
10. EchoPark SC, LLC	South Carolina Limited Liability Company		EchoPark	107 Duvall Drive Greenville, SC 29067	EP Realty SC, LLC	EP Realty SC, LLC is an indirect subsidiary of Sonic Automotive, Inc.
11. EchoPark TX, LLC	Texas Limited Liability Company 802448793		EchoPark			
12. EchoPark Realty TX, LLC	Texas Limited Liability Company 802302813					

I. Name	II. Jurisdiction of Formation/ Form of Equity/I.D. Number	III. Address of Chief Executive Office	IV. Trade Names, Trade Styles, Fictitious Names and "d/b/a" Names	V. Collateral Locations	VI. Name and address of Owner of Collateral Location (if other than Grantor)	VII. Relationship of Persons listed in VI to Grantor (e.g., lessor, warehousemen)
13. EP Realty NC, LLC	North Carolina Limited Liability Company 1436919					
14. EP Realty SC, LLC	South Carolina Limited Liability Company					
15. Arngar, Inc.	North Carolina Corporation 0005612		Cadillac of South Charlotte	10725 Pineville Rd. Pineville, NC	CAR SON MAS, L.P.	All Owners of Collateral Locations (if other than Grantor) are unrelated lessors, except where noted.

I. Name	II. Jurisdiction of Formation/ Form of Equity/L.D. Number	III. Address of Chief Executive Office	IV. Trade Names, Trade Styles, Fictitious Names and "d/b/a" Names	V. Collateral Locations	VI. Name and address of Owner of Collateral Location (if other than Grantor)	VII. Relationship of Persons listed in VI to Grantor (e.g., lessor, warehousemen)
16. Autobahn, Inc.	California Corporation C1548941		Autobahn Motors Main Facility Airspace Lease Remnant Parcel Autobahn Motors-Service / Storage Autobahn Motors Vehicle Storage/Detailing Autobahn Motors – Lot Parking	700 Island Pkwy. Belmont, CA Beneath Island Pkwy. north of Ralston Ave. Belmont, CA East of Island Pkwy. and north of Ralston Ave. Belmont, CA 500-510 Harbor Blvd. Belmont, CA 1315 Elmer St. Belmont, CA Elmer Street Lot Belmont, CA	SRE California – 3, LLC City of Belmont, CA SRE California – 3, LLC David S. Lake Trust George W. Williams III, Co-Trustee, George W. Williams III G.S. Trust George W. Williams III and Borel Bank, Co-Trustees, Hortense Williams Trust Lois Hortense Rosebrook Trust Katherine B. Woodlard, Robert P. Berryman and Mark A. Berryman G.W. Williams Co.	SRE California – 3, LLC is an indirect subsidiary of Sonic Automotive, Inc.

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18. FAA Concord H, Inc.	California Corporation C2004304		Concord Honda Main Parking	1300 Concord Ave. Concord, CA 1461 Concord Ave. Concord, CA 2655 Stanwell Drive Concord, CA	Rosewood Village Associates SRE California – 6, LLC SVC Properties, LLC	SRE California – 6, LLC is an indirect subsidiary of Sonic Automotive, Inc.
19. FAA Concord T, Inc.	California Corporation C0613543		Concord Toyota Concord Scion Parking	1090 Concord Ave. Concord, CA Buchanan Field Airport, Area 7 West of Solano Way	1090 Concord Associates, LLC County of Contra Costa	
20. FAA Holding Corp.	California Corporation C2174202			4401 Colwick Rd. Charlotte, NC		
21. FAA Las Vegas H, Inc.	Nevada Corporation C13186-1999		Honda West	7615 W. Sahara Ave. Las Vegas, NV	CARS CNI-2 L.P.	
22. FAA Poway H, Inc.	California Corporation C2006230		Poway Honda Parking	13747 Poway Rd. Poway, CA 13875 Kirkham Way Poway, CA	Bay Automotive Properties, LLC Poway Auto Dealers Association LLC	

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23. FAA San Bruno, Inc.	California Corporation C2004303		Melody Toyota Melody Scion (Main Facility) (Service and Parts Facility) (Parking Lot – New and Used) (Main Facility) (Used Car Facility) (Parking – Used Cars) (Used Cars) (Parking Lot)	750 El Camino Real San Bruno, CA 222 E. San Bruno Ave. San Bruno, CA 732 El Camino Real San Bruno, CA 750 El Camino Real San Bruno, CA 650 El Camino Real San Bruno, CA 650 and 660 El Camino Real San Bruno, CA 650 and 660 El Camino Real San Bruno, CA 692 El Camino Real San Bruno, CA	Bill & Sylvia Wilson L & P Kaplan Peter J. Mandell and Susan Gootnick Chapman Hui California, LLC Martha E. Bishop, Helen J. Carey, The Mary Colter McDonald Trust Bill Malkason Sonic Development, LLC Tommie Carol Ann Mobley and Larry Malasoma	Sonic Development, LLC is a direct subsidiary of Sonic Automotive, Inc.

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24. FAA Serramonte H, Inc.	California Corporation C2069465		Honda of Serramonte	485 Serramonte Blvd. Colma, CA	Price Trust	
25. FAA Serramonte L, Inc.	California Corporation C2004222		Lexus of Serramonte Lexus of Marin Main Used Car	700 Serramonte Blvd. Colma, CA 513 Francisco Blvd. E. San Rafael, CA 535 Francisco Blvd. E. San Rafael, CA	Price Trust CAR FAA II LLC Hendrickson Development, Inc.	
26. FirstAmerica Automotive, Inc.	Delaware Corporation 2761294			4401 Colwick Rd. Charlotte, NC		
27. Fort Mill Ford, Inc.	South Carolina Corporation		Fort Mill Ford	801 Gold Hill Rd. Fort Mill, SC	SRE South Carolina-1, LLC	SRE South Carolina-1, LLC is an indirect subsidiary of Sonic Automotive, Inc.
28. Franciscan Motors, Inc.	California Corporation C1532758		Acura of Serramonte	465/475 Serramonte Blvd. Colma, CA	Price Trust	

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29. Kramer Motors Incorporated	California Corporation C0392185		Honda of Santa Monica Honda of Santa Monica Honda of Santa Monica (other) Honda of Santa Monica (storage) Honda of Santa Monica (Fleet) Parking	1720 – 1726 Santa Monica Blvd. Santa Monica, CA 1801 Santa Monica Blvd. and 1347 - 18 th St. Santa Monica CA 1411 - 17 th St. Santa Monica, CA 1819 Santa Monica Blvd. Santa Monica, CA 1714 Santa Monica Blvd. Santa Monica, CA 1718 Santa Monica Blvd. Santa Monica, CA 1205 Colorado Ave. Santa Monica, CA	Lone Eagle Partners, LLC Sully Three SM, LLC Sully Three SM, LLC Sully Three SM, LLC Adele Coury and Lucille Almir Alley Properties, LLC	
30. L Dealership Group, Inc.	Texas Corporation 151278900			4401 Colwick Rd. Charlotte, NC		

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31. Marcus David Corporation	North Carolina Corporation 0272880		Town and Country Toyota Certified Used Cars Lot CPO and Truck Sales Town and Country Toyota-Scion Town and Country Toyota	9900 South Blvd. Charlotte, NC 1300 Cressida Dr. Charlotte, NC 9101 South Blvd. Charlotte, NC	Jessco Ltd. National Retail Properties, LP MMR Holdings, LLC	
32. Ontario L, LLC	California Limited Liability Company 200330110050		Crown Lexus	1125 Kettering Dr. Ontario, CA	M.F. Salta Co., Inc.	

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33. Philpott Motors, Ltd.	Texas Limited Partnership 12223010		Philpott Motors Hyundai (Hangar Lease) Philpott Ford Philpott Toyota Philpott Ford-Toyota (Fleet/Body Shop)	1900 U.S. Hwy. 69 Nederland, TX 4605 Third St. Airport Beaumont, TX 1400 U.S. Hwy. 69 Nederland, TX 2727 Nall St. Port Neches, TX	Rustin B. Penland Jefferson County, Texas Philpott Properties, Ltd. Philpott Properties, Ltd.	
34. SAI AL HC1, Inc.	Alabama Corporation D/C 206-272			4401 Colwick Rd. Charlotte, NC		
35. SAI AL HC2, Inc.	Alabama Corporation D/C 199-217		Tom Williams Collision Center	1874 Grants Mill Rd. Irondale, AL	SRE Alabama-2, LLC	SRE Alabama-2, LLC is an indirect subsidiary of Sonic Automotive, Inc.

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36. SAI AM Florida, LLC	Florida Limited Liability Company L16000202910111		AutoMatch	AutoMatch Jacksonville MAIN BUILDING: 9012 Beach Boulevard Jacksonville, FL 32216 PARKING LOT: 9020 Beach Boulevard Jacksonville, FL 32216 AutoMatch Fort Myer 8900 Colonial Center Drive Fort Meyers, FL 33905 AutoMatch Ocala MAIN BUILDING: 3550 S. Pine Avenue Ocala, FL 34471 PARKING LOT: 3620 S. Pine Avenue Ocala, FL 34471		

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37. SAI Atlanta B, LLC	Georgia Limited Liability Company 08083814		Global Imports BMW Global Imports MINI Parking (BMW) Collision Center (MINI)	500 Interstate North Pkwy. SE Atlanta, GA 2100-2120 Powers Ferry Rd Atlanta, GA 5925 Peachtree Industrial Blvd. Atlanta, GA	MMR Holdings, LLC c/o Capital Automotive REIT McLean, VA 22102 Attn: Portfolio Manager Shadowood Office Park, LLC SRE Georgia 4, LLC	SRE Georgia 4, LLC is an indirect subsidiary of Sonic Automotive, Inc.
38. SAI Chattanooga N, LLC	Tennessee Limited Liability Company 000767923		Nissan of Chattanooga East	2121 Chapman Road Chattanooga TN 37421		
39. SAI Chamblee V, LLC	Georgia Limited Liability Company K734665		Dyer and Dyer Volvo (Chamblee location)	5260 Peachtree Industrial Blvd., Chamblee, GA	D & R Investments 200 Branch Hill Lane Columbia, SC 29223	

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40. SAI Clearwater T, LLC	Florida Limited Liability Company L08000116713		Clearwater Toyota Clearwater Scion	21799 U.S. Hwy. 19 N. Clearwater, FL		
41. SAI Cleveland N, LLC	Tennessee Limited Liability Company 000770235		Nissan of Cleveland	131 Pleasant Grove Road McDonald, TN 37353		
42. SAI Columbus Motors, LLC	Ohio Limited Liability Company CP13127		Hatfield Subaru Hatfield Hyundai	1400 Auto Mall Dr. Columbus, OH 1395 Auto Mall Dr. Columbus, OH	SRE Ohio – 2, LLC	SRE Ohio - 2, LLC is an indirect subsidiary of Sonic Automotive, Inc.
43. SAI Columbus T, LLC	Ohio Limited Liability Company CP13128		Toyota West Scion West Hatfield Automall	1500 Auto Mall Dr. Columbus, OH	SRE Ohio - 1, LLC	SRE Ohio - 1, LLC is an indirect subsidiary of Sonic Automotive, Inc.

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44. SAI Columbus VWK, LLC	Ohio Limited Liability Company CP13130		Hatfield Kia Hatfield Volkswagen	1455 Auto Mall Drive Columbus, OH 1495 Auto Mall Drive Columbus, OH	SRE Ohio -2, LLC CARS CNI-2, LLC	SRE Ohio – 2, LLC is an indirect subsidiary of Sonic Automotive, Inc.
45. SAI Denver B, Inc.	Colorado Corporation 20131294528		Murray BMW of Denver Bodyworks Murray Motorworks Sales - Used Parking	900 S. Colorado Blvd. Denver, CO 2201 S. Wabash St. Denver, CO 4300 E. Kentucky Ave. Denver, CO 7750 E. Cherry Creek South Dr. Denver, CO 4677 S. Broadway Denver, CO 4651 S. Broadway Denver, CO	SRE Colorado – 2, LLC SRE Colorado – 2, LLC SRE Colorado – 2, LLC SRE Colorado – 2, LLC Moreland Properties, LLC William J. Markel	SRE Colorado – 2, LLC is an indirect subsidiary of Sonic Automotive, Inc.

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46. SAI Denver M, Inc.	Colorado Corporation 20131291339		Mercedes-Benz of Denver CPO & Service Sales	4300 E. Kentucky Ave. 4677 S. Broadway 940 S. Colorado Blvd. 4677 S. Broadway	SRE Colorado 2, LLC SRE Colorado 2, LLC	SRE Colorado – 2, LLC is an indirect subsidiary of Sonic Automotive, Inc.
47. SAI DS, LLC	Texas Limited Liability 802514325		driversselect	13615 N. Central Expressway Dallas, TX 75243	SAI DS Realty TX, LLC	SAI DS Realty TX, LLC is a direct subsidiary of SAI DS, LLC
48. SAI DS Realty TX, LLC	Texas Limited Liability Company 802797035			13615 N. Central Expressway Dallas, TX 75243		

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49. SAI Fairfax B, LLC	Virginia Limited Liability Company S4346344		BMW of Fairfax Main Body Shop Service Parking Parking Body Shop	8427 Lee Hwy. Fairfax, VA 2730 Dorr Avenue Fairfax, VA 2805 Old Lee Hwy. Fairfax, VA 8431 Lee Hwy. Fairfax, VA 8111 Gatehouse Rd. Falls Church, VA 8504 Lee Hwy. Fairfax, VA	MMR Holdings, LLC Craven, LLC Holman @ Merrifield, LLC 8431 Lee Highway, LLC 8111 Gatehouse Road Investors, LLC Euridiki and Nicholas Myseros	
50. SAI FL HC2, Inc.	Florida Corporation P98000016038			4401 Colwick Rd. Charlotte, NC		
51. SAI FL HC3, Inc.	Florida Corporation P98000064012			4401 Colwick Rd. Charlotte, NC		

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52. SAI FL HC4, Inc.	Florida Corporation P98000064009			4401 Colwick Rd. Charlotte, NC		
53. SAI FL HC7, Inc.	Florida Corporation F86660			4401 Colwick Rd. Charlotte, NC		
54. SAI Fort Myers B, LLC	Florida Limited Liability Company L08000116712		BMW of Fort Myers MINI of Fort Myers	15421 S. Tamiami Tr. Fort Myers, FL 13880 S. Tamiami Tr. Fort Myers, FL	SRE Florida – 1, LLC CARS (SON-064)	SRE Florida – 1, LLC is an indirect subsidiary of Sonic Automotive, Inc.
55. SAI Fort Myers H, LLC	Florida Limited Liability Company L08000116710		Honda of Fort Myers	14020 S. Tamiami Tr. Fort Myers, FL	CAR SONFREE, LLC (also tenant for VW of Fort Myers)	
56. SAI Fort Myers M, LLC	Florida Limited Liability Company L98000002089		Mercedes-Benz of Fort Myers	15461 S. Tamiami Tr. Fort Myers, FL	SRE Florida – 1, LLC	SRE Florida – 1, LLC is an indirect subsidiary of Sonic Automotive, Inc.

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57. SAI Fort Myers VW, LLC	Florida Limited Liability Company L08000116709		Volkswagen of Fort Myers	14060 S. Tamiami Tr. Fort Myers, FL	CAR SONFREE, LLC	
58. SAI GA HC1, LLC	Georgia Limited Partnership 0224680			4401 Colwick Rd. Charlotte, NC		
59. SAI Irondale Imports, LLC	Alabama Limited Liability Company 428-744		Tom Williams Imports (BMW) Tom Williams Audi Tom Williams Porsche Land Rover Birmingham MINI of Birmingham Jaguar Birmingham	1000 Tom Williams Way Irondale, AL 3001 Tom Williams Way Irondale, AL 3000 Tom Williams Way Irondale, AL 2001 Tom Williams Way Irondale, AL 1001 Tom Williams Way Irondale, AL 1314 Grants Mill Way Irondale, AL	SRE Alabama-2, LLC SRE Alabama-2, LLC SRE Alabama-2, LLC SRE Alabama-2, LLC	SRE Alabama-2, LLC is an indirect subsidiary of Sonic Automotive, Inc..
60. SAI Irondale L, LLC	Alabama Corporation DLL 662-073		Tom Williams Lexus	1001 Tom Williams Way Irondale, AL	SRE Alabama-2, LLC	

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61. SAI Long Beach B, Inc.	California Corporation C2998588		Long Beach BMW Long Beach MINI	2998 Cherry Ave. Signal Hill, CA 90755 1660 E. Spring Street Signal Hill, CA 90756	Velma M. Robinett, Trustee of the Alda C. Jones Trust c/o Signal Hill Redevelopment Agency 2175 Cherry Ave. Signal Hill, CA 90806	
62. SAI McKinney M, LLC	Texas Limited Liability Company 802180025		Mercedes-Benz of McKinney	2080 North Central Expressway McKinney, TX 75069		
63. SAI MD HC1, Inc.	Maryland Corporation D05310776			4401 Colwick Rd. Charlotte, NC		
64. SAI Monrovia B, Inc.	California Corporation C2979304		BMW of Monrovia MINI of Monrovia Parking	1425-1451 South Mountain Ave. Monrovia, CA 550 E. Huntington Drive Monrovia, CA	DMSA, LLC c/o Dennis D. and Charyl A. Assael, Trustees 222 Heliotrope Ave. Corona del Mar, CA 92625 Foothill Technology Center, LLC	

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65. SAI Montgomery B, LLC	Alabama Limited Liability Company 428-746		BMW of Montgomery	731 Eastern Blvd. Montgomery, AL	CARS – DB5, LP	
66. SAI Montgomery BCH, LLC	Alabama Limited Liability Company 428-745		Classic Buick GMC Cadillac	833 Eastern Blvd. Montgomery, AL	Rouse Bricken, LLC	
67. SAI Montgomery CH, LLC	Alabama Limited Liability Company 428-747		Capitol Chevrolet Capitol Hyundai	711 Eastern Blvd. Montgomery, AL 2820 Eastern Blvd. Montgomery, AL	CARS-DB5, LP CAR BSC L.L.C.	
68. SAI Nashville CSH, LLC	Tennessee Limited Liability Company 0336183		Crest Cadillac Crest Saab	2121 Rosa L. Parks Blvd. Nashville, TN	CAR SON MAS TN L.L.C.	
69. SAI Nashville H, LLC	Tennessee Limited Liability Company 0336180		Crest Honda	2215 Rosa L. Parks Blvd. Nashville, TN	CAR SON MAS TN L.L.C.	

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70. SAI Nashville M, LLC	Tennessee Limited Liability Company 0336182		Mercedes-Benz of Nashville smart center of Nashville	630 Bakers Bridge Ave. Franklin, TN	BKB Properties LLC	
71. SAI Nashville Motors, LLC	Tennessee Limited Liability Company 0566970		Audi Nashville Porsche of Nashville	1576 Mallory Lane Brentwood, TN 1580 Mallory Lane Brentwood, TN	SRE Tennessee – 1, LLC SRE Tennessee – 2, LLC	SRE Tennessee – 1, LLC is an indirect subsidiary of Sonic Automotive, Inc. SRE Tennessee – 2, LLC is an indirect subsidiary of Sonic Automotive, Inc.
72. SAI OK HC1, Inc.	Oklahoma Corporation 1900632183			4401 Colwick Rd. Charlotte, NC		

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73. SAI Orlando CS, LLC	Florida Limited Liability Company L08000116711		Massey Cadillac [North] Massey Saab of Orlando Massey Cadillac South (Vehicle storage)	4241 N. John Young Pkwy. Orlando, FL 8819 S. Orange Blossom Tr. Orlando, FL 1851 Landstreet Rd. Orlando, FL	CAR SON MAS, L.P. CAR SON MAS, L.P. Sonic Development, LLC	Sonic Development, LLC is a direct subsidiary of Sonic Automotive, Inc.
74. SAI Peachtree, LLC	Georgia Limited Liability Company 12101436			4401 Colwick Rd. Charlotte, NC		
75. SAI Pensacola A, LLC	Florida Limited Liability Company L15000038068		Audi Pensacola	6303 Pensacola Blvd. Pensacola FL		
76. SAI Philpott T, LLC	Texas Limited Liability Company 802278062		Philpott Toyota Philpott Scion	2229 Highway 69 Nederland TX 77627		

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77. SAI Rockville Imports, LLC	Maryland Limited Liability Company W12791083		Rockville Audi Rockville Porsche-Audi Porsche of Rockville (Parking Lot) Vehicle Storage	1125 Rockville Pike Rockville, MD 1542 & 1550 Rockville Pike Rockville, MD 1190 Rockville Pike Rockville, MD	SRE-Virginia 1, LLC 1500 Rockville Pike, LLC Everett A. Hellmuth, III	SRE-Virginia 1, LLC is an indirect subsidiary of Sonic Automotive, Inc.
78. SAI Roaring Fork LR, Inc.	Colorado Corporation 2014156978		Land Rover Roaring Fork	52876 Two Rivers Plaza Road Glenwood Springs CO		
79. SAI Rockville L, LLC	Maryland Limited Liability Company W12796074		Lexus of Rockville	15501 & 15515 Frederick Rd. Rockville, MD 15814-A and B Paramount Dr. Rockville, MD	Royco, Inc. 8121 Georgia Ave. Suite 500 Silver Spring, MD 20910 Beltway Cable Services Inc. 15815 Paramount Dr. Rockville, MD 20855	

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80. SAI Stone Mountain T, LLC	Georgia Limited Liability Company 0342795		Stone Mountain Toyota Stone Mountain Scion	4400 Stone Mountain Hwy Stone Mountain, GA	National Retail Properties, LP	
81. SAI S. Atlanta JLR, LLC	Georgia Limited Liability Company 16070312		Jaguar South Atlanta Land Rover South Atlanta	3900 Jonesboro Rd. Union City GA 30291	SRE Georgia 5, LLC	SRE Georgia 5, LLC is an affiliate of SAI S. Atlanta JLR, LLC
82. SAI TN HC1, LLC	Tennessee Limited Liability Company 0336184			4401 Colwick Rd. Charlotte, NC		
83. SAI TN HC2, LLC	Tennessee Limited Liability Company 0336185			4401 Colwick Rd. Charlotte, NC		
84. SAI TN HC3, LLC	Tennessee Limited Liability Company 0336181			4401 Colwick Rd. Charlotte, NC		

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85. SAI Tysons Corner H, LLC	Virginia Limited Liability Company S4346369		Honda of Tysons Corner (Body Shop) (Storage Lot) (Storage Lot) (Parking) (Parking)	1580 Spring Hill Rd. Vienna, VA 1548 Spring Hill Rd. Vienna, VA 1596 Spring Hill Rd. - Two acres adjacent to 1592 Spring Hill Rd. Vienna, VA 8521 Leesburg Pike Vienna, VA 8401-8405 Greensboro Dr. McLean, VA 1593-1595 Spring Hill Rd. Vienna, VA	CARS-DB1, LLC CARS-DB1, LLC CARS-DB1, LLC Brandywine Realty Trust Greensboro Center Limited Partnership California State Teachers' Retirement System	
86. SAI VA HC1, Inc.	Virginia Corporation 07019870			4401 Colwick Rd. Charlotte, NC		
87. SAI West Houston B, LLC	Texas Limited Liability Company 802152114		BMW of West Houston	20822 Katy Freeway Katy TX		

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88. Santa Clara Imported Cars, Inc.	California Corporation C0587296		Honda of Stevens Creek Stevens Creek Honda – Offsite Vehicle Storage	4590 Stevens Creek Blvd. San Jose, CA 1507 South 10 th St. San Jose, CA	SRE California – 8 SCH, LLC 10 th Street Land Management	SRE California – 8 SCH, LLC is an indirect subsidiary of Sonic Automotive, Inc.
89. Sonic – 2185 Chapman Rd., Chattanooga, LLC	Tennessee Limited Liability Company 0366281		Economy Honda Superstore	2135 Chapman Rd. Chattanooga, TN	Standefer Investment Company	
90. Sonic Advantage PA, L.P.	Texas Limited Partnership 800235623		Porsche of West Houston Audi West Houston Momentum Luxury Cars	11890 Katy Fwy. Houston, TX 11850 Katy Fwy., Houston, TX 15865 Katy Fwy. Houston, TX	SRE Texas – 2, L.P. SRE Texas – 2, L.P.	SRE Texas – 2, L.P. is an indirect subsidiary of Sonic Automotive, Inc.

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91. Sonic Automotive 2752 Laurens Rd., Greenville, Inc.	South Carolina Corporation		Century BMW Century MINI (Parking Lot) Century BMW Mini	2750 Laurens Rd. Greenville, SC 17 Duvall and 2758 Laurens Rd. Greenville, SC 2930-2934 Laurens Rd. Greenville, SC	MMR Holdings, LLC Brockman Real Estate, LLC SRE South Carolina – 2, LLC	SRE South Carolina-2, LLC is an indirect subsidiary of Sonic Automotive, Inc.
92. Sonic Automotive – 3401 N. Main, TX, L.P.	Texas Limited Partnership 11376510		Ron Craft Chevrolet Cadillac Baytown Auto Collision Center	4114 Hwy. 10 E. Baytown, TX	CAR SON BAY, L.P.	
93. Sonic Automotive – 4701 I-10 East, TX, L.P.	Texas Limited Partnership 11345010		Baytown Ford	4110 Hwy. 10 E. Baytown, TX	CAR SON BAY, L.P.	

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94. Sonic Automotive – 9103 E. Independence, NC, LLC	North Carolina Limited Liability Company 0470751		Infiniti of Charlotte Infiniti of Charlotte Parking Lot	9103 E. Independence Blvd. Matthews, NC 9009 E. Independence Blvd. Matthews, NC	MMR Holdings, LLC CAR SON CHAR L.L.C.	
95. Sonic Automotive Aviation, LLC	North Carolina Limited Liability Company 1320781			4401 Colwick Rd. Charlotte, NC		
96. Sonic Automotive F&I, LLC	Nevada Limited Liability Company LLC8620-1999			7000 Las Vegas Blvd. N. Suite 200 Las Vegas, NV		
97. Sonic Automotive of Chattanooga, LLC	Tennessee Limited Liability Company 0336188		BMW of Chattanooga	6806 E. Brainerd Rd. Chattanooga, TN	75 Pointe Centre Partners, LLC	

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98. Sonic Automotive of Nashville, LLC	Tennessee Limited Liability Company 0336186		BMW of Nashville MINI of Nashville Parking	4040 Armory Oaks Dr. Nashville, TN 4010 Armory Oaks Dr. Nashville, TN 1572 Mallory Lane Brentwood, TN 37027	H.G. Hill Realty Company, LLC H.G. Hill Realty Company, LLC	
99. Sonic Automotive of Nevada, Inc.	Nevada Corporation C18014-1997			4401 Colwick Rd. Charlotte, NC		
100. Sonic Automotive of Texas, L.P.	Texas Limited Partnership 11324210		Lone Star Ford	8477 North Fwy. Houston, TX	MMR Viking Investment Associates, LP	
101. Sonic Automotive Support, LLC	Nevada Limited Liability Company LLC19412-2003			7000 Las Vegas Blvd. N. Suite 200 Las Vegas, NV		

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102. Sonic Automotive West, LLC	Nevada Limited Liability Company LLC9139-1999			7000 Las Vegas Blvd. N. Suite 200 Las Vegas, NV		
103. Sonic-Buena Park H, Inc.	California Corporation C2356456		Buena Park Honda - Employee Parking Buena Park Honda – Main Parking Vehicle Storage	7697 Beach Blvd. Buena Park, CA 6411 Beach Blvd. Buena Park, CA 6841 Western Avenue Buena Park, CA 6291 Auto Center Drive Buena Park, CA	Abbott Investments Saltalamacchia Land Company Buena Park Masonic Temple Board Orange County Transportation Authority	
104. Sonic – Integrity Dodge LV, LLC	Nevada Limited Liability Company LLC4879-1999		N/A	N/A	N/A	
105. Sonic – Cadillac D, L.P.	Texas Limited Partnership 800061917		Massey Cadillac	11675 LBJ Fwy. Dallas, TX	CAR SON MAS GAR, L.P.	

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109. Sonic Development, LLC	North Carolina Limited Liability Company 0483658			4401 Colwick Rd. Charlotte, NC		
110. Sonic Divisional Operations, LLC	Nevada Limited Liability Company LLC26157-2004			7000 Las Vegas Blvd. N. Suite 200 Las Vegas, NV	Nevada Speedway, LLC	
111. Sonic - Fort Worth T, L.P.	Texas Limited Partnership 13920710		Toyota of Fort Worth Scion of Fort Worth Main Used Car	9001 Camp Bowie W. Fort Worth, TX 8901 US Hwy 80 West Fort Worth, TX	SON MCKNY II, L.P. SON MCKNY II, L.P.	
112. Sonic - Harbor City H, Inc.	California Corporation C2356454		Carson Honda	1435 E. 223 rd St. Carson, CA	ENRI 2, LLC	

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113. Sonic Houston JLR, LP	Texas Limited Partnership 800735509		Jaguar Houston North Land Rover Houston North	18205 Interstate 45 N Houston, TX	SRE Texas – 1, L.P.	SRE Texas – 1, L.P. is an indirect subsidiary of Sonic Automotive, Inc.
114. Sonic Houston LR, L.P.	Texas Limited Partnership 800236309		Land Rover Houston Central Jaguar Houston Central	7019 Old Katy Rd. Houston, TX 7025 Old Katy Rd. Houston, TX	Capital Automotive, LP SRE Texas – 7, L.P.	SRE Texas – 7, L.P. is an indirect subsidiary of Sonic Automotive, Inc.
115. Sonic - Houston V, L.P.	Texas Limited Partnership 15286810		Volvo of Houston (Body Shop)	11950 Old Katy Rd. Houston, TX 1321 Sherwood Forest Dr. Houston, TX	Mark Miller, Trustee Mark Miller, Trustee	
116. Sonic-Jersey Village Volkswagen, L.P.	Texas Limited Partnership 800207902		Momentum Volkswagen of Jersey Village Parking	19550 Northwest Fwy. Houston, TX 11411 FM 1960 Road West Houston, TX	CAR 2 MOM, LP Cyfair Developments, LP	

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117. Sonic - Las Vegas C West, LLC	Nevada Limited Liability Company LLC7434-2000		Cadillac of Las Vegas Cadillac of Las Vegas - West	5185 W. Sahara Ave. Las Vegas, NV	SRE Nevada – 2, LLC	SRE Nevada – 2, LLC is an indirect subsidiary of Sonic Automotive, Inc.
118. Sonic - LS Chevrolet, L.P.	Texas Limited Partnership 11958210		Lone Star Chevrolet Lone Star Chevrolet Parking Lot	18800 & 18900 North Fwy. and 9110 N. Eldridge Parkway, Houston, TX 18990 Northwest Fwy. Houston, TX	CARS-DB4, L.P. CAR SON STAR, L.P.	
119. Sonic - LS, LLC	Delaware Limited Liability Company 3440418			4401 Colwick Rd. Charlotte, NC		

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120. Sonic - Lute Riley, L.P.	Texas Limited Partnership 11869810		Lute Riley Honda (Body Shop) Storage Storage Service/Car Wash	1331 N. Central Expy. Richardson, TX 13561 Goldmark Dr. Richardson, TX 331 Melrose Drive Richardson, TX 816 S. Sherman Street Richardson, TX 820 S. Sherman Street Richardson, TX	MMR Viking Investment Associates, LP CARS (SON-105) CCI-Melrose 1, L.P. HLN Enterprises, Inc. A. Kenneth Moore	
121. Sonic Momentum B, L.P.	Texas Limited Partnership 800235477		Momentum BMW Momentum MINI (Momentum BMW/MINI Body Shop) Momentum BMW (West) Momentum BMW West - Parking Momentum Collision Center	10000 Southwest Fwy. Houston, TX 10002 Southwest Fwy. Houston, TX 9911 Centre Pkwy. Houston, TX 15865 Katy Fwy. Houston, TX 11777 Katy Fwy. Houston, TX	CARS CNI-2, LP CARS CNI-2, L.P. RMC AutoSonic BMWN, L.P. Kirkwood Partners, LP	

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122. Sonic Momentum JVP, L.P.	Texas Limited Partnership 800235475		Jaguar Southwest Houston Land Rover Southwest Houston Momentum Volvo Momentum Porsche	10150 Southwest Fwy. Houston, TX 10155 Southwest Fwy. Houston, TX	CARS CNI-2, LP SRE Texas – 3, L.P.	SRE Texas – 3, L.P. is an indirect subsidiary of Sonic Automotive, Inc.
123. Sonic Momentum VWA, L.P.	Texas Limited Partnership 800207910		Momentum Volkswagen Audi Central Houston Certified Pre-Owned Sales Momentum Audi Momentum Audi Back Lot (Storage) Momentum Audi – Parking	2405 Richmond Ave. Houston, TX 2309 Richmond Ave. Houston, TX 3717-3725 Revere St. Houston, TX 2401 Portsmouth Houston, TX 2211 Norfolk Street Houston, TX	RMC Auto Sonic VWA, LP RMC Auto Sonic VWA, LP La Mesa Properties Limited La Mesa Properties Limited The Realty Associates Fund IX, LP	

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			Momentum Audi – Parking Momentum Audi – Service Center Momentum Audi – Parking Garage Momentum Audi – Parking Momentum Audi – Parking Garage	2120 Southwest Fwy. Houston, TX 3131 Richmond Ave., Houston, TX 3120 Southwest Freeway, Houston, TX 3847 Farnham St, Houston, TX 2211 Norfolk St, Houston, TX	3131 Richmond, LLC and 3 Lot Pieces, LLC Plaza at Audley, LLC Eastern Diversified, LP Norfolk Tower, LLC	
124. Sonic of Texas, Inc.	Texas Corporation 150782300			4401 Colwick Rd. Charlotte, NC		
125. Sonic Resources, Inc.	Nevada Corporation C24652-2001			7000 Las Vegas Blvd. N. Suite 200 Las Vegas, NV		
126. Sonic - Richardson F, L.P.	Texas Limited Partnership 14037410		North Central Ford	1819 N. Central Expy. Richardson, TX	SRE Texas 10, LLC	SRE Texas 10, LLC is an indirect subsidiary of Sonic Automotive, Inc.

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			Office Parts/Service	1301 Santa Monica Blvd. Santa Monica, CA 1337 Euclid Street Santa Monica, CA	Sully Three SM, LLC Sully Three SM, LLC	
128. Sonic - Shottenkirk, Inc.	Florida Corporation P99000043291		Pensacola Honda	5600 Pensacola Blvd. Pensacola, FL	MMR Holdings, LLC	
129. Sonic - Stevens Creek B, Inc.	California Corporation C0723787		Stevens Creek BMW	4343 Stevens Creek Blvd. San Jose, CA 4333 Stevens Creek Blvd. San Jose, CA	SRE California – 7 SCB, LLC SRE California – 7 SCB, LLC	SRE California – 7 SCB, LLC is an indirect subsidiary of Sonic Automotive, Inc.
130. Sonic-Volvo LV, LLC	Nevada Limited Liability Company LLC6829-1999		Volvo of Las Vegas	7705 W. Sahara Ave. Las Vegas, NV	Berberian Properties, LLC	

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131. Sonic Walnut Creek M, Inc.	California Corporation C2508517		Mercedes-Benz of Walnut Creek (Jensen Lease - Service) (Parking Lot) Parking Parking	1301 Parkside Dr. Walnut Creek, CA 1360 Pine St. Walnut Creek, CA 1300 Pine St. Walnut Creek, CA 2650 Cloverdale Avenue Concord, CA 2198 N. Main Street Walnut Creek, CA	Stead Leasing, Inc. Peter C. Jensen, Trustee of the Peter Cole Jensen and Sharon A. Jensen Living Trust dated December 23, 1986 Testamentary Trust of Paul W. Muller Robert M. Sherman 2002 Frederick D. Wertheim Revocable Trust	
132. SRE Alabama - 2, LLC	Alabama Limited Liability Company 670-275		N/A	N/A	N/A	N/A
133. SRE Alabama-5, LLC	Alabama Limited Liability Company DLL 691-622		N/A	N/A	N/A	N/A

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134. SRE California - 1, LLC	California Limited Liability Company 200202910110		N/A	N/A	N/A	N/A
135. SRE California - 2, LLC	California Limited Liability Company 200202910111		N/A	N/A	N/A	N/A
136. SRE California - 3, LLC	California Limited Liability Company 200202810141		N/A	N/A	N/A	N/A
137. SRE California - 5, LLC	California Limited Liability Company 200203110006		N/A	N/A	N/A	N/A
138. SRE California - 6, LLC	California Limited Liability Company 200203110007		N/A	N/A	N/A	N/A

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139. SRE California - 7 SCB, LLC	California Limited Liability Company 201033410181		N/A	N/A	N/A	N/A
140. SRE California - 8 SCH, LLC	California Limited Liability Company 201033510021		N/A	N/A	N/A	N/A
141. SRE California - 9 BHB, LLC	California Limited Liability Company 201126410082		N/A	N/A	N/A	N/A
142. SRE California 10 LBB, LLC	California Limited Liability Company 201413910313		N/A	N/A	N/A	N/A
143. SRE Colorado - 1, LLC	Colorado Limited Liability Company 20021330518		N/A	N/A	N/A	N/A

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144. SRE Colorado – 2, LLC	Colorado Limited Liability Company 20021330523		N/A	N/A	N/A	N/A
145. SRE Colorado – 3, LLC	Colorado Limited Liability Company 20021330530		N/A	N/A	N/A	N/A
146. SRE Colorado – 4 RF, LLC	Colorado Limited Liability Company 20141516951		N/A	N/A	N/A	N/A
147. SRE Colorado – 5 CC, LLC	Colorado Limited Liability Company 2014154868552876 Two Rivers Plaza Road Glenwood Springs CO		N/A	N/A	N/A	N/A

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148. SRE Florida - 1, LLC	Florida Limited Liability Company L00000006050		N/A	N/A	N/A	N/A
149. SRE Georgia – 4, LLC	Georgia Limited Liability Company 11091238		N/A	N/A	N/A	N/A
150. SRE Holding, LLC	North Carolina Limited Liability Company 0551475		N/A	N/A	N/A	N/A
151. SRE Maryland – 1, LLC	Maryland Limited Liability Company 200162227		N/A	N/A	N/A	N/A
152. SRE Nevada – 2, LLC	Nevada Limited Liability Company LLC5021-2000		N/A	N/A	N/A	N/A

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153. SRE North Carolina – 2, LLC	North Carolina Limited Liability Company 0682830		N/A	N/A	N/A	N/A
154. SRE North Carolina – 3, LLC	North Carolina Limited Liability Company 0682833		N/A	N/A	N/A	N/A
155. SRE Ohio 1, LLC	Ohio Limited Liability Company 2146293		N/A	N/A	N/A	N/A
156. SRE Ohio 2, LLC	Ohio Limited Liability Company 2146292		N/A	N/A	N/A	N/A
157. SRE Oklahoma - 2, LLC	Oklahoma Limited Liability Company 3500697105		N/A	N/A	N/A	N/A

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158. SRE South Carolina – 2, LLC	South Carolina Limited Liability Company N/A		N/A	N/A	N/A	N/A
159. SRE South Carolina-3, LLC	South Carolina Limited Liability Company N/A		N/A	N/A	N/A	N/A
160. SRE South Carolina – 4, LLC	South Carolina Limited Liability Company N/A		N/A	N/A	N/A	N/A
161. SRE Tennessee – 1, LLC	Tennessee Limited Liability Company 000390360		N/A	N/A	N/A	N/A
162. SRE Tennessee – 2, LLC	Tennessee Limited Liability Company 000390358		N/A	N/A	N/A	N/A

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163. SRE Tennessee – 3, LLC	Tennessee Limited Liability Company 000390359		N/A	N/A	N/A	N/A
164. SRE Tennessee-4, LLC	Tennessee Limited Liability Company 0450279		N/A	N/A	N/A	N/A
165. SRE Tennessee – 5, LLC	Tennessee Limited Liability Company 000450278		N/A	N/A	N/A	N/A
166. SRE Tennessee – 6, LLC	Tennessee Limited Liability Company 000797947		N/A	N/A	N/A	N/A
167. SRE Tennessee 7, LLC	Tennessee Limited Liability Company 000959852		N/A	6001 Lee Highway, Chattanooga, TN 37421	N/A	N/A

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168. SRE Texas – 1, L.P.	Texas Limited Partnership 00135233-10		N/A	N/A	N/A	N/A
169. SRE Texas – 2, L.P.	Texas Limited Partnership 00135234-10		N/A	N/A	N/A	N/A
170. SRE Texas – 3, L.P.	Texas Limited Partnership 00135235-10		N/A	N/A	N/A	N/A
171. SRE Texas – 4, L.P.	Texas Limited Partnership 800048705		N/A	N/A	N/A	N/A
172. SRE Texas – 5, L.P.	Texas Limited Partnership 800048740		N/A	N/A	N/A	N/A
173. SRE Texas – 6, L.P.	Texas Limited Partnership 800048741		N/A	N/A	N/A	N/A
174. SRE Texas – 7, L.P.	Texas Limited Partnership 800048742		N/A	N/A	N/A	N/A

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175. SRE Texas – 8, L.P.	Texas Limited Partnership 800048743		N/A	N/A	N/A	N/A
176. SRE Texas 9, LLC	Texas Limited Liability Company 801419276		N/A	N/A	N/A	N/A
177. SRE Texas 10, LLC	Texas Limited Liability Company 801675082		N/A	N/A	N/A	N/A
178. SRE Texas 11, LLC	Texas Limited Liability Company 801723757		N/A	N/A	N/A	N/A
179. SRE Texas 12, LLC	Texas Limited Liability Company 801807250		N/A	N/A	N/A	N/A
180. SRE Texas 13, LLC	Texas Limited Liability Company 13-802180003		N/A	N/A	N/A	N/A

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181. SRE Texas 14, LLC	Texas Limited Liability Company 14-802402987		N/A	N/A	N/A	N/A
182. SRE Texas 15, LLC	Texas Limited Liability Company 15-802570108		N/A	N/A	N/A	N/A
183. SRE Virginia – 1, LLC	Virginia Limited Liability Company 5050246-0		N/A	N/A	N/A	N/A
184. SRE Virginia – 2, LLC	Virginia Limited Liability Company S1012154		N/A	N/A	N/A	N/A
185. Stevens Creek Cadillac, Inc.	California Corporation C1293380		St. Claire Cadillac	3737 Stevens Creek Blvd. Santa Jose, CA	SRE California – 5, LLC	SRE California – 5, LLC is an indirect subsidiary of Sonic Automotive, Inc.

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186. Town and Country Ford, Incorporated	North Carolina Corporation 0148959		Town and Country Ford	5401 E. Independence Blvd. Charlotte, NC	SRE North Carolina - 2, LLC	SRE North Carolina - 2, LLC is an indirect subsidiary of Sonic Automotive, Inc.
187. EchoPark Automotive, Inc.	Delaware Corporation 5387434			4401 Colwick Rd. Charlotte, NC		
188. TT Denver, LLC	Colorado Limited Liability Company 20131462193			500 E. 104th Ave Thornton, CO 10330 Grant Ave Thornton, CO 80229 10401 E. Arapahoe Rd Centennial, CO 1500 E. County Line Rd Highlands Ranch, CO 13412 West Coal Mine Ave. Littleton, CO 80127 9575 E. 40 th Ave. Denver, CO 80230	TTRE CO 1, LLC TTRE CO 1, LLC TTRE CO 1, LLC TTRE CO 1, LLC	TTRE CO 1, LLC is an indirect subsidiary of Sonic Automotive, Inc.

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189. TTRE CO 1, LLC	Colorado Limited Liability Company 20131504490		N/A	N/A	N/A	N/A
190. Windward, Inc.	Hawaii Corporation 41788D1		Honda of Hayward (Service) Ground Lease (Sales) (Vehicle Display) (Vehicle Storage) Ground Lease (Sales)	24895 Mission Blvd. Hayward, CA 24947-24975 Mission Blvd. Hayward, CA 24919 Mission Blvd. Hayward, CA 900 Fletcher Ln. Hayward, CA 24933 Mission Blvd. Hayward, CA	SRE California – 2, LLC Barbara Harrison and Marie Hinton, Trustee of the Marie Hinton Revocable Trust SRE California – 2, LLC SRE California – 2, LLC Paul Y. Fong	SRE California – 2, LLC is an indirect subsidiary of Sonic Automotive, Inc.

CREDIT AGREEMENT

Dated as of June 23, 2020

between

SONIC AUTOMOTIVE, INC.,

and

ALLY BANK (Ally Capital in Hawaii, Mississippi, Montana and New Jersey)

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EXHIBITS

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Exhibit O	Form of Notice of Loan Prepayment

CREDIT AGREEMENT

This CREDIT AGREEMENT (“Agreement”) is entered into as of June 23, 2020, between SONIC AUTOMOTIVE, INC., a Delaware corporation (the “Company”) and ALLY BANK (Ally Capital in Hawaii, Mississippi, Montana and New Jersey), a Utah state-chartered bank (the “Lender”).

The Company has requested that the Lender provide a \$69,000,000.00 revolving line of credit facility. In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

“AAA” has the meaning specified in Section 10.15(b)(ii).

“Acquisition” means the acquisition of (i) a controlling equity interest or other controlling ownership interest in another Person (including the purchase of an option, warrant or convertible or similar type security to acquire such a controlling interest at the time it becomes exercisable by the holder thereof), whether by purchase of such equity or other ownership interest or upon the exercise of an option or warrant for, or conversion of securities into, such equity or other ownership interest, (ii) assets of another Person which constitute all or substantially all of the assets of such Person or of a line or lines of business conducted by or a vehicle franchise or vehicle brand licensed or owned by such Person, or (iii) assets constituting a vehicle dealership.

“Acquisition Arrangement” has the meaning specified in Section 7.12.

“Additional Mortgaged Property” has the meaning specified in Section 2.18(a).

“Additional Mortgaged Property Requirements” has the meaning specified in Section 2.18(b).

“Additional Unsecured Indebtedness” means Indebtedness of the Company (which may be guaranteed by the Subsidiaries of the Company on an unsecured basis); provided that, (i) such Indebtedness is (A) not secured by any property of the Company or any Subsidiary, (B) does not have a maturity, and does not require any principal payments (whether by scheduled installment, mandatory prepayment or redemption, or the exercise of any put right), earlier than six (6) months following the Maturity Date, and (C) has terms (including terms of maturity and amortization) that are typical for indebtedness of such type issued at such time and such terms (other than applicable rates of interest) are otherwise no more restrictive, or less advantageous to the Lender, than the Loan Documents or are otherwise on terms satisfactory to the Lender, and (ii) after giving effect to the issuance of such Indebtedness, (A) no Event of Default shall have occurred and be continuing or would occur as a result therefrom and (B) such Indebtedness is otherwise permitted under the Revolving Credit Agreement and the Floorplan Credit Agreement.

“Additional Unsecured Indebtedness Prepayment” means any prepayment, redemption, purchase, defeasance, settlement in cash or other satisfaction prior to the scheduled maturity thereof of any Additional Unsecured Indebtedness, provided, however, that “Additional Unsecured Indebtedness Prepayment” shall not include any amount prepaid with the proceeds of the refinancing of such Additional Unsecured Indebtedness with new or additional, Additional Unsecured Indebtedness.

“Advance” means an advance of Loan funds made by the Lender to the Borrower pursuant to the terms hereof.

“Advance Request” means a notice of a request for an Advance which shall be substantially in the form of Exhibit A or such other form as may be approved by the Lender.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agreement” means this Credit Agreement.

“Alternate Source” means as is specified in the definition of Eurodollar Rate.

“Appraised Value” means, with respect to any Substitute Property (or proposed Substitute Property), the appraised value of such Substitute Property (or proposed Substitute Property) as set forth in the appraisal obtained by the Lender with respect to such Substitute Property (or proposed Substitute Property) in accordance with Section 2.19.

“Arbitration Rules” has the meaning specified in Section 10.15(b)(ii).

“Attributable Indebtedness” means, on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

“Audited Financial Statements” means the audited consolidated balance sheet of the Company and its Subsidiaries for the fiscal year ended December 31, 2018, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal year of the Company and its Subsidiaries, including the notes thereto.

“Availability Period” means, the period from and including the Closing Date to the earliest of (i) the Maturity Date, (ii) the date of termination of the Commitment of the Lender to make Advances pursuant to Section 8.02.

“Beneficial Ownership Certification” means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Borrower Materials” has the meaning specified in Section 6.02.

“Builder Basket Amount” means, as of any date of determination, with respect to any Restricted Payment or any Subordinated Indebtedness Prepayment, the sum of:

(A) \$110,000,000; plus

(B) 50% of the aggregate Consolidated Net Income of the Company accrued on a cumulative basis during the period beginning September 30, 2016 and ending on the last day of the Company’s last fiscal quarter ending prior to the date of such Restricted Payment or Subordinated Indebtedness Prepayment, or, if such aggregate cumulative Consolidated Net Income shall be a loss, minus 100% of such loss; plus

(C) 100% of the aggregate net cash proceeds and the fair market value of assets other than cash received after September 30, 2016, and on or prior to such date of determination, by the Company either (x) as capital contributions in the form of common equity to the Company or (y) from the issuance or sale (other than to any of its Subsidiaries) of Qualified Capital Stock of the Company or any options, warrants or rights to purchase such Qualified Capital Stock of the Company (except, in each case, to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Subordinated Indebtedness as set forth below) (and excluding the net cash proceeds and the fair market value of assets other than cash received from the issuance of Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Company or any Subsidiary until and to the extent such borrowing is repaid); plus

(D) 100% of the aggregate net cash proceeds and the fair market value of assets other than cash received after September 30, 2016, and on or prior to such date of determination, by the Company (other than from any of its Subsidiaries) upon the exercise of any options, warrants or rights to purchase Qualified Capital Stock of the Company (and excluding the net cash proceeds and the fair market value of assets other than cash received from the exercise of any options, warrants or rights to purchase Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Company or any Subsidiary until and to the extent such borrowing is repaid); plus

(E) 100% of the aggregate net cash proceeds and the fair market value of assets other than cash received after September 30, 2016, and on or prior to such date of determination, by the Company from the conversion or exchange, if any, of debt securities or Redeemable Capital Stock of the Company or its Restricted Subsidiaries into or for qualified Capital Stock of the Company plus, to the extent such debt securities or

Redeemable Capital Stock were issued after September 30, 2016, upon the conversion or exchange of such debt securities or Redeemable Capital Stock, the aggregate of net cash proceeds and the fair market value of assets other than cash received from their original issuance (and excluding the net cash proceeds and the fair market value of assets other than cash received from the conversion or exchange of debt securities or Redeemable Capital Stock financed, directly or indirectly, using funds borrowed from the Company or any Subsidiary until and to the extent such borrowing is repaid); plus

(F) in the case of the disposition or repayment of any Specified Investment made after September 30, 2016, and on or prior to such date of determination, an amount (to the extent not included in Consolidated Net Income) equal to (a) the lesser of (i) the return of capital with respect to such Investment and (ii) the initial amount of such Investment, in either case, less the cost of the disposition of such Investment and net of taxes.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Lender’s Office is located.

“Buyer Notes” means those promissory notes received by the Company or any Subsidiary as partial or full payment consideration for Dispositions of vehicle dealerships, associated dealership real estate or related businesses, or Dispositions of Subsidiaries, by the Company or such Subsidiary to the obligors of such promissory notes.

“Capital Stock” of any Person means any and all shares, interests, participations, rights in or other equivalents (however designated) of such Person’s capital stock or other equity interests whether now outstanding or issued after the date of this Agreement, including limited liability company interests, partnership interests (whether general or limited), any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of (other than a distribution in respect of Indebtedness), the issuing Person, including any Preferred Stock and any rights (other than debt securities convertible into Capital Stock), warrants or options exchangeable for or convertible into such Capital Stock.

“CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§9601 et seq.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking

Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” means an event or series of events by which:

(ii) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) (other than (i) Sonic Financial, O. Bruton Smith or B. Scott Smith; (ii) any spouse or immediate family member of O. Bruton Smith and B. Scott Smith (collectively with O. Bruton Smith and B. Scott Smith, a “Smith Family Member”); or (iii) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners and owners of which are Smith Family Members, (the persons and entities in “i”, “ii”, and “iii” being referred to, collectively and individually, as the “Smith Group”) so long as in the case of clauses (ii) and (iii) O. Bruton Smith or B. Scott Smith retains a majority of the voting rights associated with such ownership) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire (such right, an “option right”), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 25% or more of the equity securities of the Company entitled to vote for members of the board of directors or equivalent governing body of the Company on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right);

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Company cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body;

(c) any Person or two or more Persons (excluding members of the Smith Group so long as O. Bruton Smith or B. Scott Smith retains a majority of the voting rights associated with such equity securities) acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Company, or control over the equity securities of the Company entitled to vote for members of the board of directors or equivalent governing body of the Company on a fully-diluted basis (and taking into account

all such securities that such Person or group has the right to acquire pursuant to any option right) representing 25% or more of the combined voting power of such securities; or

(d) the Company fails to own, directly or indirectly, 100% of the Equity Interests of any Subsidiary other than as a result of the sale of all Equity Interests in a Subsidiary pursuant to a Permitted Disposition.

“Closing Date” means June 23, 2020.

“Code” means the Internal Revenue Code of 1986.

“Collateral” means the Mortgaged Properties.

“Commitment” means the Lender’s obligation to make Advances to the Company pursuant to Section 2.01, in an aggregate principal amount not to exceed the amount of the Loan, as such amount may be adjusted from time to time in accordance with this Agreement.

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), as amended from time to time, and any successor statute.

“Company” has the meaning specified in the introductory paragraph hereto.

“Compliance Certificate” means a certificate substantially in the form of Exhibit E.

“Condemnation Proceeding” has the meaning specified in Section 6.11 hereto.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Consolidated Current Assets” means, as of any date of determination, the current assets of the Company and its Subsidiaries on a consolidated basis as of such date (but excluding in any event (i) any long-term assets of discontinued operations held for sale, other than such assets which (x) are the subject of an executed non-cancelable purchase and sale agreement between the applicable Loan Party and a Person which is not an Affiliate of any Loan Party and (y) the applicable Loan Party intends, in good faith, to Dispose of within 60 days of such date of determination and (ii) any Investment described in Section 7.02(i)).

“Consolidated Current Liabilities” means, as of any date of determination, the current liabilities of the Company and its Subsidiaries on a consolidated basis as of such date.

“Consolidated EBITDAR” means for any period, on a consolidated basis for the Company and its Subsidiaries, the sum of the amounts for such period, without duplication, of (a) Consolidated Net Income, plus (b) to the extent deducted in computing Consolidated Net Income for such period: (i) Consolidated Interest Expense with respect to non-floorplan Indebtedness (including interest expense not payable in cash), (ii) charges against income for foreign, Federal, state and local income taxes, (iii) depreciation expense, (iv) amortization expense, including, without limitation, amortization of other intangible assets and transaction costs, (v) non-cash

charges, (vi) all extraordinary losses, (vii) legal fees, broker fees and other transaction expenses incurred in connection with any Permitted Acquisition (not to exceed \$1,000,000 in the aggregate for each such Acquisition), (viii) Consolidated Rental Expense, and (ix) non-cash lease termination charges, net of any amortization of such charges minus (c) to the extent included in computing Consolidated Net Income for such period, (i) extraordinary gains and (ii) all gains on repurchases of long-term Indebtedness.

“Consolidated Fixed Charge Coverage Ratio” means, as of any date of determination, the ratio of (a) the difference of (i) Consolidated EBITDAR for the four fiscal quarter period ending on such date minus (ii) an amount equal to \$100,000 (representing assumed maintenance capital expenditures) multiplied by the average daily number of physical dealership locations at which the Subsidiaries operated franchised vehicle dealerships during such period to (b) Consolidated Fixed Charges for such period.

“Consolidated Fixed Charges” means, for any period, the sum of (a) Consolidated Interest Expense with respect to non-floorplan Indebtedness for such period (excluding any interest expense not payable in cash and not payable as a result of any default), plus (b) Consolidated Principal Payments for such period, plus (c) Consolidated Rental Expenses for such period, plus (d) Federal, state, local and foreign income taxes paid in cash by the Company and its Subsidiaries on a consolidated basis during such period, plus (e) dividends and distributions paid in cash by the Company and its Subsidiaries on a consolidated basis during such period, minus (f) cash refunds of Federal, state, local and foreign income taxes received by the Company and its Subsidiaries on a consolidated basis during such period. The calculation of “Consolidated Fixed Charges” is further described in Section 1.03(d).

“Consolidated Funded Indebtedness” means, as of any date of determination, for the Company and its Subsidiaries on a consolidated basis, the sum of (a) the outstanding principal amount of all obligations, whether current or long-term, for borrowed money (including Obligations hereunder) and all obligations evidenced by bonds, debentures, notes, loan agreements or other similar instruments, (b) all purchase money Indebtedness, (c) all direct obligations arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments, (d) all obligations in respect of the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business), (e) Attributable Indebtedness in respect of capital leases and Synthetic Lease Obligations, (f) without duplication, all Guarantees with respect to outstanding Indebtedness of the types specified in clauses (a) through (e) above of Persons other than the Company or any Subsidiary, and (g) all Indebtedness of the types referred to in clauses (a) through (f) above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which the Company or a Subsidiary is a general partner or joint venturer, unless such Indebtedness is expressly made non-recourse to the Company or such Subsidiary.

“Consolidated Interest Expense” means, for any period, for the Company and its Subsidiaries on a consolidated basis, the sum of (a) all interest (before factory assistance or subsidy), premium payments, debt discount, fees, charges and related expenses of the Company and its Subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance

with GAAP, and (b) the portion of rent expense of the Company and its Subsidiaries with respect to such period under capital leases that is treated as interest in accordance with GAAP.

“Consolidated Liquidity Ratio” means, as of any date of determination, the ratio of (a) the sum of Consolidated Current Assets (excluding Temporary Excess Cash) plus the Revolving Facility Liquidity Amount to (b) the sum of (i) Consolidated Current Liabilities (but excluding, without duplication and only to the extent such amounts would otherwise have been included in this clause (b)(i), (A) such Consolidated Current Liabilities consisting of any holder put right, balloon, bullet or similar final scheduled principal payment that would repay any Indebtedness permitted by Section 7.03 in full, other than any such holder put right, balloon, bullet or final payment which is due within ninety (90) days following such date of determination, and (B) any Temporary Indebtedness) plus (ii) without duplication, Indebtedness (whether or not reflected as a Consolidated Current Liability) under all floorplan financing arrangements.

“Consolidated Net Income” means, for any period, for the Company and its Subsidiaries on a consolidated basis, the net income of the Company and its Subsidiaries for such period.

“Consolidated Principal Payments” means, for any period, for the Company and its Subsidiaries on a consolidated basis, all scheduled payments of principal and amortization of the Company and its Subsidiaries in connection with Indebtedness for money borrowed (including Permitted Real Estate Indebtedness) or in connection with the deferred purchase price of assets which payments are made or are required to be made during such period, in each case to the extent treated as principal in accordance with GAAP (other than any balloon, bullet or similar final scheduled principal payment that repays such Indebtedness in full). It is acknowledged that payments permitted under Section 7.15 shall not be deemed to be scheduled payments of principal for purposes of determining “Consolidated Principal Payments”.

“Consolidated Rental Expense” means, for any period, on a consolidated basis for the Company and its Subsidiaries, the aggregate amount of fixed and contingent rentals payable in cash by the Company and its Subsidiaries with respect to leases of real and personal property (excluding capital lease obligations) determined in accordance with GAAP for such period (subject to Section 1.03(b)).

“Consolidated Total Lease Adjusted Leverage Ratio” means, as of any date of determination, the ratio of (a) (i) Consolidated Total Outstanding Indebtedness (excluding (v) Indebtedness under the New Vehicle Floorplan Facility, (w) Permitted Silo Indebtedness for New Vehicle or Used Vehicle inventory, (x) Indebtedness under the Used Vehicle Floorplan Facility, (y) Temporary Indebtedness and (z) Permitted Third Party Service Loaner Indebtedness) as of such date minus (ii) the aggregate amount as of the date of determination of unrestricted domestic cash held in (x) accounts on the consolidated balance sheet of the applicable Person and its Restricted Subsidiaries as of such date to the extent the use thereof for application to payment of Indebtedness is not prohibited by law or any contract to which any such Person is a party and such cash is not subject to any Lien and (y) accounts established with Silo Lenders, if any, as an offset to floor plan notes payable that are reflected on the consolidated balance sheet of the applicable Person and its Restricted Subsidiaries as of such date to the extent the use thereof is not prohibited or restricted by law or any contract to which any such Person is a party and is not subject to any Lien; provided that the aggregate amount of cash under clauses (x) and (y) for purposes of this calculation shall in no

event exceed \$50,000,000 at any time, plus (iii) eight (8) times Consolidated Rental Expense for the period of four fiscal quarters most recently ended (excluding Consolidated Rental Expense relating to any real property acquired during the period of four fiscal quarters most recently ended but including as Consolidated Rental Expense the “rental payments” for any real property Disposed of and leased back to the Company or its Subsidiaries during the period of four fiscal quarters most recently ended as if such sale-leaseback transaction had occurred on and such “rental payments” began on the first day of such applicable four fiscal quarter period) to (b) Consolidated EBITDAR for the period of four fiscal quarters most recently ended.

“Consolidated Total Outstanding Indebtedness” means, for any period, for the Company and its Subsidiaries on a consolidated basis, the aggregate outstanding principal amount of Consolidated Funded Indebtedness of the Company and its Subsidiaries for such period.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Cost of Acquisition” means, with respect to any Acquisition, as at the date of entering into any agreement therefor, the sum of the following (without duplication): (i) the value of the Equity Interests of the Company or any Subsidiary to be transferred in connection with such Acquisition, (ii) the amount of any cash and fair market value of other property (excluding property described in clause (i) and the unpaid principal amount of any debt instrument) given as consideration in connection with such Acquisition, (iii) the amount (determined by using the face amount or the amount payable at maturity, whichever is greater) of any Indebtedness incurred, assumed or acquired by the Company or any Subsidiary in connection with such Acquisition, (iv) all additional purchase price amounts in the form of earnouts and other contingent obligations that should be recorded on the financial statements of the Company and its Subsidiaries in accordance with GAAP in connection with such Acquisition, (v) all amounts paid in respect of covenants not to compete, consulting agreements that should be recorded on the financial statements of the Company and its Subsidiaries in accordance with GAAP, and other affiliated contracts in connection with such Acquisition, and (vi) the aggregate fair market value of all other consideration given by the Company or any Subsidiary in connection with such Acquisition; provided that (x) the Cost of Acquisition shall not include the purchase price of floored vehicles acquired in connection with such Acquisition, (y) to the extent such Acquisition (or any other Acquisition or proposed Acquisition included in the calculation of any threshold set forth in Section 6.14 or 7.12) includes the purchase or leasing of any real property, the consideration attributable to such real property shall be excluded from the calculation of Cost of Acquisition, and (z) amounts under clause (iv) above shall be excluded from the calculation of Cost of Acquisition to the extent that such amounts as of the date of entering into any agreement with respect to such Acquisition are not reasonably expected to exceed \$5,000,000 in the aggregate (each such determination for each applicable year of earnouts and other contingent obligations with respect to the applicable Acquisition to be based on the reasonably expected operations and financial condition of the Company and its Subsidiaries during the first year after the date of the applicable Acquisition). For purposes of determining the

Cost of Acquisition for any transaction, the Equity Interests of the Company shall be valued in accordance with GAAP.

“Covered Entity” means any of the following: (a) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (b) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (c) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Covered Party” has the meaning specified in Section 10.22.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate equal to (i) the Interest Rate plus (ii) 2% per annum.

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Disputes” has the meaning specified in Section 10.15(b)(i).

“Dollar” and “\$” mean lawful money of the United States.

“Environmental Indemnity Agreement” has the meaning specified in Section 4.01(a)(xii).

“Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials or (e) any

contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Equity Interests” means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) the withdrawal of the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which such entity was a “substantial employer” as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA that has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA in excess of \$1,000,000; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization, in either case that has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA in excess of (i) in the case of the Automotive Industries Pension Trust Fund (EIN # 94-1133245), Plan No. 001, \$25,000,000 and (ii) in all other cases, \$1,000,000; (d) the filing of a notice of intent to terminate or the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA; (e) the institution by the PBGC of proceedings to terminate a Pension Plan, Multiemployer Plan or Multiple Employer Plan; (f) any event or condition which is reasonably likely to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan of the Company or any ERISA Affiliate; (g) except as set forth on Schedule 1.01C, the determination that any Pension Plan, Multiemployer Plan or Multiple Employer Plan is considered an at-risk plan or a plan in endangered or critical status within the meaning of Sections 430, 431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; or (h) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate in excess of (i) in the case of the Automotive Industries Pension Trust Fund (EIN # 94-1133245), Plan No. 001, \$25,000,000 and (ii) in all other cases, \$1,000,000.

“Event of Default” has the meaning specified in Section 8.01.

“Excluded Investment” means (i) any Investment in the Company, any Restricted Subsidiary or any Person which, as a result of such Investment, (a) becomes a Restricted Subsidiary or (b) is merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or any Restricted Subsidiary; (ii) Indebtedness of the Company owing to a Restricted Subsidiary, Indebtedness of a Restricted Subsidiary owing to another Restricted Subsidiary, or guarantees by a Restricted Subsidiary of the Indenture Notes; (iii) Investments in any of the Indenture Notes; (iv) Temporary Cash Investments; (v) Investments acquired by the Company or any Restricted Subsidiary in connection with an asset sale permitted by any Indenture to the extent such Investments are non-cash proceeds; (vi) any Investment to the extent the consideration therefor consists of Qualified Capital Stock of the Company or any Restricted Subsidiary; (vii) Investments representing Capital Stock or obligations issued to the Company or any Restricted Subsidiary in the ordinary course of the good faith settlement of claims against any other Person by reason of a composition or readjustment of debt or a reorganization of any debtor or any Restricted Subsidiary; (viii) prepaid expenses advanced to employees in the ordinary course of business or other loans or advances to employees in the ordinary course of business not to exceed \$1.0 million in the aggregate at any one time outstanding; (ix) Investments in existence on May 9, 2013; (x) deposits, including interest-bearing deposits, maintained in the ordinary course of business in banks or with floor plan lenders; endorsements for collection or deposit in the ordinary course of business by such Person of bank drafts and similar negotiable instruments of such other Person received as payment for ordinary course of business trade receivables; (xi) Investments acquired in exchange for the issuance of Capital Stock (other than Redeemable Capital Stock or Preferred Stock) of the Company or acquired with the net cash proceeds received by the Company after the date of this Agreement from the issuance and sale of Capital Stock (other than Redeemable Capital Stock or Preferred Stock); provided that such net cash proceeds are used to make such Investment within 10 days of the receipt thereof; (xii) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and worker’s compensation, performance and other similar deposits provided to third parties in the ordinary course of business; (xiii) consumer loans and leases entered into, purchased or otherwise acquired by the Company or its Subsidiaries, as lender, lessor or assignee, as applicable, in the ordinary course of business consistent with past practices; (xiv) items described in clause (c) of the definition of “Investment”; and (xv) in addition to the Investments described in clauses (i) through (xiv) above, Investments in an amount not to exceed the greater of (a) \$25.0 million and (b) 1% of the Company’s consolidated tangible assets in the aggregate at any one time outstanding.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to Recipient or required to be withheld or deducted from payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of the Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of the Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of the Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) the Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Company under Section 10.13) or (ii) the Lender changes its Lending Office, except in each such case to the extent that pursuant to Section 3.01(a)(ii), (a)(iii) or (c), amounts with respect to such Taxes were payable either to the Lender’s

assignor immediately before the Lender became a party hereto or to the Lender immediately before it changed its Lending Office, (c) Taxes attributable to such Recipient's failure to comply with Section 3.01(e) and (d) any U.S. federal withholding Taxes imposed pursuant to FATCA.

“FASB ASC” means the Accounting Standards Codification of the Financial Accounting Standards Board.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantially comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

“Flood Hazard Property” means any real property with respect to which the Lender requests a flood hazard determination in its sole discretion and which is determined to be in an area designated by the Federal Emergency Management Agency as having special flood or mudslide hazards.

“Flood Requirements” means the following, with respect to any Flood Hazard Property, in each case in form and substance satisfactory to the Lender: (a) the applicable Loan Party's written acknowledgment of receipt of written notification from the Lender (i) as to the fact that such real property is a Flood Hazard Property and (ii) as to whether the community in which each such Flood Hazard Property is located is participating in the National Flood Insurance Program and (b) such other flood hazard determination forms, notices and confirmations thereof as requested by the Lender and naming the Lender as loss payee; and (c) property level information sufficient for the Lender to determine the adequacy of flood insurance.

“Floorplan Administrative Agent” means, as applicable, Bank of America (in its capacity as the administrative agent under the Floorplan Credit Agreement or any successor administrative agent under the Floorplan Credit Agreement).

“Floorplan Credit Agreement” means the Third Amended and Restated Syndicated New and Used Floorplan Credit Agreement dated as of November 30, 2016 among the Company, the Subsidiaries of the Company party thereto from time to time, the Floorplan Administrative Agent and the Floorplan Lenders (as amended, supplemented or otherwise modified from time to time).

“Floorplan Lenders” means the lenders party from time to time to the Floorplan Credit Agreement.

“Framework Agreement” means a framework agreement, in each case between a Loan Party and a manufacturer or distributor of New Vehicles.

The term “franchise” when used with respect to any vehicle manufacturer or distributor shall be deemed to include each dealership that is authorized by a Franchise Agreement to sell New Vehicles manufactured or distributed by such manufacturer or distributor, whether or not such dealership is expressly referred to as a franchise in the respective Franchise Agreement or Framework Agreement.

“Franchise Agreement” means a franchise agreement, in each case between a Loan Party and a manufacturer or distributor of New Vehicles.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” means, as to any Person, any (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments;

(c) net obligations of such Person under any Swap Contract;

(d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business and, in each case, not past due for more than 60 days after the date on which such trade account payable was created);

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(f) capital leases and Synthetic Lease Obligations;

(g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and

(h) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

“Indemnified Taxes” means (a) Taxes other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

“Indemnitees” has the meaning specified in Section 10.04(b).

“Indentures” means, individually or collectively as the context may require, the 2013-5.0% Indenture or the 2017-6.125% Indenture.

“Indenture Notes” means, individually or collectively as the context may require, the 2013-5.0% Indenture Notes or the 2017-6.125% Indenture Notes.

“Information” has the meaning specified in Section 10.07.

“Initial Appraised Value” means, with respect to any Mortgaged Property, the appraised value of such Mortgaged Property as set forth in a FIRREA-conforming appraisal obtained by the Lender with respect to such Mortgaged Property prior to (and within 12 months of) the Closing Date, or if such Mortgaged Property is an Additional Mortgaged Property or a Substitute Property, a FIRREA-conforming appraisal obtained by the Lender with respect to such Additional Mortgaged Property or Substitute Property immediately prior to (and within 12 months of) such Additional Mortgaged Property or Substitute Property becoming a Mortgaged Property.

“Interest Payment Date” means the first day of a calendar month, provided that if such day is not a Business Day, the respective Interest Payment Date shall be the next succeeding Business Day.

“Interest Period” means a period of approximately one month commencing on the first Business Day of each month and ending on the first Business Day of the following month.

“Internal Control Event” means a material weakness in, or fraud that involves management or other employees who have a significant role in, the Company’s internal controls over financial reporting, in each case as described in the Securities Laws.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Guarantees Indebtedness of such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“Involuntary Disposition” means, with respect to any Collateral, any of the following: (a) any loss, destruction or damage of such Collateral or (b) any condemnation, seizure, or taking, by exercise of the power of eminent domain or otherwise, of such Collateral, or confiscation of such Collateral or the requisition of the use of such Collateral.

“IP Rights” has the meaning specified in Section 5.17.

“IRS” means the United States Internal Revenue Service.

“Joinder Agreement” means each Joinder Agreement, substantially in the form of Exhibit G, executed and delivered by a Subsidiary or any other Person to the Lender pursuant to Section 6.14.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable

administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Lease” means a lease or other agreement (whether written or oral) pursuant to which any Person is granted a possessory interest in, or right to use or occupy, all or any portion of one or more of the Mortgaged Properties, together with all amendments thereto and all restatements, supplements, and other modifications thereof.

“Lender” has the meaning specified in the introductory paragraph hereto.

“Lending Office” means, as to the Lender, the office or offices of the Lender described as such in the Lender’s Administrative Questionnaire, or such other office or offices as the Lender may from time to time notify the Company, which office may include any Affiliate of the Lender or any domestic or foreign branch of the Lender or such Affiliate. Unless the context otherwise requires each reference to the Lender shall include its applicable Lending Office.

“LIBOR Reserve Percentage” means as of any day the maximum effective percentage in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding or in respect of eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan” means an extension of credit by the Lender to the Company under Article II in the form of an Advance.

“Loan Cap” means, at any time of determination, the lesser of (a) \$69,000,000.00 and (b) the Margined Collateral Value at such time.

“Loan Documents” means, collectively, this Agreement, the Note, each Joinder Agreement, each Security Instrument, the Subsidiary Guaranty, and each other document and agreement executed in connection with the Loan.

“Loan Parties” means, collectively, the Company and each Subsidiary Guarantor.

“London Banking Day” means any day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“Margined Collateral Value” means, at any time, the sum of (a) for all Mortgaged Properties on which material improvements have been constructed thereon, the product of (i) 0.85 multiplied by (ii) the Initial Appraised Value of such Mortgaged Properties, plus (b) for all other Mortgaged

Properties, the product of (i) 0.75 multiplied by (ii) the Initial Appraised Value of such Mortgaged Properties.

“Material Adverse Effect” means (a) a material adverse effect on (i) the business, assets, properties, liabilities (actual or contingent), operations or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, (ii) the Mortgaged Properties, taken as a whole, or (iii) the ability of the Company and the Subsidiary Guarantors, taken as a whole, to perform their respective obligations under any Loan Document to which any of them is a party or (b) an adverse effect on the rights and remedies of the Lender under the Loan Documents.

“Maturity Date” means three hundred sixty-four (364) days after the date hereof; provided that if any date determined to be a “Maturity Date” is not a Business Day, such Maturity Date shall be the next preceding Business Day.

“Mortgage” or “Mortgages” means, individually and collectively, as the context requires, each of the fee mortgages, deeds of trust, deeds and other similar security documents executed by a Loan Party that purport to grant a Lien to the Lender (or a trustee for the benefit of the Lender) for the benefit of the Lender in any Mortgaged Properties, in form and substance satisfactory to the Lender.

“Mortgaged Property” means the owned property of the Loan Parties listed on Schedule 5.20(c), as supplemented from time to time in accordance with Section 2.18(b)(iii) and Section 2.19(b)(iii) following the addition of Additional Mortgaged Property or a Substitute Property as a Mortgaged Property, including all “Premises” referred to in the Security Instruments with respect to such Mortgaged Property; provided that a Release Property shall no longer constitute a Mortgaged Property after giving effect to the consummation of a Property Substitution or Prepayment Release with respect to such Release Property in accordance with Section 2.19.

“Mortgaged Property Support Documents” means with respect to the fee interest in any Mortgaged Property:

(a) a fully executed and notarized Mortgage encumbering the fee interest of the applicable Loan Party in such real property;

(b) if requested by the Lender in its sole discretion, maps or plats of an as-built survey of the sites of such real property certified to the Lender and the title insurance company issuing the policies referred to in clause (c) of this definition in a manner satisfactory to each of the Lender and such title insurance company, dated a date satisfactory to each of the Lender and such title insurance company by an independent professional licensed land surveyor, which maps or plats and the surveys on which they are based shall be sufficient to delete any standard printed survey exception contained in the applicable title policy and be made in accordance with the Minimum Standard Detail Requirements for Land Title Surveys jointly established and adopted by the American Land Title Association and the National Society of Professional Surveyors, Inc. in 2016 with items 2, 3, 4, 6(b), 7(a), 7(b)(1), 7(c), 8, 9, 10, 11, 13, 14, 16,17, 18 and 19 on Table A thereof completed;

(c) ALTA mortgagee title insurance policies issued by a title insurance company acceptable to the Lender with respect to such real property, assuring the Lender that the Mortgage covering such real property creates a valid and enforceable first priority mortgage lien on such real property, free and clear of all defects and encumbrances except Liens permitted under Section 7.01, which title insurance policies shall otherwise be in form and substance satisfactory to the Lender and shall include such endorsements as are requested by the Lender;

(d) (i) a completed “Life-of-Loan” Federal Emergency Management Agency Standard Flood Hazard Determination with respect to such real property (together with a notice about special flood hazard area status and flood disaster assistance duly executed by each Loan Party relating thereto) and (ii) if such real property is a Flood Hazard Property, Flood Requirements;

(e) if requested by the Lender, in such Person’s sole discretion, an environmental assessment report, as to such real property, in form and substance and from professional firms acceptable to the Lender;

(f) if requested by the Lender in its sole discretion, evidence reasonably satisfactory to the Lender that such real property, and the uses of such real property, are in compliance in all material respects with all applicable zoning Laws (the evidence submitted as to which should include the zoning designation made for such real property, the permitted uses of such real property under such zoning designation and, if available, zoning requirements as to parking, lot size, ingress, egress and building setbacks);

(g) copies of all Leases with respect to such real property and a fully executed and notarized subordination, non-disturbance and attornment agreement with respect to such real property and such Lease; and

(h) if requested by the Lender in its sole discretion, an opinion of legal counsel to the applicable Loan Party granting the Mortgage on such real property, addressed to the Lender, in form and substance reasonably acceptable to the Lender.

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“Multiple Employer Plan” shall mean a Plan which has two or more contributing sponsors (including the Company or any ERISA Affiliate) at least two of whom are not under common control, as such a plan is described in Section 4064 of ERISA.

“Net Cash Proceeds” means the aggregate cash or cash equivalents proceeds received by any Loan Party or any Subsidiary in respect of any Involuntary Disposition, net of (a) direct costs incurred in connection therewith, and (b) taxes paid or payable as a result thereof; it being understood that “Net Cash Proceeds” shall include, without limitation, any cash or cash equivalents

received upon the sale or other disposition of any non-cash consideration received by any Loan Party or any Subsidiary in any Involuntary Disposition.

“New Vehicle” means a Vehicle which has never been owned except by a manufacturer, distributor or dealer and (except in the case of Service Loaner Vehicles) has never been registered, and (notwithstanding clause (b) of the definition of “Vehicle”) includes Rental Vehicles and Demonstrators (each as defined in the Floorplan Credit Agreement) and Service Loaner Vehicles, in each case whether or not held for sale.

“New Vehicle Floorplan Facility” means the new vehicle floorplan facility described in Section 2.01 through 2.05 of the Floorplan Credit Agreement providing for revolving loans to certain Subsidiaries of the Company by the lenders party thereto.

“New Vehicle Floorplan Loan” has the meaning specified for such term in the Floorplan Credit Agreement.

“Note” means the promissory note made by the Company in favor of the Lender evidencing the Loan made by the Lender to the Company.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to the Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Connection Taxes” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Documents).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 3.05).

“Participant” has the meaning specified in Section 10.06(d).

“PBGC” means the Pension Benefit Guaranty Corporation.

“Pension Act” shall mean the Pension Protection Act of 2006.

“Pension Funding Rules” means the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) to Pension Plans and set forth in, with respect to plan years ending prior to the effective date of the Pension Act, Section 412 of the Code and Section 302 of ERISA, each as in effect prior to the Pension Act and, thereafter, Section 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

“Pension Plan” means any employee pension benefit plan (other than a Multiple Employer Plan or a Multiemployer Plan) that is maintained or is contributed to by the Company and any ERISA Affiliate and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

“Permitted Acquisition” means any Acquisition permitted by Section 7.12.

“Permitted Disposition” means any Disposition permitted by Section 7.05.

“Permitted Real Estate Indebtedness” means Indebtedness of the Company or a Subsidiary owing to non-Affiliated Persons secured solely by Liens on Permitted Real Estate Indebtedness Collateral so long as the amount of such Indebtedness (as measured for any specified real property parcel and improvements (if any) financed thereby) is no greater than eighty-five percent (85%) of the value of such parcel and improvements set forth in an appraisal thereof prepared by a member of the Appraisal Institute and an independent appraisal firm satisfactory to the Lender and commissioned in connection with such financing, a copy of which such appraisal has been provided to the Lender upon its request.

“Permitted Real Estate Indebtedness Collateral” means, with respect to any particular Permitted Real Estate Indebtedness, the applicable real property used (at the time of the incurrence of such Permitted Real Estate Indebtedness) by a Subsidiary of the Company for the operation of a vehicle dealership or a business ancillary thereto, together with related real property rights, improvements, fixtures (other than trade fixtures), insurance payments, leases and rents related thereto and proceeds thereof.

“Permitted Silo Guaranty” means, with respect to any Permitted Silo Indebtedness provided by any Silo Lender, the guaranty of such Indebtedness by (a) the Company or (b) any Subsidiary that operates one or more dealerships at which New Vehicle floorplan financing is provided by such Silo Lender.

“Permitted Silo Indebtedness” means Indebtedness (including Permitted Silo Guaranties) incurred from time to time by any of the Company’s current or future Subsidiaries consisting of floorplan financing for New Vehicles or Used Vehicles provided by financial institutions or manufacturer-affiliated finance companies (“Silo Lenders”) to such Subsidiaries, provided that (i) with respect to financing of Used Vehicles, the proceeds of such financing are used for purchasing and carrying Used Vehicles, and (ii) such indebtedness is secured by, in the case of Silo Lenders providing New Vehicle floorplan financing or New Vehicle and Used Vehicle floorplan financing, a lien on certain assets of such Subsidiaries (including New Vehicles and Used Vehicles financed (including related contracts-in-transit) and the proceeds thereof and certain general intangibles, but excluding real property and fixtures (other than trade fixtures)); provided that, Permitted Silo Indebtedness provided by a Silo Lender may be cross-collateralized with other Permitted Silo Indebtedness provided by such Silo Lender.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” shall mean any employee benefit plan within the meaning of Section 3(3) of ERISA (generally including a Pension Plan, but excluding a Multiemployer Plan and Multiple Employer Plan), maintained by the Company or, in the case of a Pension Plan, by an ERISA Affiliate, for employees of the Company or any ERISA Affiliate.

“Prepayment Release” has the meaning specified in Section 2.19(a).

“Principal Office” means the main banking office of the Lender in Detroit, Michigan.

“Pro Forma Compliance” means that the Company and its Subsidiaries are in pro forma compliance with the financial covenants set forth in Section 7.11 calculated as if the event with respect to which Pro Forma Compliance is being tested had occurred on the first day of each relevant period with respect to which current compliance with such financial covenant would be determined (for example, in the case of a financial covenant based on Consolidated EBITDAR, as if such event had occurred on the first day of the four fiscal quarter period ending on the last day of the most recent fiscal quarter in respect of which financial statements have been delivered pursuant to Section 6.01(a) or (b)). Pro forma calculations made pursuant to this definition that require calculations of Consolidated EBITDAR on a pro forma basis will be made in accordance with Section 1.03(d).

“Pro Forma Compliance Certificate” means, with respect to any event, a duly completed Compliance Certificate demonstrating Pro Forma Compliance for such event.

“Property Substitution” has the meaning specified in Section 2.19(a).

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

“QFC Credit Support” has the meaning specified in Section 10.22.

“Qualified Capital Stock” of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

“RCRA” means the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§6901 et seq.

“Recipient” means the Lender or any other recipient of any payment to be made by or on account of any obligation of any Loan Party hereunder.

“Redeemable Capital Stock” means any Capital Stock that, either by its terms or by the terms of any security into which it is convertible or exchangeable (at the option of the holders thereof), is or upon the happening of an event or passage of time would be, required to be redeemed prior to May 20, 2025 or is redeemable at the option of the holder thereof at any time prior to May 20, 2025 (other than upon a change of control of or sale of assets by the Company in circumstances where a holder of any 2013-5.0% Indenture Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to any such stated maturity at the option of the holder thereof.

“Register” has the meaning specified in Section 10.06(c).

“Registered Public Accounting Firm” has the meaning specified in the Securities Laws and shall be independent of the Company as prescribed in the Securities Laws.

“Related Acquisition or Related Proposed Acquisition” means, with respect to any specified Acquisition (a “Specified Acquisition”), any other Acquisition, or any proposed Acquisition subject to an Acquisition Arrangement, that in each case (a) is part of a related series of Acquisitions or proposed Acquisitions that includes the Specified Acquisition, (b) involves any seller or transferor that is a seller or transferor (or an Affiliate of a seller or transferor) involved in the Specified Acquisition and (c) occurs or is reasonably expected to occur within six (6) months before or after the date of the Specified Acquisition.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors, and representatives of such Person and of such Person’s Affiliates.

“Release Price” means, with respect to any Mortgaged Property, an amount equal to 75% of the Initial Appraised Value of such Mortgaged Property.

“Release Property” has the meaning specified in Section 2.19(a).

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

“Required Financial Information” has the meaning specified in the definition of “Restricted Subsidiary”.

“Responsible Officer” means the chief executive officer, president, chief financial officer, chief accounting officer, treasurer, assistant treasurer or controller of a Loan Party and solely for purposes of the delivery of incumbency certificate pursuant to Section 4.01, the secretary or assistant secretary of a Loan Party, and, solely for the purposes of notices given pursuant to Article

II, any other officer of the applicable Loan Party so designated by any of the foregoing officers in a notice to the Lender or any other officer of the applicable Loan Party designated in or pursuant to an agreement between the applicable Loan Party and the Lender. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party. To the extent requested by the Lender, each Responsible Officer will provide an incumbency certificate and to the extent requested by the Lender, appropriate authorization documentation, in form and substance satisfactory to the Lender.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to the stockholders, partners or members (or the equivalent Person thereof) of the Company or any Subsidiary.

“Restricted Subsidiary” means each direct or indirect Subsidiary of the Company that (i) has total assets (including Equity Interests in other Persons) of equal to or greater than \$10,000 (calculated as of the most recent fiscal period with respect to which the Lender shall have received financial statements required to be delivered pursuant to Sections 6.01(a) or (b) (or if prior to delivery of any financial statements pursuant to such Sections, then calculated based on the Audited Financial Statements) (the “Required Financial Information”), or (ii) has revenues (on a consolidated basis with its Subsidiaries) equal to or greater than \$10,000 for a period of four consecutive fiscal quarters (calculated for the most recent four fiscal quarter period for which the Lender has received the Required Financial Information); provided, however, that notwithstanding the foregoing, the term “Restricted Subsidiaries” (i) shall also include any Subsidiaries designated as “Restricted Subsidiaries” pursuant to the definition of “Unrestricted Subsidiaries” and (ii) shall not include any Special Purpose Insurance Captive.

“Revolving Administrative Agent” means, as applicable, Bank of America (in its capacity as the administrative agent under the Revolving Credit Agreement or any successor administrative agent under the Revolving Credit Agreement) serving as the collateral agent on behalf of the Secured Parties thereunder.

“Revolving Credit Agreement” means that certain Fourth Amended and Restated Credit Agreement dated as of November 30, 2016 among the Company, the Revolving Administrative Agent and the Revolving Lenders, as amended, supplemented or otherwise modified from time to time.

“Revolving Credit Facility” means the revolving credit facility described in the Revolving Credit Agreement providing for revolving loans to the Company by the Revolving Lenders.

“Revolving Lender” means each lender that has a commitment under the Revolving Credit Facility or, following termination of such commitments, has Revolving Facility Loans outstanding.

“Sanction(s)” means any sanction administered or enforced by the United States government (including without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“Sarbanes-Oxley” means the Sarbanes-Oxley Act of 2002.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Securities Laws” means the Securities Act of 1933, the Securities Exchange Act of 1934, Sarbanes-Oxley and the applicable accounting and auditing principles, rules, standards and practices promulgated, approved or incorporated by the SEC or the Public Company Accounting Oversight Board, as each of the foregoing may be amended and in effect on any applicable date hereunder.

“Security Instruments” means, collectively or individually as the context may indicate, the Mortgages and any related Mortgaged Property Support Documents and all other agreements, instruments and other documents, whether now existing or hereafter in effect, pursuant to which the Company, any other Loan Party, or any other Person shall grant or convey to the Lender for the benefit of the Lender, a Lien in, or any other Person shall acknowledge any such Lien in, property as security for all or any portion of the Obligations.

“Solvent” means, when used with respect to any Person, that at the time of determination:

- (a) the fair value of its assets (both at fair valuation and at present fair saleable value on an orderly basis) is in excess of the total amount of its liabilities, including contingent obligations; and
- (b) it is then able and expects to be able to pay its debts as they mature; and
- (c) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

“Sonic Financial” means Sonic Financial Corporation, a North Carolina corporation.

“Special Purpose Insurance Captive” means a Person which (a) at all times shall remain a wholly-owned Subsidiary of the Company or a Subsidiary Guarantor, (b) shall not engage in any business other than the provision of dealer physical damage insurance for new vehicle inventory, workers compensation insurance or healthcare insurance to the Company and its Subsidiaries, (c) if organized in North Carolina (or, in any other jurisdiction, to the extent otherwise permitted by Law) has its Equity Interests pledged pursuant to the Pledge Agreement (as defined in the Revolving Credit Agreement) and (d) has not and shall not (i) transfer any funds to any Person other than (x) payment in the ordinary course of business and on customary market terms of liability claims made by third parties against the Company and its Subsidiaries, (y) payment of its own business expenses in the ordinary course of business and on customary terms, and (z) distributions to the Company or any Subsidiary Guarantor; (ii) make any Investment (other than Investments permitted under applicable insurance guidelines and made in the Company’s reasonable business judgment) in any Person, (iii) incur any Indebtedness (other than Indebtedness from time to time owed to the

Company or any Subsidiary Guarantor) or grant a Lien on any of its assets (other than to secure Indebtedness owed to the Company or any Subsidiary Guarantor), (iv) provide any compensation to directors or employees other than on customary market terms for captive insurance companies or (v) have its Equity Interests pledged to any Person other than as described in clause (c) above. The parties hereto acknowledge that as of the date hereof, SRM Assurance, Ltd. is a Special Purpose Insurance Captive. A Special Purpose Insurance Captive shall not be permitted to have, acquire or form any direct or indirect Subsidiary.

“Specified Investment” means any Investment in any Person other than an Excluded Investment.

“Specified Loan Party” means any Loan Party that is not an “eligible contract participant” under the Commodity Exchange Act (determined prior to giving effect to Section 10.19).

“Subordinated Indebtedness” has the meaning given to such term in the Revolving Credit Agreement and the Floorplan Credit Agreement.

“Subordinated Indebtedness Prepayment” means any prepayment, redemption, purchase, defeasance, settlement in cash or other satisfaction prior to the scheduled maturity thereof of any Subordinated Indebtedness, provided, however, that “Subordinated Indebtedness Prepayment” shall not include any amount prepaid with the proceeds of the refinancing of such Subordinated Indebtedness with new or additional Subordinated Indebtedness.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Company and shall include, without limitation, the Unrestricted Subsidiaries.

“Subsidiary Guarantors” means, collectively, all Restricted Subsidiaries executing a Subsidiary Guaranty on the Closing Date and all other Subsidiaries that enter into a Joinder Agreement (other than any Subsidiary Guarantor that is released in accordance with the terms hereof).

“Subsidiary Guaranty” means the Subsidiary Guaranty Agreement made by the Subsidiary Guarantors in favor of the Lender substantially in the form of Exhibit E as supplemented from time to time by execution and delivery of Joinder Agreements pursuant to Section 6.14 and as otherwise supplemented, amended, or modified from time to time.

“Substitution Requirements” has the meaning specified in Section 2.19(b).

“Substitute Property” has the meaning specified in Section 2.19(a).

“Supported QFC” has the meaning specified in Section 10.22.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include the Lender or any Affiliate of the Lender).

“Synthetic Lease Obligation” means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Temporary Cash Investments” means (a) cash or (b) Investments held in the form of cash equivalents and short-term marketable securities.

“Temporary Excess Cash” means cash proceeds received by the Company from the issuance of Subordinated Indebtedness permitted by Section 7.03(i), which cash (as set forth in a notice delivered by the Company to the Lender within five (5) Business Days of the Company’s receipt of such cash proceeds) is intended by the Company to be applied to the prepayment or purchase (whether by open market purchase or pursuant to a tender offer) of other Subordinated Indebtedness, but has not yet been so applied solely because the Company has not completed such prepayment, repurchase or refinancing, so long as such cash is so applied within six (6) months of receipt thereof.

“Temporary Indebtedness” means Subordinated Indebtedness the Company intends to repay (whether by open market purchase or pursuant to a tender offer) using cash proceeds received by the Company from the issuance of other Subordinated Indebtedness permitted by Section 7.03(i); provided that, such applicable Subordinated Indebtedness shall only qualify as “Temporary Indebtedness” for so long as such cash proceeds qualify as “Temporary Excess Cash”.

“Threshold Amount” means \$20,000,000.

“United States” and “U.S.” mean the United States of America.

“Unrestricted Subsidiaries” means all Subsidiaries of the Company other than the Restricted Subsidiaries; provided that in no event shall the Unrestricted Subsidiaries as a whole have more than \$100,000 in total assets or more than \$100,000 in total revenues for a period of four consecutive fiscal quarters (in each case) calculated as of the most recent four fiscal quarter period for which the Lender has received the Required Financial Information; and if either such threshold is exceeded, the Company shall immediately designate one or more such Subsidiaries to be “Restricted Subsidiaries” and deliver to the Lender all documents specified in Section 6.14 for such Subsidiaries, so that after giving effect to such designation, the remaining Unrestricted Subsidiaries shall satisfy such requirements; provided, however, that notwithstanding the foregoing, the assets and revenues of Special Purpose Insurance Captives shall not be taken into account for the purposes of determining the Company’s compliance with, and its covenants relating to, the thresholds described in this definition.

“U.S. Person” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“U.S. Special Resolution Regimes” has the meaning specified in Section 10.22.

“U.S. Tax Compliance Certificate” has the meaning specified in Section 3.01(e)(ii)(B)(III).

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), provided that, any reference to a defined term in any such agreement, instrument or other document (including the Revolving Credit Agreement and the Floorplan Credit Agreement) which has been terminated shall have the meaning set forth in such document immediately prior to such termination, (ii) any reference herein to any Person shall be construed to include such

Person's successors and assigns, (iii) the words "hereto," "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms.

(a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein; provided that, all calculations of financial covenants shall reflect the results of both continuing operations and discontinued operations of the Company and its Subsidiaries, and in the event of any such discontinued operations, the Company shall provide subtotals for each of "continuing operations", "discontinued operations" and "consolidated operations". Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness of the Company and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof and the effects of FASB ASC 825 on financial liabilities shall be disregarded. In connection with the Company's delivery of financial statements hereunder, the Company shall deliver a reconciliation of the calculations of the financial covenants before and after giving effect to the adjustments from FASB ASC 825 described in this Agreement.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Company or the Lender shall so request, the Lender and the Company shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change

therein and (ii) the Company shall provide to the Lender financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Without limiting the foregoing, for purposes of determining compliance with Section 7.11, Leases shall continue to be classified and accounted for on a basis consistent with that reflected in the Audited Financial Statements for all purposes of this Agreement, notwithstanding any change in GAAP relating thereto, unless the parties hereto shall enter into a mutually acceptable amendment addressing such changes, as provided for above.

(c) Consolidation of Variable Interest Entities. All references herein to consolidated financial statements of the Company and its Subsidiaries or to the determination of any amount for the Company and its Subsidiaries on a consolidated basis or any similar reference shall, in each case, be deemed to include each variable interest entity that the Company is required to consolidate pursuant to FASB ASC 810 as if such variable interest entity were a Subsidiary as defined herein.

(d) Calculation of Consolidated EBITDAR, Consolidated Fixed Charges and Consolidated Rental Expense. Consolidated EBITDAR shall be calculated for any period by including the actual amount for such period, including the Consolidated EBITDAR attributable to Acquisitions permitted hereunder and occurring during such period and (to the extent otherwise included in Consolidated Net Income) excluding the Consolidated EBITDAR attributable to Permitted Dispositions of assets occurring during such period on a pro forma basis for the period from the first day of the applicable period through the date of the closing of each such permitted Acquisition or Permitted Disposition, utilizing (i) where available or required pursuant to the terms of this Agreement, historical audited and/or reviewed unaudited financial statements obtained from the seller, broken down by fiscal quarter in the Company's reasonable judgment or (ii) unaudited financial statements (where no audited or reviewed financial statements are required pursuant to the terms of this Agreement) reviewed internally by the Company, broken down in the Company's reasonable judgment; provided, however, that (x) any such pro forma adjustment of Consolidated EBITDAR shall reflect the Company's and the Subsidiaries' pro forma rental payments related to the assets acquired in any applicable Acquisition (and shall not reflect any rental expense payments of the applicable seller), and (y) any such pro forma adjustment of Consolidated EBITDAR shall not result in an increase of more than 10% of Consolidated EBITDAR prior to such adjustment, unless the Company provides to the Lender (A) the supporting calculations for such adjustment and (B) such other information as the Lender may reasonably request to determine the accuracy of such calculations. For purposes of determining "Consolidated Fixed Charges" for any period, the Consolidated Interest Expense, Consolidated Principal Payments and Consolidated Rental Expenses attributable to such Permitted Dispositions described above during such period may, at the option of the Company and subject to the consent of the Lender (which shall not be unreasonably withheld), be excluded therefrom.

1.04 Rounding. Any financial ratios required to be maintained by the Company pursuant to this Agreement shall be calculated by dividing the appropriate component by the other

component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

1.06 [Reserved].

1.07 [Reserved].

ARTICLE II

THE COMMITMENT AND CREDIT EXTENSION

2.01 Revolving Loan. Subject to the terms and conditions set forth herein, the Lender agrees to make Advances to the Company from time to time in Dollars on any Business Day during the Availability Period provided, that after giving effect to any requested Advance, the aggregate initial principal amount of all Advances made hereunder shall not exceed the Loan Cap in effect at the time of the proposed Advance.

2.02 [Reserved]

2.03 [Reserved].

2.04 [Reserved].

2.05 Prepayments.

(a) Optional. The Company may, upon notice to the Lender pursuant to delivery to the Lender of a Notice of Loan Prepayment, at any time or from time to time voluntarily prepay the Loan in whole or in part without premium or penalty subject to Section 3.06; provided that (i) such notice must be in a form acceptable to the Lender and be received by the Lender not later than 11:00 a.m. on the date of the prepayment; (ii) any prepayment of the Loan shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(b) Mandatory.

(i) The Company shall prepay the Loan as hereinafter provided in an aggregate amount equal to 100% of the Net Cash Proceeds received by any Loan Party from all Involuntary Dispositions with respect to Collateral within five (5) days of the date of receipt of such Net Cash Proceeds with respect to such Involuntary Disposition.

(ii) The Company shall prepay the Loan in connection with a Property Substitution or Prepayment Release in the amounts, and to the extent required, pursuant to Section 2.19.

(iii) All prepayments under this Section 2.05(b) shall be without premium or penalty, and shall be accompanied by interest on the principal amount prepaid through the date of prepayment.

2.06 [Reserved].

2.07 Repayment of Loan. The Company shall pay to the Lender all principal and interest not sooner paid on the Loan on the Maturity Date.

2.08 Interest.

(a) Interest Rate. The Loan and Advances hereunder shall bear interest at a rate equal to 385 basis points (the “Increment”) above the 1-M LIBOR Index Rate* (“1-M LIBOR Index Rate”).

(i) The interest rate will be increased or decreased by the same amounts as the increase or decrease in the 1-M LIBOR Index Rate effective on the first day of the next monthly billing period; and

(ii) Notwithstanding the foregoing, the 1-M LIBOR Index Rate is deemed to be .75 per annum if such rate was less than .75% per annum.

* The 1-M LIBOR Index Rate in effect for a monthly billing period will be the arithmetic mean of the 1-Month LIBOR rate for the calendar days from and including the 26th of the calendar month which is two months prior to the applicable monthly billing period and ending with the 25th of the month immediately preceding the applicable monthly billing period (the “Measurement Period”). The 1-Month LIBOR rate applicable to any day on which no rate is published will be the rate last quoted prior to such day.

The “1-Month LIBOR rate” means the per annum rate of interest for one month deposits in U.S. Dollars for each day of the Measurement Period that appears on the Bloomberg Screen US0001M Index (London Interbank Offered Rate administered by the British Bankers’ Association, New York Stock Exchange Euronext or other successor administrator for LIBOR) at approximately 11:00 a.m. London time, or if such source becomes unavailable or there is no such successor, the per annum rate of interest for one month deposits in U.S. Dollars for each day of the Measurement Period obtained from such other commercially available source providing quotations of LIBOR as Lender may designate.

The parties acknowledge that London Interbank Offered Rate (“LIBOR”) may be phased out in the future. In the event that Lender will no longer utilize a LIBOR-based rate for this Loan, the “1-M LIBOR Index Rate” will be re-defined as the successor base or reference rate applicable to this

Loan designated by Lender in its reasonable discretion. In such event, the Increment may also be adjusted by Lender so that the total interest rate paid by Borrower immediately after the conversion from the LIBOR-based rate will approximate the total interest rate paid by Borrower immediately prior to the conversion. Borrower will be notified of these changes, which will be made without requiring the necessity of an amendment to this Agreement.

(b) Accrual and Computation of Interest. Interest due and payable on the Loan:

(i) Accrues from the date of each Advance up to, but excluding, the date of repayment of all Loan amounts;

(ii) Will be computed as follows:

(A) 360/360 method for each monthly payment where the interest period runs from the first day of the month through the last day of the month, specifically:

$[\text{interest rate} / 12] \times \text{unpaid Principal balance}$

(B) 365/365 method for each monthly payment where the interest period runs from a day other than the first day of the month through the last day of that month, or from any day of the month through any day of that month that is not the last day of that month ("Irregular Interest Period"), specifically:

$[\text{number of days in Irregular Interest Period} / \text{number of days in that month}] \times [\text{interest rate} / 12] \times \text{unpaid principal balance}$

(C) Interest due for any Irregular Interest Period that results from prepayment will be calculated in the manner described in Paragraph III.C.2.b.ii above; and

(c) (i) If any amount of principal of the Loan or any portion thereof is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any amount (other than principal of the Loan) payable by the Company under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Lender, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iii) Upon the request of the Lender, while any Event of Default exists (other than as set forth in clauses (b)(i) and (b)(ii) above), the Company shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iv) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(d) Interest on the Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

(e) Interest as shown on the billing statement prepared by the Lender will be withdrawn by the Lender from the Company's pre-designated account on the due date designated in the billing statement or within five (5) calendar days after the due date (at the Lender's discretion) via ACH transaction or other electronic means. The Company will maintain sufficient funds in the account to cover the withdrawals for interest.

2.09 Fees.

(a) **Loan Fees.** The Company shall pay to the Lender a loan fees in the amounts of (i) the product of one quarter of one percent (0.25%) multiplied by the Loan Cap in effect on the date hereof, and (ii) upon increase in the Loan Cap as a result of subsequent increases in Margined Collateral Value, the product of one quarter of one percent (0.25%) multiplied by the amount of such increase in the Loan Cap.

(b) **Usage Fee.** The Company shall pay to the Lender a fee, payable quarterly, in arrears, on a calendar year basis, in an amount equal to one quarter of one percent (0.25%) per annum of the average unused portion of the Loan, as determined by the Lender.

2.10 [Reserved].

2.11 Evidence of Debt. The Advance made by the Lender shall be evidenced by one or more accounts or records maintained by the Lender in the ordinary course of business. The accounts or records maintained by the Lender shall be conclusive absent manifest error of the amount of the Advances made by the Lender to the Company and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Obligations of the Lender.

2.12 Payments Generally. All payments to be made by the Company shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Company hereunder shall be made to Lender at the Lender's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. All payments received by the Lender after 2:00

p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Company shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

2.13 [Reserved].

2.14 [Reserved].

2.15 [Reserved].

2.16 [Reserved].

2.17 Security.

(a) Security. As security for the full and timely payment and performance of all Obligations, the Company shall, and shall cause all other Loan Parties to, on or before the Closing Date, do or cause to be done all things reasonably necessary in the opinion of the Lender and its counsel to grant to the Lender a duly perfected security interest in all Collateral subject to no prior Lien or other encumbrance except as expressly permitted hereunder or under the other Loan Documents and with the priority identified in the Security Instruments. In addition, and without limiting the foregoing, the Company shall take and cause each other Loan Party to take such further action, and deliver or cause to be delivered such further documents and instruments, as required by the Security Instruments or otherwise as the Lender may reasonably request to create, perfect and maintain the effectiveness and priority of the Liens contemplated by this Section 2.17 and each of the Security Instruments.

(b) Further Assurances. At the request of the Lender from time to time, the Company will or will cause all other Loan Parties, as the case may be, to execute, by their respective Responsible Officers, alone or with the Lender, any certificate, instrument, financing statement, control agreement, statement or document, or to procure any certificate, instrument, statement or document or to take such other action (and pay all related costs) which the Lender reasonably deems necessary from time to time to create, continue or preserve the Liens in Collateral (and the perfection and priority thereof) of the Lender contemplated hereby and by the other Loan Documents.

2.18 Additional Mortgaged Properties.

(a) Additional Mortgaged Properties. Following the Closing Date, addition of tracts of real property owned by the Company or any of its Subsidiaries as Mortgaged Properties (each an "Additional Mortgaged Property") shall be subject to the satisfaction of the Additional Mortgaged Property Requirements.

(b) Additional Mortgaged Property Requirements. The addition of any Additional Mortgaged Property shall be subject to the following conditions precedent (collectively, the "Additional Mortgaged Property Requirements"):

(i) the Lender shall have received at least sixty (60) days prior written notice requesting the real property be added as an Additional Mortgaged Property;

(ii) the Lender shall have received a FIRREA-conforming appraisal for such property of the current value of such property as of a date that is within 12 months before the date of the addition of such real property as an Additional Mortgaged Property, which appraisal shall be in form and substance reasonably acceptable to the Lender;

(iii) the Lender shall have received (y) the Mortgaged Property Support Documents with respect to such proposed Additional Mortgaged Property and (z) an updated Schedule 5.20(c) that is true, correct and complete after giving effect to the addition of such Additional Mortgaged Property;

(iv) the Lender shall have received evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect, including endorsements naming the Lender as an additional insured and mortgagee, as the case may be, on all such insurance policies maintained with respect to such proposed Additional Mortgaged Property and the new Loan Parties following the completion of the addition of such Additional Mortgaged Property as a Mortgaged Property;

(v) unless waived by the Lender, the Company shall have paid all expenses of the Lender in connection with the addition of such Additional Mortgaged Property, including (i) real property diligence related expenses, including appraisal and environmental assessment fees, and (ii) fees, charges and disbursements of counsel to the Lender to the extent invoiced prior to or on the date of the addition of such Additional Mortgaged Property, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings with respect to the addition of such Additional Mortgaged Property (provided that such estimate shall not thereafter preclude a final settling of accounts between the Company and the Lender);

(vi) any Subsidiary of the Company that owns such Additional Mortgaged Property or leases or operates a vehicle dealership at such Additional Mortgaged Property shall have complied with the requirements of Section 6.14; and

(vii) the Additional Mortgaged Property shall otherwise be reasonably acceptable to the Lender.

(c) Flood Requirements. Notwithstanding anything to the contrary contained herein, if at any time Additional Mortgaged Property is to be pledged as a Mortgaged Property hereunder, the Lender shall not enter into, accept or record any Mortgage in respect of such Additional Mortgaged Property until the Lender shall have received written confirmation from the Lender (which may be delivered via electronic mail) that flood

insurance compliance has been completed by the Lender with respect to such Additional Mortgaged Property.

2.19 Substitution and Release of Mortgaged Property.

(a) Release. The Company may obtain the release of one or more Mortgaged Properties during the term of this Agreement (each herein called a “Release Property”) by (i) substituting such Release Property with a tract of owner occupied real property owned by the Company or one of its Subsidiaries (a “Substitute Property”) with respect to such Release Property (each such release and substitution herein called, a “Property Substitution.”), subject to the satisfaction of the Substitution Requirements, or (ii) making a prepayment of the Loan in the amount of the Release Price applicable to such Mortgaged Property, which prepayment shall be applied to the remaining principal balance of the Loan (including any payment due on the Maturity Date) (each such release, a “Prepayment Release”).

(b) Substitute Property. Each Property Substitution shall be subject to the satisfaction of the following conditions precedent (collectively, the “Substitution Requirements”):

(i) The Lender shall have received at least sixty (60) days prior written notice requesting the Property Substitution;

(ii) The Substitute Property shall (A) have an Appraised Value no less than the Initial Appraised Value of the applicable Release Property (or, if the Substitute Property has an Appraised Value of less than the Initial Appraised Value of the applicable Release Property, a prepayment of the Loan in an amount equal to 85% of the amount by which the Initial Appraised Value of the applicable Release Property exceeds the Appraised Value of the Substitute Property (the “Partial Release Price”), which Partial Release Price shall be due and payable at the time of Property Substitution, and shall have been received by the Lender, in immediately available funds, as a condition to such Property Substitution); provided that if such Substitute Property does not have material improvements constructed thereon, such Substitute Property shall have an Appraised Value of an amount such that 75% of Appraised Value of such Substitute Property equals 85% of the Initial Appraised Value of the applicable Release Property (or, if less, a prepayment of the Loan in an amount equal to 85% of such difference shall be due and payable at the time of Property Substitution, and shall have been received by the Lender, in immediately available funds, as a condition to such Property Substitution), and (B) be otherwise acceptable to the Lender.

(iii) The Lender shall have received (y) the Mortgaged Property Support Documents with respect to such Substitute Property and (z) an updated Schedule 5.20(c) that is true, correct and complete after giving effect to such Property Substitution;

(iv) The representations and warranties of the Company and each other Loan Party contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of such Property Substitution, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01;

(v) No Default or Event of Default shall exist, or would result from such Property Substitution;

(vi) The Lender shall have received evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect, including endorsements naming the Lender as an additional insured and mortgagee, as the case may be, on all such insurance policies maintained with respect to the Substitute Property and the new Loan Parties following the completion of the Property Substitution;

(vii) unless waived by the Lender, the Company shall have paid all expenses of the Lender in connection with such Property Substitution, including (i) real property diligence related expenses, including appraisal and environmental assessment fees, and (ii) fees, charges and disbursements of counsel to the Lender to the extent invoiced prior to or on the date of such Property Substitution, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings with respect to such Property Substitution (provided that such estimate shall not thereafter preclude a final settling of accounts between the Company and the Lender);

(viii) any Subsidiary of the Company that owns such Substitute Property or leases or operates a vehicle dealership at such Substitute Property shall have complied with the requirements of Section 6.14; and

(ix) the Property Substitution and the Substitute Property shall otherwise be reasonably acceptable to the Lender.

(c) Prepayment Release. Any Prepayment Release shall be subject to (i) receipt by the Lender of the Release Price, in immediately available funds, (ii) no Default or Event of Default shall exist, or would result from such Prepayment Release, and (iii) receipt of an updated Schedule 5.20(c) that is true, correct and complete after giving effect to the release of such Release Property.

(d) Further Assurances. After giving effect to any Property Substitution or Prepayment Release, the Lender agrees (at the expense of the Company) to execute, as

applicable, and deliver to the Company any such mortgage releases and other similar discharge or release documents, as are reasonably requested and necessary to release, as of record, the security interests in favor of the Lender under the Loan Documents in the applicable Release Property and each Subsidiary Guarantor that, after giving effect to such Property Substitution or Prepayment Release, is no longer required to be a Subsidiary Guarantor pursuant to Section 6.14.

(e) Flood Requirements. Notwithstanding anything to the contrary contained herein, if at any time Substitute Property is to be pledged as a Mortgaged Property hereunder, the Lender shall not enter into, accept or record any Mortgage in respect of such Substitute Property until the Lender shall have received written confirmation that flood insurance compliance has been completed by the Lender with respect to such Substitute Property.

(f) Pre-Approved Releases. Notwithstanding the foregoing provisions of this Section 2.19, the Lender shall release the following properties from the lien of its Mortgage upon request of the Company without the requirement that the Company provide Substitute Property or that the release or the Substitute Property be approved by the Lender as set forth above: (i) former EchoPark Dealership located at 9575 E. 40th Avenue, Stapleton, Colorado; (ii) former EchoPark Dealership located at 9525 E. 40th Avenue, Stapleton, Colorado; and (iii) former EchoPark Dealership located at 13412 Coal Mine Avenue, Littleton, Colorado.

ARTICLE III

TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes

(i) Any and all payments by or on account of any obligation of any Loan Party hereunder or under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of the Lender) require the deduction or withholding of any Tax from any such payment by the Lender or a Loan Party, then the Lender or such Loan Party shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If any Loan Party or the Lender shall be required by the Code to withhold or deduct any Taxes, including both United States Federal backup withholding and withholding taxes, from any payment, then (A) the Lender shall withhold or make such deductions as are determined by the Lender to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Lender shall timely pay the full amount withheld or deducted to

the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iii) If any Loan Party or the Lender shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment, then (A) such Loan Party or the Lender, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) such Loan Party or the Lender, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by the Company. Without limiting the provisions of subsection (a) above, the Company shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Lender timely reimburse it for the payment of, any Other Taxes.

(c) Tax Indemnifications. (i) The Company shall, and does hereby, indemnify each Recipient, and shall make payment in respect thereof within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Company by the Lender shall be conclusive absent manifest error. The Company shall, and does hereby, indemnify the Lender and shall make payment in respect thereof within 10 days after demand therefor, for any amount which Lender for any reason fails to pay indefeasibly to the Lender as required pursuant to Section 3.01(c)(ii) below.

(d) Evidence of Payments. Upon request by the Company or the Lender, as the case may be, after any payment of Taxes by the Company or by the Lender to a Governmental Authority as provided in this Section 3.01, the Company shall deliver to the Lender or the Lender shall deliver to the Company, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment,

a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Company or the Lender, as the case may be.

(e) **[Reserved]**.

(f) **[Reserved]**

(g) **Survival**. Each party's obligations under this **Section 3.01** shall survive any assignment of rights by, or the replacement of the Lender, the termination of the Commitment and the repayment, satisfaction or discharge of all other Obligations.

3.02 [Reserved].

3.03 [Reserved].

3.04 Increased Costs .

(a) **Increased Costs Generally**. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, the Lender (except for any reserve requirement reflected in the LIBOR Reserve Percentage); or

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto.

(b) **Capital Requirements**. If the Lender determines that any Change in Law affecting the Lender or any Lending Office of the Lender or the Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of this Agreement, the Commitment of the Lender or the Loan, to a level below that which the Lender or the Lender's holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy), then from time to time the Company will pay to the Lender, such additional amount or amounts as will compensate the Lender or the Lender's holding company for any such reduction suffered.

(c) **Certificates for Reimbursement**. A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Company shall be conclusive absent manifest error. The Company shall pay the Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of the Lender to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of the Lender's right to demand such compensation, provided that the Company shall not be required to compensate the Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that the Lender, notifies the Company of the Change in Law giving rise to such increased costs or reductions and of the Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

3.05 [Reserved].

3.06 [Reserved].

3.07 Survival. All of the Company's obligations under this Article III shall survive termination of the Aggregate Commitments, repayment of all other Obligations hereunder, and resignation of the Lender.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

4.01 Conditions Precedent to Effectiveness. The effectiveness of this Agreement is subject to satisfaction or waiver of the following conditions precedent:

(a) The Lender's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Lender:

(i) executed counterparts of (A) this Agreement, and (B) the Subsidiary Guaranty;

(ii) the Note executed by the Company in favor of the Lender;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Lender may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iv) such documents and certifications as the Lender may reasonably require to evidence that each Loan Party is duly organized or formed, and that each Loan Party is validly existing, in good standing and qualified to engage in business in the respective jurisdictions specified in Schedule 4.01, which includes each

jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(v) a favorable opinion of Parker Poe Adams & Bernstein LLP, counsel to the Loan Parties, addressed to the Lender in form and substance acceptable to the Lender (which shall include matters of Delaware, Tennessee, Texas, Georgia, California, Colorado, South Carolina, Florida and Federal Law) and such other matters concerning the Loan Parties and the Loan Documents as the Lender may reasonably request;

(vi) a favorable opinion of local counsel to the Loan Parties in Delaware, Tennessee, Texas, Georgia, California, Colorado, South Carolina and Florida, addressed to the Lender in form and substance satisfactory to the Lender;

(vii) a certificate of a Responsible Officer of the Company either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by such Loan Party and the validity against such Loan Party of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(viii) a certificate signed by a Responsible Officer of the Company certifying that (A) the representations and warranties of the Company and each other Loan Party contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the Closing Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, (B) no Default or Event of Default shall exist, and (C) that there has been no event or circumstance since the date of the Audited Financial Statements that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect;

(ix) a certificate signed by the chief executive officer, chief financial officer, treasurer, chief accounting officer or other Responsible Officer of the Company certifying that each Loan Party is Solvent, after giving effect to this Agreement and the other Loan Documents and the Indebtedness pursuant hereto and thereto;

(x) (A) a duly completed preliminary Compliance Certificate as of the last day of the fiscal quarter of the Company ended on March 31, 2020, signed by a Responsible Officer of the Company and (B) a calculation of the Loan Cap as of the Closing Date;

(xi) evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect, including endorsements naming

the Lender as an additional insured and loss payee, as the case may be, on all such insurance policies maintained with respect to properties of the Company or any Loan Party constituting part of the Collateral;

(xii) Mortgaged Property Support Documents with respect to the Mortgaged Properties;

(xiii) executed counterparts of an environmental indemnity agreement in form and substance reasonably acceptable to the Lender, with respect to the Mortgaged Properties;

(xiv) forecasts (including assumptions) prepared by the management of the Company of consolidated balance sheets, income statements and cash flow statements of the Company and its Subsidiaries in form and substance reasonably satisfactory to the Lender through fiscal year end 2023;

(xv) upon the reasonable request of the Lender, the Company shall have provided to the Lender, and the Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act, and any Loan Party that qualifies as a “legal entity customer” under the Beneficial Ownership Regulation shall have delivered to the Lender that so requests, a Beneficial Ownership Certification in relation to such Loan Party;

(xvi) (A) the audited consolidated financial statements of the Company and its subsidiaries for the fiscal year ended December 31, _____, and (B) the internally-prepared quarterly financial statements of the Company and its subsidiaries on a consolidated basis for each fiscal quarter ending at least 45 days prior to the Closing Date and (C) such other financial information as the Lender may reasonably request; and

(xvii) such other assurances, certificates, documents, consents or opinions as the Lender reasonably may require.

(b) Any upfront fees or other fees required to be paid to the Lender on or before the Closing Date pursuant to any Loan Document or the Existing Credit Agreement shall have been paid.

(c) Unless waived by the Lender, the Company shall have paid all expenses of the Lender owed pursuant to the Fee Letter, including (i) real property diligence related expenses, including appraisal fees, and (ii) the fees, charges and disbursements of counsel to the Lender to the extent invoiced prior to or on the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Company and the Lender).

Without limiting the generality of the provisions of Section 9.03, for purposes of determining compliance with the conditions specified in this Section 4.01, the Lender shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to the Lender.

4.02 Conditions to all Advances. The obligation of the Lender to honor any request for an Advance is subject to the following conditions precedent:

(a) The representations and warranties of the Company and each other Loan Party contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of such Advance, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01.

(b) No Default or Event of Default shall exist, or would result from such proposed Advance or from the application of the proceeds thereof.

(c) The Lender shall have received a request for an Advance in accordance with the requirements hereof.

Each request for an Advance submitted by the Company shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Advance.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Lender that:

5.01 Existence, Qualification and Power; Compliance with Laws. Each Loan Party and each Subsidiary thereof (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all franchises and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, and (d) is in compliance with all Laws; except in each case referred to in clause (b)(i), (c) or (d), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.02 Authorization; No Contravention. The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party, have been duly authorized

by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (i) any Contractual Obligation to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any Law. Each Loan Party and each Subsidiary thereof is in compliance with all Contractual Obligations referred to in clauses (b) and (c), except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.03 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document (other than (i) any such filing necessary or advisable to perfect in favor of the Lender, the Liens on the Collateral and (ii) any such approval, consent, exemption, authorization, other action, notice or filing that has been obtained, taken, given or made and is in full force and effect), except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.04 Binding Effect. This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by each Loan Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms.

5.05 Financial Statements; No Material Adverse Effect; No Internal Control Event.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Company and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Company and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness.

(b) Intentionally Omitted.

(c) Since the date of the Audited Financial Statements, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

(d) To the Company's best knowledge, no Internal Control Event, exists or has occurred since the date of the Audited Financial Statements that has resulted in or could reasonably be expected to result in a misstatement in any material respect, in any financial information delivered or to be delivered to the Lender, of (x) covenant compliance

calculations provided hereunder or (y) the assets, liabilities, financial condition or results of operations of the Company and its Subsidiaries on a consolidated basis.

5.06 Litigation. There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Company after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against the Company or any of its Subsidiaries or against any of their properties (including any Mortgaged Property) or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby, or (b) if determined adversely, could reasonably be expected to have a Material Adverse Effect. Schedule 5.06 (as supplemented by any written notices provided by the Company after the Closing Date pursuant to Section 6.02(a)) sets forth all actions, suits, proceedings, claims or disputes pending, or to the knowledge of the Company after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority seeking damages or other remedies in excess of the Threshold Amount or which if determined adversely, could reasonably be expected to have a Material Adverse Effect.

5.07 No Default. Neither the Company nor any Subsidiary is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.08 Ownership of Property. Each of the Company and each Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business (including, good record and marketable title in fee simple to the Mortgaged Properties), except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Collateral is subject to no Liens, other than Liens permitted by Section 7.01.

5.09 Environmental Compliance.

(a) The Company and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and any material claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof the Company has reasonably concluded that such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Each of the Mortgaged Properties and all operations at the Mortgaged Properties are in compliance with all applicable Environmental Laws, and there is no violation of any Environmental Law with respect to the Mortgaged Properties, and there are no conditions relating to the Mortgaged Properties that could give rise to any Environmental Liability, except, in each case, as could not reasonably be expected to have a Material Adverse Effect. There are no pending or, to the best knowledge of the Company, threatened claims or proceedings under Environmental Laws, including any such claims for liabilities under CERCLA relating to the disposal of Hazardous Materials, against any Mortgaged Property, or against any Loan Party with respect to any Mortgaged Property, except to the

extent that the aggregate effect of all such claims and proceedings could not reasonably be expected to have a Material Adverse Effect. There are no facts, circumstances, conditions or occurrences on any Mortgaged Property that, to the best knowledge of the Company, could reasonably be expected (i) to form the basis of any Environmental Liability against any Loan Party or any Mortgaged Property, or (ii) to cause any Mortgaged Property to be subject to any restrictions on the ownership, occupancy, use or transferability of such Mortgaged Property by the Loan Parties under any applicable Environmental Law, except to the extent that the aggregate effect of such facts, circumstances, conditions or occurrences could not reasonably be expected to have a Material Adverse Effect. Hazardous Materials have not been transported or disposed of from the Mortgaged Properties, or generated, treated, stored or disposed of at, on or under any of the Mortgaged Properties or any other location, in each case by or on behalf the Loan Parties in violation of, or in a manner that would be reasonably likely to give rise to liability under, any applicable Environmental Law, except as could not reasonably be expected to have a Material Adverse Effect. Hazardous Materials have not been released on or from any Mortgaged Property where such release, individually or in the aggregate, may reasonably be expected to have a Material Adverse Effect.

5.10 Insurance. The properties of the Company and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Company, in such amounts, with such deductibles and covering such risks as (i) are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Company or the applicable Subsidiary operates and (ii) satisfy the requirements of Section 6.07 and the Security Instruments.

5.11 Taxes. The Company and its Subsidiaries have filed all Federal, state and other material tax returns and reports required to be filed, and have paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Company or any Subsidiary that would, if made, have a Material Adverse Effect. Neither any Loan Party nor any Subsidiary thereof is party to any tax sharing agreement.

5.12 ERISA Compliance.

(a) Each Plan, and to the knowledge of the Company, each Multiemployer Plan and Multiple Employer Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Pension Plan which is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service to the effect that the form of such Pension Plan is qualified under Section 401(a) of the Code with respect to all plan document qualification requirements for which the applicable remedial amendment period has closed and that the trust related thereto has been determined to be exempt from federal income tax under Section 501(a) of the Code or an application for such a letter is currently being processed by the Internal Revenue Service. To the best knowledge of the Company, nothing has occurred that would prevent or cause the loss of such tax-qualified status.

(b) There are no pending or, to the best knowledge of the Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan or to the knowledge of the Company, any Multiemployer Plan or Multiple Employer Plan that could reasonably be expected to have a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has engaged in any prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan, Multiemployer Plan or Multiple Employer Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred with respect to any Pension Plan, or to the knowledge of the Company, any Multiemployer Plan or Multiple Employer Plan, and neither the Company nor any ERISA Affiliate is aware of any fact, event or circumstance that could reasonably be expected to constitute or result in an ERISA Event; (ii) the Company and each ERISA Affiliate has met all applicable requirements under the Pension Funding Rules in respect of each Pension Plan, and no waiver of the minimum funding standards under the Pension Funding Rules has been applied for or obtained; (iii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is 60% or higher and neither the Company nor any ERISA Affiliate knows of any facts or circumstances which would cause the funding target attainment percentage for any such plan to drop below 60% as of the most recent valuation date; (iv) neither the Company nor any ERISA Affiliate has incurred any liability to the PBGC other than for the payment of premiums, and there are no premium payments which have become due which are unpaid; and (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or Section 4212(c) of ERISA.

5.13 Subsidiaries; Equity Interests. As of the Closing Date, the Company has no Subsidiaries other than those specifically disclosed in Part (a) of Schedule 5.13, and all of the outstanding Equity Interests in such Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or its Subsidiaries in the amounts specified on Part (a) of Schedule 5.13 free and clear of all Liens. The Company has no equity investments in any other corporation or entity other than those specifically disclosed in Part(b) of Schedule 5.13. All of the outstanding Equity Interests in the Company have been validly issued and are fully paid and nonassessable.

5.14 Margin Regulations; Investment Company Act.

(a) The Company is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Company, any Person Controlling the Company, or any Subsidiary is or is required to be registered as an “investment company” under the Investment Company Act of 1940.

5.15 Disclosure. The Company has disclosed to the Lender all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No report, financial statement, certificate or other information furnished (whether in writing or orally) by or on behalf of any Loan Party to the Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

5.16 Compliance with Laws. Each of the Company and each Subsidiary is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.17 Intellectual Property; Licenses, Etc. The Company and its Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights (collectively, “IP Rights”) that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person, except where the failure to do so, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Company, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Company, threatened, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.18 Books and Records. Each of the Company and each Subsidiary maintains proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied have been made of all financial transactions and matters involving the assets and business of the Company or such Subsidiary, as the case may be.

5.19 [Reserved].

5.20 Collateral; Mortgaged Properties; Leases.

(a) The provisions of each of the Security Instruments are effective to create in favor of the Lender, a legal, valid and enforceable, perfected security interest (with the priority described therein) in all right, title and interest of each applicable Loan Party in the Collateral described therein, except as otherwise permitted hereunder.

(b) No Contractual Obligation to which any Loan Party is a party or by which the property of any Loan Party is bound prohibits the filing or recordation of any of the Loan Documents or any other action which is necessary or appropriate in connection with the perfection of the Liens on Collateral evidenced and created by any of the Loan Documents.

(c) As of the Closing Date, Schedule 5.20(c) lists all of the Mortgaged Properties and all Leases with respect to the Mortgaged Properties, and identifies the applicable Loan Party that owns the fee interest in such Mortgaged Property and the Loan Party that is the tenant under the Lease with respect to such Mortgaged Property.

(d) Each Mortgaged Property is assessed for real estate tax purposes as one or more wholly independent tax parcels, separate from any other real property, and no other real property is assessed and taxed together with any Mortgaged Property or any portion thereof.

(e) Each Mortgaged Property is served by public or private utilities (including water and sewer systems) required and adequate for the current or contemplated use thereof.

(f) Each Mortgaged Property complies in all material respects with the requirements and regulations of the ADA. At the Lender's written request from time to time, the Company shall provide the Lender with written evidence of such compliance satisfactory to the Lender. Subject to the terms of the applicable Lease and any obligations of the applicable tenant thereunder, the Company shall be solely responsible for all such ADA costs of compliance and reporting.

(g) (i) All existing Leases are in full force and effect and are enforceable in accordance with their respective terms, (ii) no material breach or default by any party, or event which would constitute a material breach or default by any party after notice or the passage of time, or both, is continuing under any existing Lease (iii) none of the landlord's interests under any of the Leases, including, but not limited to, rents, additional rents, charges, issues or profits, has been transferred or assigned, except pursuant to the Loan Documents, and (iv) no rent or other payment under any existing Lease has been paid by any tenant for more than one (1) month in advance (except a security deposit shall not be deemed rent collected in advance). True, correct and complete copies of all existing Leases (to the extent written, or a written summary of the material terms thereof, to the extent oral) have been delivered to the Lender (which delivery may be made by posting such Leases on the Platform).

(h) No Mortgaged Property is a Flood Hazard Property unless the Lender shall have received the following: (a) the applicable Loan Party's written acknowledgment of receipt of written notification from the Lender (i) as to the fact that such Mortgaged Property is a Flood Hazard Property, (ii) as to whether the community in which each such Flood Hazard Property is located is participating in the National Flood Insurance Program and (iii) such other flood hazard determination forms, notices and confirmations thereof as requested by the Lender and (b) copies of insurance policies or certificates of insurance of the applicable Loan Party evidencing flood insurance reasonably satisfactory to the Lender

and naming the Lender as loss payee. All flood hazard insurance policies required hereunder have been obtained and remain in full force and effect, and the premiums thereon have been paid in full.

5.21 Solvency. Both before and after giving effect to the Loan and advances under the Loan, each Loan Party is Solvent. On the Closing Date, both before and after giving effect to the Loan hereunder, each Loan Party is Solvent.

5.22 Labor Matters. As of the date hereof, to the Company's and its Subsidiaries' knowledge, there are no material labor disputes to which the Company or any of its Subsidiaries may become a party, including, without limitation, any strikes, lockouts or other disputes relating to such Persons' plants and other facilities.

5.23 Acquisitions. As of the Closing Date and as of the date of each Permitted Acquisition, all material conditions precedent to, all consents from applicable Governmental Authorities, and all other material consents necessary to permit, such Permitted Acquisition will have been obtained, satisfied, or waived (except that (i) no conditions imposed by the Loan Documents are so waivable other than with the consent of the Lender and (ii) no other conditions shall be waived if such waiver would materially adversely affect the benefits to be obtained by the Company or the Lender from such Acquisition), as the case may be.

5.24 Real Estate Indebtedness. The amount of any Indebtedness of the Company and its Subsidiaries secured by Liens on the real property and improvements financed thereby is no greater than eighty-five percent (85%) of the value of such real property and improvements as set forth in an appraisal of such real property and improvements prepared by an independent member of the Appraisal Institute certified appraiser in connection with such Indebtedness (which appraisal shall be delivered to Lender upon its request).

5.25 [Reserved].

5.26 [Reserved].

5.27 OFAC. Neither the Company, nor any of its Subsidiaries, nor any director or officer thereof, nor, to the knowledge of the Company and its Subsidiaries, any employee, agent, affiliate or representative of the Company or any of its Subsidiaries, is an individual or entity that is, or is owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) located, organized or resident in a Designated Jurisdiction, or (iii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority.

5.28 Anti-Corruption Laws. The Company and its Subsidiaries have conducted their businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010, and in all material respects with applicable anti-corruption laws and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

5.29 [Reserved].

5.30 Taxpayer Identification Number. The Company's true and correct U.S. taxpayer identification number is set forth on Schedule 10.02.

5.31 Beneficial Ownership Certificate. The information included in the Beneficial Ownership Certification, if applicable, is true and correct in all respects.

ARTICLE VI

AFFIRMATIVE COVENANTS

So long as the Lender shall have the Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, the Company shall, and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, and 6.03) cause each Subsidiary to:

6.01 Financial Statements. Deliver to the Lender, in form and detail satisfactory to the Lender:

(a) as soon as available, but in any event within ninety (90) days after the end of each fiscal year of the Company (or if earlier, fifteen (15) days after the date required to be filed with the SEC (without giving effect to any extension permitted by the SEC)):

(i) an audited consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal year, setting forth in comparative form the figures for the previous fiscal year, in reasonable detail and prepared in accordance with GAAP;

(ii) [Reserved];

(iii) the related audited consolidated statement of income or operations for such fiscal year setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP;

(iv) [Reserved];

(v) the related audited consolidated statements of stockholders' equity and cash flows for such fiscal year setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP; such consolidated financial statements to be audited and accompanied by (x) a report and opinion of a Registered Public Accounting Firm of nationally recognized standing reasonably acceptable to the Lender as to whether such financial statements are free of material misstatement, which report and opinion shall be prepared in accordance with audit standards of the Public Company Accounting Oversight Board and applicable Securities Laws and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit or with respect to the absence of material misstatement; and (y) (A) management's assessment of the effectiveness of the

Company's internal controls over financial reporting as of the end of such fiscal year of the Company as required in accordance with Item 308 of SEC Regulation S-K expressing a conclusion which contains no statement that there is a material weakness in such internal controls, except for such material weaknesses as to which the Lender does not object, and (B) an attestation report of such Registered Public Accounting Firm on management's assessment of, and the opinion of the Registered Public Accounting Firm independently assessing the effectiveness of, the Company's internal controls over financial reporting in accordance with Item 308 of SEC Regulation S-K, PCAOB Auditing Standard No. 2 and Section 404 of Sarbanes-Oxley and expressing a conclusion which contains no statement that there is a material weakness in such internal controls, except for such material weakness as to which the Lender does not object, and such consolidating statements to be certified by a Responsible Officer of the Company to the effect that such statements are fairly stated in all material respects when considered in relation to the consolidated financial statements of the Company and its Subsidiaries;

(b) as soon as available, but in any event within forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year of the Company (or if earlier, five days after the date required to be filed with the SEC (without giving effect to any extension permitted by the SEC)):

(i) an unaudited consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal quarter, setting forth in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year, in reasonable detail and prepared in accordance with GAAP;

(ii) [Reserved];

(iii) the related unaudited consolidated statement of income or operations for such fiscal quarter (and the portion of the Company's fiscal year then ended) setting forth in each case in comparative form the figures for the corresponding fiscal quarter (and portion) of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP;

(iv) Reserved];

(v) the related unaudited consolidated statements of stockholders' equity and cash flows for such fiscal quarter (and the portion of the Company's fiscal year then ended) setting forth in comparative form the figures for the corresponding fiscal quarter (and portion) of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP;

such consolidated and consolidating financial statements described in this Section 6.01(b) to be unaudited and certified by a Responsible Officer of the Company as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Company and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes;

(c) if requested by the Lender, as soon as available, but in any event within thirty (30) days after the end of each calendar month (including December, but excluding the last month of the fiscal quarter periods described in Section 6.01(b)) of each fiscal year of the Company (or if earlier than such 30th day, five days after the date required to be filed with the SEC (without giving effect to any extension permitted by the SEC)):

(i) an unaudited consolidated balance sheet of the Company and its Subsidiaries as at the end of such calendar month, setting forth in comparative form the figures for the corresponding calendar month of the previous fiscal year, in reasonable detail and prepared in accordance with GAAP;

(ii) [Reserved];

(iii) the related unaudited consolidated statement of income or operations for such calendar month (and the portion of the Company's fiscal year then ended) setting forth in each case in comparative form the figures for the corresponding calendar month (and portion) of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP;

(iv) [Reserved];

(v) the related unaudited consolidated statements of stockholders' equity and cash flows for such calendar month (and the portion of the Company's fiscal year then ended) setting forth in comparative form the figures for the corresponding calendar month (and portion) of the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP;

such consolidated and consolidating financial statements described in this Section 6.01(c) to be unaudited and certified by a Responsible Officer of the Company as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Company and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes.

(d) as requested by the Lender, financial statements for any Special Purpose Insurance Captives.

As to any information contained in materials furnished pursuant to Section 6.02(g), the Company shall not be separately required to furnish such information under clause (a), (b), (c) or (d) above, but the foregoing shall not be in derogation of the obligation of the Company to furnish the information and materials described in clauses (a), (b), (c) and (d) above at the times specified therein.

6.02 Certificates; Other Information. Deliver to the Lender, in form and detail satisfactory to the Lender:

(a) Concurrently with:

(i) the delivery of the financial statements referred to in Section 6.01(a) and (b) and (if such monthly financial statements are requested by the Lender) Section 6.01(c), (A) a duly completed Compliance Certificate signed by a Responsible Officer of the Company, including the calculation of the financial covenants set forth in Section 7.11(a), (b) and (c) and (B) a schedule (which such schedule may be included in the Compliance Certificate delivered with respect to such period) describing all actions, suits, proceedings, claims or disputes pending, or to the knowledge of the Company after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority seeking damages or other remedies in excess of the Threshold Amount;

(ii) the delivery of the financial statements referred to in Section 6.01(c) (with respect to each January, February, April, May, July, August, October and November), if requested by the Lender, a duly completed Compliance Certificate signed by a Responsible Officer of the Company, but only including the calculation of the financial covenant set forth in Section 7.11(a);

(iii) the delivery of the financial statements referred to in Section 6.01(a), financial projections for the 12 months succeeding the date of such financial statements, such projections to be prepared by management of the Company, in form satisfactory to the Lender; and

(iv) any event described herein requiring Pro Forma Compliance, a duly completed Pro Forma Compliance Certificate (including the calculation of the financial covenants set forth in Section 7.11(a), (b) and (c)) signed by a Responsible Officer of the Company;

(b) to the extent any Loan Party qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, an updated Beneficial Ownership Certification promptly following any change in the information provided in the Beneficial Ownership Certification delivered to the Lender in relation to such Loan Party that would result in a change to the list of beneficial owners identified in such certification;

(c) [Reserved]

(d) in the event of any Acquisition, the certificates and information required by Section 7.12;

(e) [Reserved]

(f) [Reserved]

(g) promptly after any request by the Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Company by independent accountants in connection with the accounts or books of the Company or any Subsidiary, or any audit of any of them;

(h) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Company, and copies of all annual, regular, periodic and special reports and registration statements which the Company may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Lender pursuant hereto;

(i) promptly, and in any event within five Business Days after receipt thereof by any Loan Party or any Subsidiary thereof, copies of each notice or other correspondence received from the SEC (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation by such agency regarding financial or other operational results of any Loan Party or any Subsidiary thereof;

(j) promptly after any request by the Lender, copies of any non-cancelable purchase and sale agreement referenced in the definition of “Consolidated Current Assets”;

(k) concurrently with the delivery to other lenders, copies of all certifications of compliance with financial covenants as required by such other lenders; and

(l) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Subsidiary, or compliance with the terms of the Loan Documents, as the Lender may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01(a), (b) or (c) or Section 6.02(g) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Company posts such documents, or provides a link thereto on the Company’s website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Company’s behalf on an Internet or intranet website, if any, to which the Lender and the Lender have access (whether a commercial, third-party website or whether sponsored by the Lender); provided that: (i) the Company shall deliver paper copies of such documents to the Lender that requests the Company to deliver such paper copies until a written request to cease delivering paper copies is given by the Lender and (ii) the Company shall notify the Lender and (by telecopier or electronic mail) of the posting of any such documents and provide to the Lender by electronic mail electronic versions (i.e., soft copies) of such documents. The Lender shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request for delivery, and the Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

6.03 Notices. Promptly notify the Lender:

(a) of the occurrence of any Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary; (ii) any notice or correspondence

from or on behalf of the applicable franchisor, distributor or manufacturer, the Company or any Subsidiary alleging that any such event has occurred with respect to any Franchise Agreement or Framework Agreement, (iii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority which such dispute, litigation, investigation, proceeding or suspension arising under this clause (iii) has resulted or could reasonably be expected to result in a Material Adverse Effect; or (iv) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary, including pursuant to any applicable Environmental Laws, where the result of such event arising under this clause (iv) has resulted or could reasonably be expected to result in a Material Adverse Effect;

(c) of the occurrence of any ERISA Event with respect to a Pension Plan, and subject to notification to the Company, with respect to a Multiemployer Plan or Multiple Employer Plan;

(d) of any material change in accounting policies or financial reporting practices by the Company or any Subsidiary;

(e) the Registered Public Accounting Firm's determination or the Company's determination at any time of the occurrence or existence of any Internal Control Event;

(f) [Reserved];

(g) [Reserved];

(h) [Reserved]; and

(i) of one or more of the following environmental matters: (i) any notice of any material claim under Environmental Laws relating to any Mortgaged Property; (ii) any condition or occurrence on or arising from any Mortgaged Property that (x) results in noncompliance in any material respect by the Company with any applicable Environmental Law or (y) could reasonably be expected to form the basis of a material claim under Environmental Laws against a Loan Party or any such Mortgaged Property; (iii) any condition or occurrence on any Mortgaged Property that could reasonably be expected to cause such Mortgaged Property to be subject to any material restrictions on the ownership, occupancy, use or transferability by the Loan Parties under any Environmental Law; and (iv) any material removal or remedial actions to be taken in response to the actual or alleged presence or release of any Hazardous Material on any Mortgaged Property as required by any Environmental Law or any Governmental Authority.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Company setting forth details of the occurrence referred to therein and stating what action the Company has taken and proposes to take with respect thereto. Each notice pursuant to [Section 6.03\(a\)](#) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

6.04 Payment of Obligations. Pay and discharge as the same shall become due and payable (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

6.05 Preservation of Existence, Etc.. (a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization except in a transaction permitted by Section 7.04 or 7.05; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.06 Maintenance of Properties; Repairs. (a) Maintain, preserve and protect the Mortgaged Properties and all of its other material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) use the standard of care typical in the industry in the operation and maintenance of its facilities.

6.07 Maintenance of Insurance.

(a) (i) Maintain with financially sound and reputable insurance companies not Affiliates of the Company or any Subsidiary, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business and otherwise as required by the Security Instruments; (ii) maintain general public liability insurance at all times with financially sound and reputable insurance companies not Affiliates of the Company or any Subsidiary, against liability on account of damage to persons and property; and (iii) maintain insurance to the extent required under all applicable workers' compensation laws and against loss by reason of business interruption with such insurance policies to be in form reasonably satisfactory to the Lender. Each of the policies described in this Section 6.07 shall provide that the insurer shall give the Lender not less than thirty (30) days' (or ten (10) days' in the case of termination for non-payment) prior written notice before any material amendment to any such policy by endorsement or any lapse, termination or cancellation thereof, each such policy of liability insurance shall list the Lender as an additional insured, and each such policy of casualty insurance with respect to the Mortgaged Properties shall list the Lender as lenders loss payable and mortgagee in accordance with Schedule 6.07 and, in each case, in form and substance satisfactory to the Lender.

(b) Without limitation of the foregoing, the Loan Parties shall keep each of the Mortgaged Properties insured during the term of this Agreement, for the mutual benefit of the Loan Parties and the Lender, against fire and such other hazards that would be covered

by an insurance policy issued on a Special Form Cause of Loss (“All Risk”) basis (“Casualty Policy”), in accordance with the insurance requirements set forth on Schedule 6.07.

(c) Any insurance proceeds paid in connection with damage to any Mortgaged Property will be paid to the Lender and applied in the following manner:

(i) first, to the costs and expenses, including attorney’s fees related to the insured loss; and

(ii) then, at the Lender’s sole, absolute discretion, to one ore more of the following:

A. To restore or repair the Mortgaged Property adversely impacted by the insured loss;

B. To reduce the outstanding balance of the Loan or any Obligation;

C. If no Default has occurred or is imminent and the damage to the Mortgaged Property is not deemed a total loss by the Borrower’s insurance carrier, the Lender may provide the insurance proceeds to Borrower for restoration or repair of the Mortgaged Property adversely impacted by the insured loss.

(d) With respect to any check or instrument representing the insurance proceeds:

(i) If made payable jointly to Borrower and the Lender, then Borrower immediately will endorse it to the Lender and provide it to the Lender for handling in accordance with subparagraph 6.07(c); and

(ii) If made payable to Borrower only, Borrower immediately will endorse it to the Lender for handling in accordance with subparagraph 6.07(c) above.

(e) The Loan Parties shall (i) maintain fully paid flood hazard insurance on all Flood Hazard Properties constituting Collateral, on such terms and in such amounts as required by The National Flood Insurance Reform Act of 1994 or as otherwise required by the Lender, (ii) furnish to the Lender evidence of the renewal (and payment of renewal premiums therefor) of all such policies prior to the expiration or lapse thereof, and (iii) furnish to the Lender prompt written notice of any redesignation of any Mortgaged Property into or out of a special flood hazard area.

6.08 Compliance with Laws and Contractual Obligations.

(a) Comply in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees and all Contractual Obligations applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings

diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

(b) Without limitation the generality of the foregoing, of any of the provisions hereof, the Loan Parties: (i) shall comply with, and maintain all Mortgaged Properties in compliance in all material respects with, any applicable Environmental Laws; (ii) shall obtain and maintain in full force and effect all material governmental approvals required for its operations at or on the Mortgaged Properties by any applicable Environmental Laws; (iii) shall cure as soon as reasonably practicable any material violation of applicable Environmental Laws with respect to the Mortgaged Properties; (iv) shall not, and shall not permit any other Person to, own or operate on any of the Mortgaged Properties, any landfill or dump or hazardous waste treatment, storage or disposal facility as defined pursuant to the RCRA, or any comparable state law; and (v) shall not use, generate, treat, store, release or dispose of Hazardous Materials at or on any Mortgaged Property except in the ordinary course of its business and in compliance in all material respects with all Environmental Laws.

6.09 Books and Records. Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company or such Subsidiary, as the case may be.

6.10 Inspection Rights; Environmental Reports.

(a) Permit representatives and independent contractors of the Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; provided, however, that when an Event of Default exists the Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Company at any time during normal business hours and without advance notice. After the occurrence and during the continuation of an Event of Default, the Lender may obtain, at the cost of the Company, a re-appraisal of any Mortgaged Property and the Loan Parties shall fully cooperate with the Lender and the appraiser in obtaining the necessary information to prepare such re-appraisal.

(b) At the written request of the Lender from time to time, provide to the Lender within seventy-five (75) days (or such longer period as the Lender permits in its sole discretion) after such request, at the expense of the Company, an environmental site assessment report for any Mortgaged Property at which the Lender reasonably believes that a material violation of Environmental Laws has occurred, prepared by an environmental consulting firm acceptable to the Lender, indicating the presence or absence of Hazardous Materials and the estimated cost of any compliance, removal or remedial action in connection with any Hazardous Materials on such Mortgaged Property. Without limiting the generality of the foregoing, if the Lender determines at any time that a material risk exists that any such report will not be provided within the time referred to above, the Lender may

retain an environmental consulting firm to prepare such report at the expense of the Company, and the Company hereby grants at the time of such request to the Lender, such firm and any agents or representatives thereof an irrevocable non-exclusive license, subject to the rights of tenant, to enter onto their respective Mortgaged Properties to undertake such an assessment.

6.11 Condemnation. Borrower will give the Lender written notice of any proceeding regarding any temporary or permanent taking of any or all of the Mortgaged Property by exercise of the right of eminent domain, inverse condemnation, or similar injury or damage to, or decrease in value of, the Mortgaged Property, including severance and change in the grade of any streets ("**Condemnation Proceeding**"), and:

- a. Borrower will promptly deliver to the Lender copies of all documents Borrower delivers or receives relating to the Condemnation Proceeding;
- b. Borrower will file, defend, and/or prosecute its claim in the Condemnation Proceeding, including the interest of Trustee of any Security Instrument or the Lender, as applicable, with due diligence to final conclusion;
- c. In its sole, absolute discretion, the Lender may participate in the Condemnation Proceeding and be represented by counsel of its choice, and Borrower will provide such documents and information to the Lender to permit full participation in the Condemnation Proceeding;
- d. Any condemnation award or other proceeds from the Condemnation Proceeding ("**Condemnation Award**") will be paid to the Lender and applied in the following order:
 - i. First to the Lender's costs and expenses incurred in connection with the Condemnation Proceeding, including without limitation, attorney fees; and
 - ii. Then at the Lender's sole, absolute discretion:
 - A. To reduce the outstanding balance of the Loan or any other Obligation;
 - B. To restore or repair the Mortgaged Property and/or Collateral adversely impacted by the Condemnation Proceeding; or
 - C. If no Default has occurred or is imminent, the Lender will deliver the Condemnation Award to Borrower for restoration or repair of the Mortgaged Property or improvements adversely impacted by the Condemnation Proceeding; and

- e. With respect to any check or instrument representing the condemnation proceeds:
- i. If made payable jointly to Borrower and the Lender, then Borrower immediately will endorse it to the Lender and provide it to the Lender for handling in accordance with subparagraph 6.11(d) above; and
 - ii. If made payable to Borrower only, the Borrower immediately will endorse it to the Lender and provide to the Lender for handling in accordance with subparagraph 6.11(d).

6.12 [Reserved].

6.13 [Reserved].

6.14 Additional Subsidiaries. Cause each Subsidiary of the Company that owns any fee interest in a Mortgaged Property, or leases or operates a vehicle dealership at any Mortgaged Property, to be a Subsidiary Guarantor, and cause any such Subsidiary that is not a Subsidiary Guarantor, to promptly deliver to the Lender:

(i) a Joinder Agreement duly executed by such Subsidiary with all schedules and information thereto appropriately completed;

(ii) unless the Lender expressly waives such requirement in accordance with Section 10.01, an opinion or opinions of counsel to such Subsidiary dated as of the date of delivery of such Joinder Agreements (and other Loan Documents) provided for in this Section 6.14 and addressed to the Lender, in form and substance acceptable to the Lender;

(iii) the documents described in Sections 4.01(a)(iii), (iv), (vii), (xi) and (xiii) with respect to such Subsidiary; and

(iv) evidence satisfactory to the Lender that all taxes, filing fees, recording fees and other related transaction costs have been paid; provided that the Lender shall not enter into or accept any joinder of a Subsidiary pursuant to this Section 6.14 until the Lender shall have completed its applicable diligence under “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act, and the Beneficial Ownership Regulation.

6.15 Further Assurances. Execute, acknowledge, deliver, and record or file such further instruments, including, without limitation, further security agreements, financing statements, and continuation statements, and do such further acts as may be reasonably necessary, desirable, or proper to carry out more effectively the purposes of this Agreement, to protect the Liens granted in this Agreement or the Loan Documents to which any Loan Party is a party and against the rights or interests of third Persons, including without limitation, if requested by the Lender in its reasonable judgment or pursuant to its regulatory practice, flood hazard certifications and, if any applicable real

property or contents are in a Flood Hazard Property, Flood Requirements, and the Company will pay all reasonable costs connected with any of the foregoing.

6.16 [Reserved].

6.17 Notices regarding Indebtedness. At the time the Company or any Loan Party enters into any Subordinated Indebtedness or Additional Unsecured Indebtedness, the Company shall deliver to the Lender a certificate, in form and substance acceptable to the Lender, attaching copies of all material documentation relating to such Subordinated Indebtedness or Additional Unsecured Indebtedness, stating the amount of such Indebtedness and certifying that (i) such Indebtedness complies with the requirements of Sections 7.15 and 7.09 and the definition of “Subordinated Indebtedness” or “Additional Unsecured Indebtedness”, as applicable, and (ii) no Event of Default shall have occurred and be continuing or would occur as a result thereof.

6.18 [Reserved].

6.19 [Reserved].

6.20 Anti-Corruption Laws. Conduct its businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010, and other similar corruption legislation in other jurisdictions, and maintain policies and procedures designed to promote and achieve compliance with such laws.

6.21 Leases. The Loan Parties shall comply in all material respects with each Lease. The Loan Parties shall not amend or change, or allow to be amended or changed any Lease to reduce rent thereunder or in any other manner materially adverse to the rights of the Lender without the written consent of the Lender; provided that, at all times, each tenant under each Lease shall be a Loan Party. No Loan Party shall enter into any new Lease, or terminate or accept the termination of any Lease, without in each case obtaining the prior written consent of the Lender.

ARTICLE VII

NEGATIVE COVENANTS

So long as the Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, the Company shall not, nor shall it permit any Subsidiary to, directly or indirectly:

7.01 Liens. Create, incur, assume or suffer to exist any Lien upon any of the Collateral, other than the following:

(a) Liens pursuant to any Loan Document;

(b) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(c) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person; and

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than thirty (30) days or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person.

7.02 Investments. Make any Investments, except:

(a) Investments held by the Company or such Subsidiary in the form of cash equivalents or short-term marketable securities;

(b) advances to officers, directors and employees of the Company and Subsidiaries in an aggregate amount not to exceed \$5,000,000 at any time outstanding, for travel, entertainment, relocation and analogous ordinary business purposes;

(c) Investments of the Company in any Subsidiary Guarantor and Investments of any Subsidiary Guarantor in the Company or in another Subsidiary Guarantor;

(d) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;

(e) Guarantees permitted by Section 7.03;

(f) Acquisitions permitted by Section 7.12;

(g) [Reserved];

(h) Buyer Notes obtained by the Company or a Subsidiary in connection with a Disposition permitted by Section 7.05(h), provided, however, that the aggregate amount of all such Investments at any one time shall not exceed \$10,000,000;

(i) Investments made in connection with the Company's supplemental executive retirement plan, as the same may be amended, so long as such Investments do not exceed \$5,000,000 in any given calendar year;

(j) Investments in Special Purpose Insurance Captives, such Investments not to exceed \$25,000,000 in the aggregate over the term of the Obligations hereunder; and

(k) other Investments not exceeding \$10,000,000 in the aggregate in any fiscal year of the Company.

7.03 Intentionally Omitted.

7.04 Fundamental Changes. Merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default exists or would result therefrom:

(a) any Subsidiary may merge with (i) the Company, provided that the Company shall be the continuing or surviving Person, or (ii) any one or more other Subsidiaries, provided that when any Subsidiary Guarantor is merging with another Subsidiary, the Subsidiary Guarantor shall be the continuing or surviving Person;

(b) subject to Section 6.14, any Subsidiary may merge into or consolidate with another Person in order to consummate an Acquisition permitted by Section 7.12; provided that (i) if the Company is a party to any such merger or consolidation, the Company is the survivor thereof, and (ii) except as described in clause (i) above, if a Subsidiary Guarantor is a party to any such merger or consolidation, a Subsidiary Guarantor is the survivor thereof;

(c) any Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Company or to another Subsidiary;

(d) any Subsidiary may Dispose of all or substantially all of its assets to or in favor of any Person in one transaction or in a series of transactions, provided that such Disposition or Dispositions satisfy the requirements of Section 7.05(h); and

(e) any Subsidiary which has Disposed of all or substantially all of its assets in accordance with the terms of this Agreement may be dissolved or have its entity status terminated; provided, however, that the Loan Parties shall not make any Disposition in respect of any Collateral.

7.05 Dispositions. Make any Disposition or enter into any agreement to make any Disposition, except:

(a) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;

(b) Dispositions of inventory in the ordinary course of business;

(c) Dispositions of equipment or real property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition are reasonably promptly applied to the purchase price of such replacement property;

(d) Dispositions of property by any Subsidiary to the Company or to a Subsidiary of the Company that is a “Subsidiary Guarantor” under (and as defined in) the Revolving Credit Agreement and the Floorplan Credit Agreement;

(e) Dispositions permitted by Section 7.04;

(f) Dispositions by the Company and its Subsidiaries of property pursuant to sale-leaseback transactions, provided that the book value of all property so Disposed of shall not exceed \$50,000,000 in any fiscal year;

(g) Dispositions of retail installment sales contracts and related intangible property arising from the sale or lease of vehicles, assets, or services in the ordinary course of business;

(h) Dispositions by the Company and its Subsidiaries not otherwise permitted under this Section 7.05; provided that at the time of such Disposition, no Default shall exist or would result from such Disposition; provided, however, that, other than Dispositions of obsolete or worn out fixtures (which may be considered to be part of a Mortgaged Property) in the ordinary course of business, the Loan Parties shall not make any Disposition in respect of any Collateral except for any Disposition permitted above with respect to a Release Property, subject to the satisfaction of the conditions applicable to the Property Substitution or Prepayment Release with respect to such Release Property in accordance with Section 2.19; and

(i) Dispositions of Mortgaged Properties by the Company and its Subsidiaries which satisfy the conditions of Section 2.19 herein with respect to a Property Substitution or a Prepayment Release, as applicable.

7.06 Restricted Payments. Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that, so long as no Default shall have occurred and be continuing at the time of any action described below or would result therefrom:

(a) each Subsidiary may make Restricted Payments to the Company and any Subsidiaries of the Company that are “Subsidiary Guarantors” under (and as defined in) the Revolving Credit Agreement and the Floorplan Credit Agreement;

(b) the Company may declare and make dividend payments or other distributions payable solely in the common stock or other common Equity Interests of such Person;

(c) any Loan Party may make “net share settlements” of vested restricted stock for tax withholding;

(d) [Reserved];

(e) [Reserved];

(f) the Company may declare and make cash dividends in an aggregate amount per fiscal quarter of up to \$0.10 per share for each share of the Company’s Qualified Capital Stock outstanding as of the quarterly record date for dividends payable in respect of such fiscal quarter (as such amount shall be adjusted for changes in the capitalization of the Company upon recapitalizations, reclassifications, stock splits, stock dividends, reverse stock splits, stock consolidations and similar transactions), provided, however, in the event a Change of Control occurs (and without waiving any Default arising from such Change of

Control, or any condition to the payment of cash dividends relating to such Default), the aggregate amounts (if any) permitted to be paid in cash dividends per fiscal quarter shall not exceed the aggregate amounts of such cash dividends paid in the same fiscal quarter most recently occurring prior to such Change of Control; provided further that for the purposes of this exception, shares of Qualified Capital Stock issued for less than fair market value (other than shares issued pursuant to options or otherwise in accordance with the Company's stock option, employee stock purchase or other equity compensation plans) shall not be deemed outstanding; and

(g) the Company may make additional Restricted Payments (including cash dividends not otherwise permitted by clause (f)), provided that the sum of (i) aggregate amount of such Restricted Payments which are permitted solely by virtue of this Section 7.06(g) and which are declared or made on or after the date of this Agreement plus (ii) the aggregate amount of Subordinated Indebtedness Prepayments and Additional Unsecured Indebtedness Prepayments that are made on or after the date of this Agreement, plus (iii) the aggregate amount of Investments (excluding (A) the Loan and advances to the extent these have been repaid and (B) items described in clause (c) of the definition of "Investment", provided that such items are related to the sale, service, or storage of vehicles or other related services and products) that are made on or after the date of this Agreement, does not exceed the Builder Basket Amount.

7.07 Change in Nature of Business. Engage in any material line of business substantially different from those lines of business conducted by the Company and its Subsidiaries on the date hereof or any business substantially related or incidental thereto. In addition, each Special Purpose Insurance Captive is prohibited from engaging in any business other than the provision of business insurance to the Company and its Subsidiaries.

7.08 Transactions with Affiliates. Enter into any transaction of any kind with any Affiliate of the Company, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to the Company or such Subsidiary as would be obtainable by the Company or such Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate (including with respect to any Special Purpose Insurance Captive and any premiums paid thereto); provided that the foregoing restriction shall not apply to transactions between or among the Company and any Subsidiary Guarantor or between and among any Subsidiary Guarantors.

7.09 Burdensome Agreements. Enter into any Contractual Obligation (other than this Agreement or any other Loan Document) that (a) limits the ability (i) of any Subsidiary to make Restricted Payments to the Company or any Loan Party or to otherwise transfer property to the Company or any Loan Party, (ii) of any Subsidiary to Guarantee the Indebtedness of the Company, or (iii) of the Company or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person; provided, however, that (x) clauses (i), (ii) and (iii) above shall not prohibit any such restriction on Restricted Payments, Guarantees or liens incurred or provided in favor of any Floorplan Secured Party under the Floorplan Loan Documents or any Revolving Secured Party under the Revolving Loan Documents, and (y) clause (iii) above shall not prohibit any negative pledge incurred or provided in favor of any holder of Indebtedness permitted under Section 7.03(e), (g) or (n) solely to the extent any such negative pledge relates to the property

financed by or securing such Indebtedness, or (z) manufacturer limitations on dividends set forth in Franchise Agreements or Framework Agreements which limitations relate to minimum capitalization requirements for dealerships; or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person.

7.10 Use of Proceeds. Use the proceeds of any Advance, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

7.11 Financial Covenants.

(a) Consolidated Liquidity Ratio. Permit the Consolidated Liquidity Ratio as of the end of any fiscal quarter (or at the request of the Lender, as of the end of any calendar month) to be less than 1.05 to 1.00.

(b) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio at any time to be less than 1.20 to 1.00.

(c) Consolidated Total Lease Adjusted Leverage Ratio. Permit the Consolidated Total Lease Adjusted Leverage Ratio at any time to be greater than 5.75 to 1.00.

7.12 Acquisitions. Enter into any agreement, contract, binding commitment or other arrangement providing for a transaction which would, if consummated, constitute an Acquisition, or take any action to solicit the tender of securities or proxies in respect thereof in order to effect any Acquisition, (each, an “Acquisition Arrangement”) unless (i) the Person to be (or whose assets are to be) acquired does not oppose such Acquisition and the material line or lines of business of the Person to be acquired are substantially the same as one or more line or lines of business conducted by the Company and its Subsidiaries, or substantially related or incidental thereto, (ii) no Default or Revolving Credit Facility Default or Floorplan Default shall have occurred and be continuing either immediately prior to or immediately after giving effect to such Acquisition and, (iii) if the aggregate Cost of Acquisition of all Acquisitions (including such Acquisition) occurring in any fiscal year (together with any other Related Acquisition or Related Proposed Acquisition with respect to such Acquisition, whether or not occurring or expected to occur in the same fiscal year) is in excess of \$65,000,000, (x) no Default would exist immediately after giving effect to such Acquisitions, (y) the Company shall have furnished to the Lender pro forma historical financial statements as of the end of the most recently completed fiscal year of the Company and most recent interim fiscal quarter, if applicable, giving effect to such Acquisition and all other Acquisitions consummated since such fiscal year end, and (z) the Company and its Subsidiaries shall be in Pro Forma Compliance after giving effect to such Acquisition, as evidenced by a Pro Forma Compliance Certificate delivered simultaneously with such pro forma historical financial statements, (iv) the Person acquired shall be a wholly-owned Subsidiary, or be merged into the Company or a wholly-

owned Subsidiary, immediately upon consummation of the Acquisition (or if assets are being acquired, the acquiror shall be the Company or a wholly-owned Subsidiary), and (v) after the consummation of such Acquisition, the Company or any applicable Subsidiary shall have complied with the provisions of Section 6.14; provided that, clause (iii) of this Section 7.12 shall not apply to any agreement, contract, binding commitment or other arrangement providing for a transaction which would, if consummated, constitute an Acquisition of a Person with respect to which real property constitutes all or substantially all of the such Person's assets.

7.13 Sale or Encumbrance of Mortgaged Property. Direct or indirect sale, mortgage, pledge, assignment, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any Mortgaged Property or any interest therein which such property remains a Mortgaged Property.

7.14 Amendments of Certain Indebtedness. Amend, modify or change in any manner any term or condition of any of the Subordinated Indebtedness or any Additional Unsecured Indebtedness permitted by Section 7.03(i) or (l) or refinance or replace any such Indebtedness so that the terms and conditions thereof are less favorable to the Lender than the terms and conditions of the relevant Indebtedness as of the later of the Closing Date or the date of incurrence thereof.

7.15 Prepayments, etc, of Certain Indebtedness. Make any Subordinated Indebtedness Prepayment or Additional Unsecured Indebtedness Prepayment, except that the Company may make such Subordinated Indebtedness Prepayment or Additional Unsecured Indebtedness Prepayment, provided that (a) no Default shall have occurred and be continuing at the time of any such Subordinated Indebtedness Prepayment or Additional Unsecured Indebtedness Prepayment or would result therefrom, and (b) the sum of (i) aggregate amount of such Subordinated Indebtedness Prepayments and Additional Unsecured Indebtedness Prepayments made on or after the date of this Agreement plus (ii) the aggregate amount of Restricted Payments permitted by Section 7.06(g) that are declared or made on or after the date of this Agreement, plus (iii) the aggregate amount of Investments (excluding (A) the Loan and advances to the extent these have been repaid and (B) items described in clause (c) of the definition of "Investment", provided that such items are related to the sale, service, or storage of vehicles or other related services and products) that are made on or after the date hereof, does not exceed the Builder Basket Amount.

7.16 [Reserved].

7.17 [Reserved].

7.18 [Reserved].

7.19 [Reserved].

7.20 [Reserved].

7.21 [Reserved].

7.22 Sanctions. Directly or indirectly, use the proceeds of any Advance, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual or entity, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any individual or entity (including any individual or entity participating in the transaction, whether as Lender or otherwise) of Sanctions.

7.23 [Reserved].

7.24 Anti-Corruption Laws. Directly or indirectly use the proceeds of any Advance for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010, and other similar anti-corruption legislation in other jurisdictions.

7.25 Post-Closing Deliveries. Fail to satisfy any of the requirements set forth on Schedule 7.25 within the time period specified therein.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. Any of the following shall constitute an Event of Default (each an “Event of Default”):

(a) Non-Payment. The Company or any other Loan Party fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan or (ii) within five (5) days after the same becomes due, any interest on any Loan or any fee due hereunder, or (iii) within five (5) days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. The Company fails to perform or observe any term, covenant or agreement contained in any of Sections 6.01, 6.02(a), (b), (c) or (d), 6.03, 6.05, 6.07 (with respect to the maintenance of casualty insurance with respect to any Mortgaged Property); 6.10 or 6.11 or Article VII; or

(c) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for thirty (30) days after the giving of written notice to such Loan Party specifying the alleged default; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Company or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Cross-Default. (i) The Company or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder) having a principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement), either individually or in the aggregate for all Indebtedness for which a payment default then exists, of more than the Threshold Amount, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs (each, an “Other Event”), the effect of which default or Other Event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness in excess of the Threshold Amount (either individually or in the aggregate for all Indebtedness for which a covenant default then exists) to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; provided that, the mere fact that any Indebtedness is a “demand obligation” and payment thereof may be demanded at any time (whether or not any Person has defaulted thereunder) shall not, by itself, constitute an “Other Event,” but the demand for payment thereof shall constitute an “Other Event”; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Company or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Company or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by the Company or such Subsidiary as a result thereof is greater than the Threshold Amount; or

(f) Insolvency Proceedings, Etc. The Company, any Loan Party or any of their respective Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for sixty (60) calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for sixty (60) calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) The Company or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within thirty (30) days after its issue or levy; or

(h) Judgments. There is entered against the Company or any Subsidiary (i) a final judgment or order for the payment of money in an aggregate amount exceeding the Threshold Amount (in each case, to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of ten (10) consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan, Multiemployer Plan or Multiple Employer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan, Multiple Employer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) the Company or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of \$25,000,000; or

(j) Invalidity of Loan Documents. (i) Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; (ii) any Security Instrument shall for any reason (other than pursuant to the terms thereof) cease to create a valid security interest in the Collateral purported to be covered thereby or such security interest shall for any reason cease to be a perfected security interest with the priority provided therefor in such Security Instrument subject only to those Liens permitted by Section 7.01; or (iii) any Loan Party or any other Person contests in any manner the validity or enforceability of any Loan Document; or any Loan Party denies that it has any or further liability or obligations under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(k) Change of Control. There occurs any Change of Control; or

(l) Franchise Agreements. (i) Any Franchise Agreement to which a Subsidiary Guarantor is a party is terminated or suspended or expires and a replacement for such Franchise Agreement is not entered into within 30 days of such termination, suspension or expiration, (ii) there occurs a default by any Person in the performance or observance of any term of any Franchise Agreement to which a Subsidiary Guarantor is a party which is not cured within any applicable cure period therein, or (iii) there occurs any change in any Franchise Agreement to which a Subsidiary Guarantor is a party, except in each case referred to in clauses (i), (ii) and (iii) to the extent such termination, suspension, expiration, default or change (either individually or in the aggregate) could not reasonably be expected to have a Material Adverse Effect; provided that, in the event a Franchise Agreement to which a Subsidiary Guarantor is a party expires in accordance with its terms, if and for so long as the respective Subsidiary Guarantor and manufacturer or distributor are negotiating in good faith to renew such Franchise Agreement, and the respective manufacturer or distributor has not taken (and is not reasonably expected to take) any action to terminate

such Franchise Agreement, such expiration shall not by itself be considered an Event of Default under this Section 8.01(l); or

(m) [Reserved];

(n) [Reserved];

(o) Uninsured Casualty. An uninsured casualty with respect to the Mortgaged Properties in excess of the Threshold Amount;

(p) Material Adverse Change. The occurrence of a material adverse change in the business, condition (financial or otherwise), operations or properties of the Company (on a consolidated basis), which is reasonably likely to impair the ability of the Company to perform its obligations under this Agreement.

8.02 Remedies Upon an Event of Default. If any Event of Default occurs and is continuing, the Lender may take any or all of the following actions:

(i) declare the commitment of the Lender to make Advances to be terminated, whereupon such commitments and obligation shall be terminated;

(ii) declare the unpaid principal amount of the Loan, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company;

(iii) [Reserved]; and

(iv) exercise on behalf of itself all rights and remedies available to it under the Loan Documents; provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Company under the Bankruptcy Code of the United States, the obligation of the Lender to make the Advances shall automatically terminate, the unpaid principal amount of the Loan and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Lender.

8.03 Application of Funds. After the exercise of remedies provided for in this Article VIII (or after the Loan has automatically become immediately due and payable), any amounts received on account of the Obligations shall, subject to the provisions of Section 2.16, be applied by the Lender in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Lender and amounts payable under Article III) payable to the Lender in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lender (including fees, charges and

disbursements of counsel to the Lender (including fees and time charges for attorneys who may be employees of the Lender) and amounts payable under Article III), ratably among them in proportion to the respective amounts described in this clause Third payable to them;

Third, to payment of that portion of the Obligations constituting interest on the Loan and other Obligations;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loan;

Fifth, to the payment of all other Obligations of the Loan Parties owing under or in respect of the Loan Documents that are due and payable to the Lender on such date, ratably based on the respective aggregate amounts of all such Obligations owing to the Lender on such date; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Company or as otherwise required by Law.

ARTICLE IX

ACKNOWLEDGEMENTS AND WAIVERS

9.01. **Acknowledgements and Waivers.** Company hereby irrevocably and unconditionally agrees that nothing contained herein, in the Subsidiary Guaranty or in any document or agreement in which a Subsidiary Guarantor pledges collateral to the Lender to secure the Subsidiary Guaranty or in any other Loan Document shall prevent Lender from suing on the Note or from exercising any rights available under any of the Loan Documents and that the exercise of any of such rights against a Subsidiary Guarantor or collateral pledged thereby shall not constitute a legal or equitable discharge of Borrower. Without limiting the generality of the foregoing, Company hereby expressly waives any and all rights, benefits and defenses that it may have under law or at equity, including those referred to under California Civil Code (“CC”), Sections 2787-2855, inclusive, 2899, 2953 and 3433, including the right to require Lender to (a) proceed against a Subsidiary Guarantor, (b) proceed against or exhaust any security or collateral Lender may hold in connection with the Subsidiary Guaranty, or (c) pursue any other right or remedy for the benefit of Company. Company further expressly waives any and all benefits and defenses under (i) California Code of Civil Procedure (“CCP”) Section 580a which would otherwise limit Company’s liability after a non-judicial foreclosure sale of any of the Collateral to the difference between the obligations guaranteed by the Subsidiary Guarantors and the value of the property or interest sold at such non-judicial foreclosure sale as determined by a fair value hearing or otherwise, (ii) CCP Sections 580b and 580d, which would otherwise limit Lender’s right to recover a deficiency judgment with respect to purchase money obligations and after a non-judicial foreclosure sale, respectively, and (iii) CCP Section 726 which, among other things, would otherwise require Lender to exhaust all of its security before a personal judgment may be obtained or a deficiency judgment may be pursued and would limit Company’s liability after a judicial foreclosure sale to the difference between the obligations guaranteed in the Subsidiary Guaranty and the fair value of the property or interest sold at such judicial foreclosure sale. Further, notwithstanding any foreclosure of the lien of any deed of trust or security agreement with respect to any or all real or personal property secured thereby, whether by the exercise of the power of sale contained therein, by an action for judicial foreclosure,

or by an acceptance of a deed in lieu of foreclosure, and notwithstanding enforcement of the liability of any Subsidiary Guarantor or other action taken by Lender in connection therewith, Company shall remain bound under this Agreement and the Note and fully liable for the Loan and Company hereby irrevocably and unconditionally waives any right to claim to the contrary.

Company acknowledges that it has been made aware of the provisions of CC Section 2856, has read and understands the provisions of that statute, has been advised by its counsel as to the scope, purpose and effect of that statute, and based thereon, without limiting any other waivers herein, Company hereby gives the following waivers with respect to, and as described in, CC Sections 2856(c) and (d) which provide as follows:

(c) . . . “Guarantor waives all rights and defenses that the guarantor may have because the debtor’s debt is secured by real property. This means among other things:

(1) The creditor may collect from the guarantor without first foreclosing on any real or personal property pledged by the debtor;

(2) If the creditor forecloses on any real property collateral pledged by the debtor:

(A) The amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price.

(B) The creditor may collect from the guarantor even if the creditor, by foreclosing on the real property collateral, has destroyed any right the guarantor may have to collect from the debtor.

This is an unconditional and irrevocable waiver of any rights and defenses the guarantor may have because the debtor’s debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based on Sections 580a, 580b, 580d or 726 of the Code of Civil Procedure.”

(d) . . . “Guarantor waives all rights and defenses arising out of an election of remedies by the creditor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed the guarantor’s rights of subrogation and reimbursement against the principal by operation of Section 580d of the Code of Civil Procedure or otherwise.”

Company waives all rights to interpose any setoffs or counterclaims of any nature in any action or proceeding instituted by Lender with respect to this Agreement, the collateral therefor, or any matter arising therefrom or relating thereto and the posting of any bond which may otherwise be required, and waives any and all benefits of cross-demands pursuant to Section 431.70 of the California Code of Civil Procedure.

Company waives, to the fullest extent permitted by law, presentment, notice of dishonor, protest, notice of protest, notice of intent to accelerate, notice of acceleration, and all other notices or demands of any kind (including notice of the acceptance by Lender of this Agreement, notice of the existence, creation, non-payment, or non-performance of any or all Obligations), excepting only notices specifically provided for in this Agreement.

Company waives any and all present and future rights (a) to participate in the rights and remedies of Lender against Guarantor, the Collateral or any other Person or any of their respective assets, (b) to require marshaling of assets or to require realization on the Collateral or any portion thereof, or in any particular order, priority or timing and (c) any right to designate the portion of the Obligations that are to be satisfied as a result of a partial payment thereof, whether by Company pursuant to this Agreement or otherwise by Guarantor or any other party, including any right to do so under CC Section 2822.

ARTICLE X

MISCELLANEOUS

10.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Company or any other Loan Party therefrom, shall be effective unless in writing signed by the Lender and the Company or the applicable Loan Party, as the case may be, and acknowledged by the Lender (such acknowledgement not to be unreasonably withheld or delayed), and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

10.02 Notices; Effectiveness; Electronic Communication.

(a) Notices; Effectiveness; Electronic Communications. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile or electronic mail as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Company, any other Loan Party, the Lender, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to Lender, to the address, facsimile number, electronic mail address or telephone number specified herein (including, as appropriate, notices delivered solely to the Person designated by the Lender then in effect for the delivery of notices that may contain material non-public information relating to the Company).

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other

communications sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lender hereunder may be delivered or furnished by electronic communication (including e-mail, FpML messaging, and Internet or intranet websites) pursuant to procedures approved by the Lender.

Unless the Lender otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii), if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) [Reserved];

(d) Change of Address, Etc. Each of the Company and the Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto.

(e) Reliance by Lender. The Lender shall be entitled to rely and act upon any notices (including telephonic notices), purportedly given by or on behalf of the Company even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Company shall indemnify the Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Company. All telephonic notices to and other telephonic communications with the Lender may be recorded by the Lender, and each of the parties hereto hereby consents to such recording.

10.03 No Waiver; Cumulative Remedies; Enforcement. No failure by the Lender to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.04 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Lender and each of its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Lender), in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and shall pay all fees and time charges for attorneys who may be employees of the Lender, in connection with the enforcement or protection of its rights, including any audit fees incurred when conducting any audit of any Loan Party or any Collateral during the continuance of any Event of Default (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loan made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of the Loan. The Company shall also pay for (or reimburse the Lender for any costs of) any real estate appraisals, limited updated appraisals, and environmental reports, and any review of such appraisals, limited updated appraisals, and environmental reports by the Lender's internal or external consultants relating to the Mortgaged Properties, in each case to the extent any such appraisal, limited updated appraisal, or environmental report is required to be delivered to (or received by) the Lender pursuant to the terms of the Agreement, or is otherwise delivered or requested by the Company or any Subsidiary.

(b) Indemnification by the Company. The Company shall indemnify the Lender, and each Related Party of Lender (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Company or any other Loan Party) other than such Indemnitee and its Related Parties arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, or the consummation of the transactions contemplated hereby or thereby, or, in the case of the Lender (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials at, on, under or emanating from any property owned, leased or operated by the Company or any of its Subsidiaries, or any Environmental Liability related in any way to the Company or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Company or any other Loan Party, and regardless of whether any Indemnitee is a party thereto, **IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE INDEMNITEE**; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are

determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Company or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Company or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. Without limiting the provisions of Section 3.01(c), this Section 10.04(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) [Reserved]

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Company shall not assert, and the Company hereby waives, and acknowledges that no other Person shall have, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby, except to the extent such damages are found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnitee's gross negligence or willful misconduct.

(e) Payments. All amounts due under this Section shall be payable not later than ten Business Days after demand therefor.

(f) Survival. The agreements in this Section and the indemnity provisions of Section 10.02(e) shall survive the termination of the obligation of Lender to make Advances and the repayment, satisfaction or discharge of all the other Obligations.

10.05 Payments Set Aside. To the extent that any payment by or on behalf of the Company is made to the Lender, or the Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

10.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors

and assigns permitted hereby, except that neither the Company nor any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender and Lender may not assign or otherwise transfer any of its rights or obligations hereunder except by way of participation in accordance with the provisions of Section 10.06(d), or (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 10.06(f) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of the Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) [Reserved].

(c) [Reserved].

(d) Participations. The Lender may at any time, without the consent of, or notice to, the Company, sell participations to any Person (other than a natural Person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of a natural Person, or the Company or any of the Company's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of the Lender's rights and/or obligations under this Agreement (including all or a portion of the Loan owing to it); provided that (i) the Lender's obligations under this Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Company, the Lender shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement. For the avoidance of doubt, the Lender shall be responsible for the indemnity under Section 10.04(c) without regard to the existence of any participation.

Any agreement or instrument pursuant to which the Lender sells such a participation shall provide that the Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that the Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. The Company agrees that each Participant shall be entitled to the benefits of Sections 3.01 and 3.04 to the same extent as if it were the Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section (it being understood that the documentation required under Section 3.01(e) shall be delivered to the Lender to the same extent as if it were the Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Sections 3.05 and 10.13 as if it were an assignee under paragraph (b) of this Section and (B) shall not be entitled to receive any greater payment under Sections 3.01 or 3.04, with respect to any participation, than the Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Lender agrees, at the Company's request and expense, to use reasonable efforts to cooperate with the Company to effectuate the provisions of

Section 3.05 with respect to any Participant. Each Participant agrees to be subject to Section 2.13 as though it were the Lender. Lender shall, acting solely for this purpose as non-fiduciary agent of the Company, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loan or other obligations under the Loan Documents (the "Participant Register"); provided that the Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and the Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(e) [Reserved].

(f) Certain Pledges. The Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under the Note) to secure obligations of the Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for Lender as a party hereto.

(g) Electronic Execution of Assignments and Certain Other Documents. The words "delivery," "execute," "execution," "signed," "signature," and words of like import in any Loan Document or any other document executed in connection herewith shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Lender, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary, the Lender is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Lender pursuant to procedures approved by it and provided further without limiting the foregoing, upon the request of any party, any electronic signature shall be promptly followed by such manually executed counterpart.

(h) [Reserved].

10.07 Treatment of Certain Information; Confidentiality. The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent required or requested by any

regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to the Company and its obligations, this Agreement or payments hereunder, (g) on a confidential basis to (i) any rating agency in connection with rating the Company or its Subsidiaries or the credit facilities provided hereunder or (ii) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers of other market identifiers with respect to the credit facilities provided hereunder, (h) with the consent of the Company or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Lender or its Affiliates on a nonconfidential basis from a source other than the Company. In addition, the Lender may disclose the existence of this Agreement and information contained in this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Lender in connection with the administration of this Agreement, the other Loan Documents and the Commitment.

For purposes of this Section, “Information” means all information received from the Company or any Subsidiary relating to the Company or any Subsidiary or any of their respective businesses, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by the Company or any Subsidiary, provided that, in the case of information received from the Company or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

The Lender acknowledges that (a) the Information may include material non-public information concerning the Company or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including United States Federal and state securities Laws.

10.08 [Reserved].

10.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the “Maximum Rate”). If the Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loan or, if it exceeds such unpaid principal, refunded to the Company. In determining whether the interest contracted for, charged, or received by the

Lender exceeds the Maximum Rate, the Lender may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.10 Counterparts; Integration; Effectiveness. This Agreement and the other Loan Documents may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement and the other Loan Documents shall become effective when they shall have been executed by the Lender and when the Lender shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement or any other Loan Document by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement or such other Loan Document.

10.11 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Lender, regardless of any investigation made by the Lender or on its behalf and notwithstanding that the Lender may have had notice or knowledge of any Default at the time of any Advance, and shall continue in full force and effect as long as the Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

10.12 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Without limiting the foregoing provisions of this Section 10.12, if and to the extent that the enforceability of any provisions in this Agreement relating to the Lender shall be limited by Debtor Relief Laws, as determined in good faith by the Lender, then such provisions shall be deemed to be in effect only to the extent not so limited.

10.13 [Reserved].

10.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON,

ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. THE COMPANY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES FOR THE WESTERN DISTRICT, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE COMPANY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE COMPANY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

10.15 Waiver of Jury Trial; Binding Arbitration.

(a) Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

(b) Binding Arbitration.

(i) Agreement to Arbitrate. Upon demand of any party, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Agreement or any other Loan Document ("Disputes"), between or among parties hereto and to the other Loan Documents shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include tort claims, counterclaims, claims brought as class actions, claims arising from Loan Documents executed in the future, disputes as to whether a matter is subject to arbitration, or claims concerning any aspect of the past, present or future relationships arising out of or connected with the Loan Documents. The parties hereto do not waive any applicable Federal or state substantive Law (including the protections afforded to banks under 12 U.S.C. Section 91 or any similar applicable state Law) except as provided herein. A judgment upon the award may be entered in any court having jurisdiction.

(ii) General Rules of Arbitration. Any arbitration proceeding will (A) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the Loan Documents between the parties, (B) be conducted by the American Arbitration Association (the "AAA"), or such other administrator as the parties shall mutually agree upon, in accordance with the commercial dispute resolution procedures of the AAA, unless the claim or counterclaim is at least \$1,000,000 exclusive of claimed interest, arbitration fees and costs, in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to, as applicable, as the "Arbitration Rules") and (C) proceed in a location in New York, New York selected

by the AAA. The expedited procedures set forth in Rule 51, et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000. All applicable statutes of limitations shall apply to any Dispute. If there is any inconsistency between the terms hereof and the Arbitration Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Notwithstanding anything in the foregoing to the contrary, any arbitration proceeding demanded hereunder shall begin within ninety (90) days after such demand thereof and shall be concluded within one hundred twenty (120) days after such demand. These time limitations may not be extended unless a party hereto shows cause for extension and then such extension shall not exceed a total of sixty (60) days.

(iii) Arbitrators. Any arbitration proceeding in which the amount in controversy is \$5,000,000 or less will be decided by a single arbitrator selected according to the Arbitration Rules, and who shall not render an award of greater than \$5,000,000. Any dispute in which the amount in controversy exceeds \$5,000,000 shall be decided by majority vote of a panel of three arbitrators; provided that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the jurisdiction of the state where the hearing will be conducted or a neutral retired judge of the jurisdiction, state or federal, of the state where the hearing will be conducted, in either case with a minimum of ten years' experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. In any arbitration proceeding, the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions that are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive Law of the State of New York and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure or other applicable Law.

(iv) Preservation of Certain Remedies. Notwithstanding the preceding binding arbitration provisions, the parties hereto and the other Loan Documents preserve, without diminution, certain remedies that such Persons may employ or exercise freely, either alone, in conjunction with or during a Dispute. Each such Person shall have and hereby reserves the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (A) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted in the Loan Documents or under applicable Law or by judicial foreclosure and sale, including a proceeding to confirm the sale, (B) all rights of self-help including peaceful occupation of property and collection of rents, set off, and peaceful possession of property, (C) obtaining

provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and in filing an involuntary bankruptcy proceeding, and (D) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

10.16 USA PATRIOT Act Notice . The Lender that is subject to the Act (as hereinafter defined) and the Lender hereby notifies the Company that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies the Company, which information includes the name and address of the Company and other information that will allow the Lender to identify the Company in accordance with the Act. The Company shall, promptly following a request by the Lender, provide all documentation and other information that the Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Act.

10.17 MIRE Events. Any increase, extension or renewal of the credit facility evidenced by this Agreement shall be subject to flood insurance due diligence and flood insurance compliance reasonably satisfactory to the Lender.

10.18 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Company acknowledges and agrees, and acknowledges its Affiliates’ understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Lender are arm’s-length commercial transactions between the Company and its Affiliates, on the one hand, and the Lender, on the other hand, (B) the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Company is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Company or any of its Affiliates, or any other Person and (B) the Lender has no obligation to the Company or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Lender and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company and its Affiliates, and the Lender has no obligation to disclose any of such interests to the Company or its Affiliates. To the fullest extent permitted by law, the Company hereby waives and releases any claims that it may have against the Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

10.19 [Reserved].

10.20 Electronic Execution of Assignments and Certain Other Documents. The words “execute,” “execution,” “signed,” “signature,” and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby (including without limitation amendments or other modifications, waivers and consents) shall be

deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Lender, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary the Lender is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Lender pursuant to procedures approved by it.

10.21 [Reserved].

10.22 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Swap Contract or any other agreement or instrument that is a QFC (such support, “QFC Credit Support”, and each such QFC, a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States): In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURE PAGES FOLLOW.]

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be made, executed and delivered by their duly authorized officers as of the day and year first above written.

COMPANY:

SONIC AUTOMOTIVE, INC.

By: /s/ Heath R. Byrd

Name: Heath R. Byrd

Title: Executive Vice President and
Chief Financial Officer

LENDER:

ALLY BANK

By: /s/ Matt Mayes

Name: Matt Mayes

Title: Authorized Representative

Schedule 1.01C

Certain ERISA Information

Five dealership subsidiaries of Sonic Automotive, Inc. located in Northern California are currently contributing employers to the Automotive Industries Pension Trust Fund (EIN # 94-1133245), Plan No. 001 (the "Plan") (and one closed dealership subsidiary previously also was a contributing employer), making fixed-dollar contributions to the Plan pursuant to collective bargaining agreements with the International Association of Machinists. The Plan is a "Multiemployer Plan" (as defined in the Agreement) with numerous participating contributing employers primarily located in the State of California. The federal Pension Protection Act of 2006 (the "Act") requires multiemployer defined benefit pension plans to engage an actuary to annually evaluate the particular pension plan's funding status, and to determine the extent to which the particular plan is projected to meet its obligations. A determination by the actuary that the particular plan is in "critical status" pursuant to the Act triggers requirements for the particular plan to adopt a rehabilitation plan designed to improve the plan's financial condition over time and improve the plan's ability to meet pension obligations in the future. In 2008, the Board of Trustees of the Plan formally notified participating employers, among others, that the Plan's actuary certified the Plan to be in critical status pursuant to the Act. The Board of Trustees of the Plan also adopted a Rehabilitation Plan to address such status pursuant to the requirements of the Act, including suspension or elimination of certain benefits that were previously available under the Plan and requirements to increase participating employer contributions for a seven-year period that began with the 2013 plan year. The Form 5500 recently filed for the Plan for the 2018 plan year included an actuarial certification indicating that, as of January 1, 2019, the Plan is in critical and declining status, and providing notice that the Plan is making the scheduled progress in meeting the requirements of the Plan's current Rehabilitation Plan, based on the annual standards of the Rehabilitation Plan.

Schedule 1.01C

Schedule 4.01

Good Standing Jurisdictions and Foreign Qualifications

See Schedule 5.13

Schedule 4.01

Schedule 5.05

Material Indebtedness and Other Liabilities

None

Schedule 5.05

Schedule 5.06

Litigation

GEORGIA

Roberts v. Dyer & Dyer Volvo and Sans Arthur

The dealership's driver was pulling a trailer on April 30, 2017 when he swerved to the right and the trailer struck a pedestrian (diesel mechanic) who was standing on or near a disabled tractor-trailer on I-85 South in Jackson County Georgia. The accident occurred at approximately 2:03 pm in clear weather. Mr. Roberts suffered multiple injuries including amputations of both legs below the knees. Plaintiff filed his lawsuit against the dealership, the driver and Sonic Automotive on September 18, 2017. Discovery is ongoing. A trial date has been set for March 2, 2020. This matter is listed on this Schedule 5.06 solely due to the fact that the plaintiff is seeking damages in excess of the Threshold Amount and not as an exception to any other representation made in Section 5.06 of the Credit Agreement.

Schedule 5.06

Schedule 5.13

Subsidiaries; Equity Interests

PART "A"

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
AnTrev, LLC		NC		Member: SRE Holding, LLC, 100%
Arngar, Inc.	Cadillac of South Charlotte	NC		Sonic Automotive, Inc., 1,333
Autobahn, Inc.	Autobahn Motors	CA		L Dealership Group, Inc., 400,000
Avalon Ford, Inc.		DE	CA	Sonic Automotive, Inc., 4,164
Cornerstone Acceptance Corporation		FL	NC OH TN TX	Sonic Automotive, Inc., 100
AM GA, LLC		GA		EchoPark Automotive, Inc. 100%
AM Realty GA, LLC		GA		EchoPark Automotive, Inc. 100%
Car Cash of North Carolina, Inc.		NC		Sonic Automotive, Inc., 100
EchoPark Automotive, Inc.	EchoPark	DE	CO FL NC TX CA	Sonic Automotive, Inc., 100
EchoPark AZ, LLC		AZ		EchoPark Automotive, Inc., 100%
EchoPark CA, LLC	EchoPark	CA		EchoPark Automotive, Inc., 100%
EchoPark Driver Education, LLC		CO		EchoPark Automotive, Inc., 100%
EchoPark FL, LLC		FL		EchoPark Automotive, Inc. 100%
EchoPark NC, LLC	EchoPark	NC		Member: EchoPark Automotive, Inc., 100%
EchoPark Realty CA, LLC		CA		EchoPark Automotive, Inc., 100%
EchoPark Realty TX, LLC		TX		EchoPark Automotive, Inc., 100%
EchoPark SC, LLC		SC		Member: EchoPark Automotive, Inc., 100%

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
EchoPark TX, LLC	EchoPark	TX		EchoPark Automotive, Inc., 100%
EP Realty AZ, LLC		AZ		EchoPark Automotive, Inc., 100%
EP Realty NC, LLC		NC		Member: EchoPark Automotive, Inc., 100%
EP Realty SC, LLC		SC		Member: EchoPark Automotive, Inc., 100%
SAI DS Realty TX, LLC		TX		SAI DS, LLC 100%
SAI DS, LLC	EchoPark	TX	VA FL NC	Sonic Automotive, Inc., 100%
TT Denver, LLC	EchoPark	CO		Member: EchoPark Automotive, Inc., 100%
TTRE CO 1, LLC		CO		Member: EchoPark Automotive, Inc., 100%
FAA Beverly Hills, Inc.	Beverly Hills BMW	CA		FirstAmerica Automotive, Inc., 10,000
FAA Capitol N, Inc.		CA		FirstAmerica Automotive, Inc., 10,000
FAA Concord H, Inc.	Concord Honda	CA		FirstAmerica Automotive, Inc., 10,000
FAA Concord T, Inc.	Concord Toyota	CA		FirstAmerica Automotive, Inc., 1,000
FAA Dublin N, Inc.		CA		FirstAmerica Automotive, Inc., 10,000
FAA Dublin VWD, Inc.		CA		FirstAmerica Automotive, Inc., 10,000
FAA Holding Corp.		CA		FirstAmerica Automotive, Inc., 10,000
FAA Las Vegas H, Inc.	Honda West	NV		FAA Holding Corp., 10,000
FAA Poway H, Inc.	Poway Honda	CA		FirstAmerica Automotive, Inc., 10,000
FAA Poway T, Inc.	Poway Toyota Poway Scion	CA		FirstAmerica Automotive, Inc., 10,000

Schedule 5.13-2

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
FAA San Bruno, Inc.		CA		FirstAmerica Automotive, Inc., 10,000
FAA Santa Monica V, Inc.		CA		FirstAmerica Automotive, Inc., 10,000
FAA Serramonte H, Inc.	Honda of Serramonte	CA		FirstAmerica Automotive, Inc., 10,000
FAA Serramonte L, Inc.	Lexus of Marin Lexus of Serramonte	CA		FirstAmerica Automotive, Inc., 10,000
FAA Serramonte, Inc.		CA		FirstAmerica Automotive, Inc., 10,000
FAA Stevens Creek, Inc.		CA		FirstAmerica Automotive, Inc., 10,000
FAA Torrance CPJ, Inc.		CA		FirstAmerica Automotive, Inc., 10,000
FirstAmerica Automotive, Inc.		DE	CA	Sonic Automotive, Inc., 100
Fort Mill Ford, Inc.		SC		Sonic Automotive, Inc., 2,700
Franciscan Motors, Inc.	Acura of Serramonte	CA		L Dealership Group, Inc., 700,000
Frontier Oldsmobile-Cadillac, Inc.		NC		Sonic Automotive, Inc., 200
Kramer Motors Incorporated		CA		FAA Holding Corp., 250
L Dealership Group, Inc.		TX	CA	FAA Holding Corp., 1,000
Marcus David Corporation	Town and Country Toyota Town and Country Toyota Certified Used Cars	NC		Sonic Automotive, Inc., 579,000
Massey Cadillac, Inc. (TN-MI)		TN		Sonic Automotive, Inc., 100
Mountain States Motors Co., Inc.		CO		Sonic Automotive, Inc., 100%
North Point Imports, LLC	North Point Volvo Cars	GA		Members: SAI Peachtree, LLC, 50% Chris Auto Group, LLC, 50%
Ontario L, LLC	Crown Lexus	CA		Member: Sonic Automotive, Inc., 100%
Philpott Motors, Ltd.		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Santa Clara Imported Cars, Inc.	Honda of Stevens Creek	CA		L Dealership Group, Inc., 1,082
SRM Assurance, Ltd.		Cayman Islands		Sonic Automotive, Inc., 5,000

Schedule 5.13-3

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
Stevens Creek Cadillac, Inc.		CA		L Dealership Group, Inc., 230,000 Class A
Town and Country Ford, Incorporated		NC		Sonic Automotive, Inc., 471.25
Windward, Inc.	Honda of Hayward	HI	CA	L Dealership Group, Inc., 140,500
SAI AL HC1, Inc.		AL		Sonic Automotive, Inc., 100
SAI AL HC2, Inc.	Tom Williams Collision Center	AL		Sonic Automotive, Inc., 100
SAI Ann Arbor Imports, LLC		MI		Member: Sonic Automotive, Inc., 100
SAI Atlanta B, LLC	Global Imports (BMW) Global Imports MINI	GA		Member: SAI OK HC1, Inc., 100%
SAI Broken Arrow C, LLC		OK		Member: SAI OK HC1, Inc., 100%
SAI Calabasas A, LLC		CA		Member: Sonic Automotive, Inc., 100%
SAI Chamblee V, LLC		GA		Member: SAI Peachtree, LLC, 100%
SAI Charlotte M, LLC		NC		Member: Sonic Automotive, Inc., 100%
SAI Chattanooga N, LLC	Nissan of Chattanooga East	TN		Member: SAI TN HC1, LLC, 100%
SAI Clearwater T, LLC	Clearwater Toyota	FL		Member: SAI FL HC2, Inc., 100%
SAI Cleveland N, LLC		TN		Member: SAI TN HC1, LLC, 100%
SAI Columbus Motors, LLC	Hatfield Subaru Hatfield Hyundai	OH		Member: Sonic Automotive, Inc., 100%
SAI Columbus T, LLC	Hatfield Automall Toyota West	OH		Member: Sonic Automotive, Inc., 100
SAI Columbus VWK, LLC	Hatfield Volkswagen Hatfield Kia	OH		Member: Sonic Automotive, Inc., 100
SAI Conroe N, LLC		TX		Sonic Automotive, Inc., 100%
SAI Denver B, Inc.	Bodyworks Murray Motorworks BMW of Denver Downtown	CO		Sonic Automotive, Inc., 100

Schedule 5.13-4

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
SAI Denver C, Inc.		CO		Sonic Automotive, Inc., 100
SAI Denver M, Inc.	Mercedes-Benz of Denver	CO		Sonic Automotive, Inc., 100
SAI Fairfax B, LLC	BMW of Fairfax	VA		Member: SAI VA HC1, Inc., 100%
SAI FL HC1, Inc.		FL		Sonic Automotive, Inc., 100
SAI FL HC2, Inc.		FL		Sonic Automotive, Inc., 100
SAI FL HC3, Inc.		FL		Sonic Automotive, Inc., 100
SAI FL HC4, Inc.		FL		Sonic Automotive, Inc., 100
SAI FL HC7, Inc.		FL		Sonic Automotive, Inc., 500
SAI Fort Myers B, LLC	BMW of Fort Myers MINI of Fort Myers	FL		Member: SAI FL HC2, Inc., 100%
SAI Fort Myers H, LLC		FL		Member: SAI FL HC4, Inc., 100%
SAI Fort Myers M, LLC	Mercedes-Benz of Fort Myers	FL		Member: SAI FL HC7, Inc., 100%
SAI Fort Myers VW, LLC	Volkswagen of Fort Myers	FL		Member: SAI FL HC4, Inc., 100%
SAI GA HC1, LLC		GA		Member: Sonic Automotive of Nevada, Inc., 100%
SAI Irondale Imports, LLC	Audi Birmingham BMW of Birmingham Jaguar Birmingham Land Rover Birmingham MINI of Birmingham Porsche Birmingham	AL		Member: SAI AL HC2, Inc., 100%
SAI Irondale L, LLC	Lexus of Birmingham	AL		Member: SAI AL HC2, Inc., 100%
SAI Long Beach B, Inc.	Long Beach BMW Long Beach MINI	CA		Sonic Automotive, Inc., 100
SAI McKinney M, LLC	Mercedes-Benz of McKinney	TX		Sonic Automotive, Inc., 100%
SAI MD HC1, Inc.		MD		Sonic Automotive, Inc., 100
SAI Monrovia B, Inc.	BMW of Monrovia MINI of Monrovia	CA		Sonic Automotive, Inc., 100
SAI Montgomery B, LLC	BMW of Montgomery	AL		Member: SAI AL HC1, Inc., 100%
SAI Montgomery BCH, LLC	Classic Cadillac Classic Buick GMC	AL		Member: SAI AL HC1, Inc., 100%

Schedule 5.13-5

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
SAI Montgomery CH, LLC	Capitol Chevrolet Capitol Hyundai	AL		Member: SAI AL HC1, Inc., 100%
SAI Nashville CSH, LLC	Crest Cadillac	TN		Member: SAI TN HC1, LLC, 100%
SAI Nashville H, LLC	Crest Honda	TN		Member: SAI TN HC3, LLC, 100%
SAI Nashville M, LLC	Mercedes-Benz of Nashville	TN		Member: SAI TN HC1, LLC, 100%
SAI Nashville Motors, LLC	Audi Nashville Porsche of Nashville	TN		Member: SAI TN HC2, LLC, 100%
SAI OK HC1, Inc.		OK		Sonic Automotive, Inc., 100 Sonic Automotive of Nevada, Inc., 300
SAI Oklahoma City C, LLC		OK		Member: SAI OK HC1, Inc., 100%
SAI Oklahoma City H, LLC		OK		Member: SAI OK HC1, Inc., 100%
SAI Oklahoma City T, LLC		OK		Member: SAI OK HC1, Inc., 100%
SAI Orlando CS, LLC	Massey Cadillac	FL		Member: SAI FL HC3, Inc., 100%
SAI Peachtree, LLC		GA		Members: SAI GA HC1, LLC, 100%
SAI Pensacola A, LLC	Audi Pensacola	FL		Member: SAI FL HC2, Inc., 100%
SAI Philpott T, LLC	Philpott Toyota	TX		Sonic Automotive, Inc., 100%
SAI Riverside C, LLC		OK		Member: SAI OK HC1, Inc., 100%
SAI Roaring Fork LR, Inc.p	Land Rover Roaring Fork	CO		Sonic Automotive, Inc., 100
SAI Rockville Imports, LLC	Audi Rockville Porsche Bethesda	MD		Member: SAI MD HC1, Inc., 100%
SAI Rockville L, LLC		MD		Member: SAI MD HC1, Inc., 100%
SAI S. Atlanta JLR, LLC	Jaguar South Atlanta Land Rover South Atlanta Jaguar Land Rover South Atlanta	GA		Members: SAI GA HC1, LLC, 100%
SAI Santa Clara K, Inc.		CA		Sonic Automotive, Inc., 100
SAI SIC, Inc.		GA		Sonic Automotive, Inc. 100%
SAI Stone Mountain T, LLC		GA		Member: SAI GA HC1, LLC, 100%

Schedule 5.13-6

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
SAI TN HC1, LLC		TN		Member: Sonic Automotive of Nevada, Inc., 100%
SAI TN HC2, LLC		TN		Member: Sonic Automotive of Nevada, Inc., 100%
SAI TN HC3, LLC		TN		Member: Sonic Automotive of Nevada, Inc., 100%
SAI Tulsa N, LLC		OK		Member: SAI OK HC1, Inc., 100%
SAI Tulsa T, LLC		OK		Member: SAI OK HC1, Inc., 100%
SAI Tysons Corner H, LLC		VA		Member: SAI VA HC1, Inc. 100%
SAI Tysons Corner I, LLC		VA		Member: SAI VA HC1, Inc., 100%
SAI VA HC1, Inc.		VA		Sonic Automotive, Inc., 100
SAI Vehicle Subscription, Inc.		DE	TX	Sonic Automotive, Inc. 100%
SAI VS GA, LLC		GA		SAI Vehicle Subscription, Inc. 100%
SAI VS TX, LLC		TX		SAI Vehicle Subscription, Inc. 100%
SAI West Houston B, LLC	BMW of West Houston	TX		Member: Sonic Momentum B, LP, 100%
Sonic 2185 Chapman Rd., Chattanooga, LLC	Economy Honda Superstore	TN		Member: Sonic Automotive of Nevada, Inc., 100%
Sonic Advantage PA, LP	Momentum Luxury Cars Audi West Houston Porsche of West Houston	TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic – Buena Park H, Inc.	Buena Park Honda	CA		Sonic Automotive, Inc., 100
Sonic – Cadillac D, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%

Schedule 5.13-7

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
Sonic – Calabasas A, Inc.		CA		Sonic Automotive, Inc., 100
Sonic Calabasas M, Inc.	Mercedes-Benz of Calabasas	CA		Sonic Automotive, Inc., 100
Sonic – Calabasas V, Inc.		CA		Sonic Automotive, Inc., 100
Sonic – Camp Ford, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic – Capitol Cadillac, Inc.		MI		Sonic Automotive, Inc., 100
Sonic – Capitol Imports, Inc.		SC		Sonic Automotive, Inc., 100
Sonic – Carrollton V, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic – Carson F, Inc.		CA		Sonic Automotive, Inc., 100
Sonic – Carson LM, Inc.		CA		Sonic Automotive, Inc., 100
Sonic – Clear Lake N, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic – Clear Lake Volkswagen, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic – Denver T, Inc.	Mountain States Toyota	CO		Sonic Automotive, Inc., 100
Sonic Development, LLC		NC	AL CA CO FL GA MD MI NV OH OK SC TN TX VA	Member: Sonic Automotive, Inc., 100%
Sonic Divisional Operations, LLC	CBS Central Buying Solutions	NV	AL AZ CA CO FL GA MD MI NV NC OH OK SC TN TX VA WI	Member: Sonic Automotive, Inc., 100%

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
Sonic – Downey Cadillac, Inc.		CA		Sonic Automotive, Inc., 100
Sonic eStore, Inc.		NC		Sonic Automotive, Inc., 100
Sonic FFC 1, Inc.		DE	TX	Sonic Automotive, Inc., 100
Sonic FFC 2, Inc.		DE	TX	Sonic Automotive, Inc., 100
Sonic FFC 3, Inc.		DE	TX	Sonic Automotive, Inc., 100
Sonic – Fort Mill Chrysler Jeep, Inc.		SC		Sonic Automotive, Inc., 1,000
Sonic – Fort Mill Dodge, Inc.		SC		Sonic Automotive, Inc., 1,000
Sonic – Fort Worth T, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic – Frank Parra Autoplex, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic – Harbor City H, Inc.	Carson Honda	CA		Sonic Automotive, Inc., 100
Sonic Houston JLR, LP	Jaguar Houston North Land Rover Houston North	TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic Houston LR, LP	Land Rover Houston Central Jaguar Houston Central	TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic Fremont, Inc.		CA		Sonic Automotive, Inc., 100%
Sonic – Houston V, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic – Integrity Dodge LV, LLC		NV		Member: Sonic Automotive, Inc., 100%
Sonic – Jersey Village Volkswagen, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%

Schedule 5.13-9

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
Sonic – Lake Norman Chrysler Jeep, LLC		NC		Member: Sonic Automotive, Inc., 100%
Sonic – Las Vegas C West, LLC	Cadillac of Las Vegas	NV		Member: Sonic Automotive, Inc., 100%
Sonic – Lloyd Nissan, Inc.		FL		Sonic Automotive, Inc., 100
Sonic – Lloyd Pontiac – Cadillac, Inc.		FL		Sonic Automotive, Inc., 100
Sonic – Lone Tree Cadillac, Inc.	Don Massey Collision Center	CO		Sonic Automotive, Inc., 100
Sonic – LS Chevrolet, LP	Lone Star Chevrolet	TX		Sonic – LS, LLC, 0.1% Sonic Automotive West, LLC, 99.9%
Sonic – LS, LLC		DE	TX	Member: Sonic of Texas, Inc., 100%
Sonic – Lute Riley, LP	Lute Riley Honda	TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic – Massey Cadillac, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic – Massey Chevrolet, Inc.		CA		Sonic Automotive, Inc., 100
Sonic – Mesquite Hyundai, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic Momentum B, LP	Momentum BMW Momentum MINI Momentum Collision Center	TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic Momentum JVP, LP	Momentum Porsche Momentum Volvo Cars Land Rover Southwest Houston Jaguar Southwest Houston	TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic Momentum VWA, LP	Momentum Volkswagen Audi Central Houston	TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%

Schedule 5.13-10

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
Sonic – Newsome Chevrolet World, Inc.		SC		Sonic Automotive, Inc., 100
Sonic – Newsome of Florence, Inc.		SC		Sonic Automotive, Inc., 100
Sonic – North Charleston Dodge, Inc.		SC		Sonic Automotive, Inc., 100
Sonic – North Charleston, Inc.		SC		Sonic Automotive, Inc., 100
Sonic of Texas, Inc.		TX		Sonic Automotive, Inc., 100
Sonic – Plymouth Cadillac, Inc.		MI		Sonic Automotive, Inc., 100
Sonic Resources, Inc.		NV		Sonic Automotive, Inc., 100
Sonic – Richardson F, LP	North Central Ford	TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%.
Sonic – Sanford Cadillac, Inc.		FL		Sonic Automotive, Inc., 100
Sonic Santa Monica M, Inc.	W.I. Simonson	CA		Sonic Automotive, Inc., 100
Sonic Santa Monica S, Inc.		CA		Sonic Automotive, Inc., 100
Sonic – Shottenkirk, Inc.	Pensacola Honda	FL		Sonic Automotive, Inc., 100
Sonic – Stevens Creek B, Inc.	Stevens Creek BMW Stevens Creek Pre-Owned Stevens Creek BMW Pre-owned	CA		L Dealership Group, Inc., 300,000
Sonic –Volvo LV, LLC		NV		Member: Sonic Automotive, Inc., 100%
Sonic Walnut Creek M, Inc.	Mercedes-Benz of Walnut Creek	CA		Sonic Automotive, Inc., 100
Sonic – West Covina T, Inc.		CA		Sonic Automotive, Inc., 100
Sonic – Williams Cadillac, Inc.		AL		Sonic Automotive, Inc., 100
Sonic Wilshire Cadillac, Inc.		CA		Sonic Automotive, Inc., 100
Sonic Automotive – 1495 Automall Drive, Columbus, Inc.		OH		Sonic Automotive, Inc., 100
Sonic Automotive – 1720 Mason Ave., DB, Inc.		FL		Sonic Automotive, Inc., 100

Schedule 5.13-11

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
Sonic Automotive - 1720 Mason Ave., DB, LLC		FL		Member: Sonic Automotive – 1720 Mason Ave., DB, Inc., 100 units
Sonic Automotive – 2490 South Lee Highway, LLC		TN		Member: Sonic Automotive of Nevada, Inc., 100%
Sonic Automotive – 3401 N. Main, TX, LP	Baytown Auto Collision Center Ron Craft Cadillac Ron Craft Chevrolet	TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic Automotive – 4701 I-10 East, TX, LP	Baytown Ford	TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
Sonic Automotive – 6008 N. Dale Mabry, FL, Inc.		FL		Sonic Automotive, Inc., 100
Sonic Automotive – 9103 E. Independence, NC, LLC	Infiniti of Charlotte	NC		Member: Sonic Automotive, Inc., 100%
Sonic Automotive 2424 Laurens Rd., Greenville, Inc.		SC		Sonic Automotive, Inc., 100
Sonic Automotive 2752 Laurens Rd., Greenville, Inc.	Century BMW Century MINI	SC		Sonic Automotive, Inc., 100
Sonic Automotive Aviation, LLC		NC		Member: Sonic Automotive, Inc., 100%
Sonic Automotive F&I, LLC		NV	NC	Member: Sonic Automotive, Inc., 100%
Sonic Automotive of Chattanooga, LLC	BMW of Chattanooga	TN		Member: Sonic Automotive of Nevada, Inc., 100%
Sonic Automotive of Nashville, LLC	MINI of Nashville BMW of Nashville BMW Certified Pre-Owned Nashville	TN		Member: Sonic Automotive of Nevada, Inc., 100%
Sonic Automotive of Nevada, Inc.		NV		Sonic Automotive, Inc., 1,000
Sonic Automotive of Texas, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%

Schedule 5.13-12

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
Sonic Automotive Support, LLC		NV		Member: Sonic Automotive, Inc., 100%
Sonic Automotive West, LLC		NV		Member: Sonic Automotive, Inc., 100%
SRE Alabama – 2, LLC		AL		SRE Holding, LLC, 100%
SRE Alabama – 5, LLC		AL		SRE Holding, LLC, 100%
SRE Alabama 6, LLC				SRE Holding, LLC 100%
SRE California – 1, LLC		CA		SRE Holding, LLC, 100%
SRE California – 2, LLC		CA		SRE Holding, LLC, 100%
SRE California – 3, LLC		CA		SRE Holding, LLC, 100%
SRE California – 4, LLC		CA		SRE Holding, LLC, 100%
SRE California – 5, LLC		CA		SRE Holding, LLC, 100%
SRE California – 6, LLC		CA		SRE Holding, LLC, 100%
SRE California – 7 SCB, LLC		CA		SRE Holding, LLC, 100%
SRE California – 8 SCH, LLC		CA		SRE Holding, LLC, 100%
SRE California – 9 BHB, LLC		CA		SRE Holding, LLC, 100%
SRE California 10 LBB, LLC		CA		SRE Holding, LLC, 100%
SRE California 11 PH, LLC		CA		SRE Holding, LLC, 100%
SRE Colorado – 1, LLC		CO		SRE Holding, LLC, 100%
SRE Colorado – 2, LLC		CO		SRE Holding, LLC, 100%
SRE Colorado – 3, LLC		CO		SRE Holding, LLC, 100%
SRE Colorado – 4 RF, LLC		CO		SRE Holding, LLC, 100%
SRE Colorado – 5 CC, LLC		CO		SRE Holding, LLC, 100%
SRE Florida – 1, LLC		FL		SRE Holding, LLC, 100%
SRE Florida – 2, LLC		FL		SRE Holding, LLC, 100%
SRE Georgia 4, LLC		GA		SRE Holding, LLC, 100%
SRE Georgia 5, LLC		GA		SRE Holding, LLC, 100%
SRE Georgia 6, LLC		GA		SRE Holding, LLC, 100%
SRE Holding, LLC		NC	AL AZ CO TX	Sonic Automotive, Inc., 100%
SRE Maryland – 1, LLC		MD		SRE Holding, LLC, 100%

Schedule 5.13-13

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
SRE Nevada – 2, LLC		NV		SRE Holding, LLC, 100%
SRE North Carolina – 2, LLC		NC		SRE Holding, LLC, 100%
SRE North Carolina – 3, LLC		NC		SRE Holding, LLC, 100%
SRE Ohio 1, LLC		OH		Member: SRE Holding, LLC, 100%
SRE Ohio 2, LLC		OH		Member: SRE Holding, LLC, 100%
SRE Oklahoma – 1, LLC		OK		SRE Holding, LLC, 100%
SRE Oklahoma – 2, LLC		OK		SRE Holding, LLC, 100%
SRE Oklahoma – 5, LLC		OK		SRE Holding, LLC, 100%
SRE South Carolina – 2, LLC		SC		SRE Holding, LLC, 100%
SRE South Carolina – 3, LLC		SC		SRE Holding, LLC, 100%
SRE South Carolina – 4, LLC		SC		SRE Holding, LLC, 100%
SRE Tennessee – 1, LLC		TN		SRE Holding, LLC, 100%
SRE Tennessee – 2, LLC		TN		SRE Holding, LLC, 100%
SRE Tennessee – 3, LLC		TN		SRE Holding, LLC, 100%
SRE Tennessee – 4, LLC		TN		SRE Holding, LLC, 100%
SRE Tennessee – 5, LLC		TN		SRE Holding, LLC, 100%
SRE Tennessee 6, LLC		TN		SRE Holding, LLC, 100%
SRE Tennessee 7, LLC		TN		SRE Holding, LLC, 100%
SRE Texas – 1, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
SRE Texas – 2, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
SRE Texas – 3, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
SRE Texas – 4, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%

Schedule 5.13-14

ENTITY	ASSUMED NAME	Domestic	Foreign	SHAREHOLDER(s)
SRE Texas – 5, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
SRE Texas – 6, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
SRE Texas – 7, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
SRE Texas – 8, LP		TX		Partners: Sonic of Texas, Inc., 1% Sonic Automotive of Nevada, Inc., 99%
sSRE Texas 9, LLC		TX		Member: SRE Holding, LLC, 100%
SRE Texas 10, LLC		TX		Member: SRE Holding, LLC, 100%
SRE Texas 11, LLC		TX		Member: SRE Holding, LLC, 100%
SRE Texas 12, LLC		TX		Member: SRE Holding, LLC, 100%
SRE Texas 13, LLC		TX		Member: SRE Holding, LLC, 100%
SRE Texas 14, LLC		TX		Member: SRE Holding, LLC, 100%
SRE Texas 15, LLC		TX		Member: SRE Holding, LLC, 100%
SRE Texas 16, LLC		TX		Member: SRE Holding, LLC, 100%
SRE Virginia - 1, LLC		VA	MD	Member: SRE Holding, LLC, 100%
SRE Virginia – 2, LLC		VA		SRE Holding, LLC, 100%

Schedule 5.13-15

PART "B"

<u>Subsidiary</u>	<u>D/B/A</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Shareholders</u>
North Point Imports, LLC	North Point Volvo Cars	GA		Members: SAI Peachtree, LLC, 50% Chris Auto Group, LLC, 50%

Schedule 5.13-16

Schedule 5.20(c)

Mortgaged Properties

Properties	Owner	Owner	Lease
Nashville Vacant Land 1577 Mallory Lane Brentwood, TN 37027 Parcel Number(s): 0351 00202 000 094 086	Sonic Development, LLC	N/A	N/A
EchoPark Atlanta – Frys 3296 Commerce Ave. Duluth, GA 30096 Parcel Number(s): R6207 010	AM Realty GA, LLC	AM GA, LLC	N/A
Baytown Ford Vacant Land John Martin Road Baytown, TX 77521 Parcel Number(s): 059-150-019-0121	SRE Texas – 6, L.P.	Sonic Automotive – 4701 I-10 East, TX, L.P.	N/A
Philpott Land 12 ac. adjacent to Philpott Toyota, 2229 US 69 Nederland, TX Parcel Number(s): 061880-000/000100-00000	SRE Texas-11, LLC	SAI Philpott T, LLC	N/A
EP Grand Prairie 2615 W IH 20 Frontage Rd. Grand Prairie, TX 75052 Parcel Number(s): 000075782976	EchoPark Realty TX, LLC	SAI DS, LLC	Lease Agreement, dated March 1, 2018, as amended from time to time
Audi Pensacola 6200 Technology Drive Pensacola, FL 32505 Parcel Number(s):	SAI Pensacola A, LLC (as ground lease)	Same as owner	N/A

6303 Pensacola Blvd. Pensacola, FL	SAI Pensacola A, LLC	Same as owner	N/A
EchoPark Greenville 107 Duvall Drive Greenville, SC 29607 Parcel Number(s): 0272.00-01.014.01	EP Realty SC, LLC	EchoPark SC, LLC	N/A
Stahlman Lumber 4007 Greenbriar Drive Houston, TX 77098 Parcel Number(s): 138-688-001-0001	SRE Texas - 15, LLC	Sonic Houston JLR, LP	N/A
McKinney Land 12.6 ac at NEQ of Central Cir. & Bray Central Dr. McKinney, TX Parcel Number(s): R-2161-00C-001R1	SRE Texas 13, LLC	SAI McKinney M, LLC	N/A

Schedule 5.02(c)

Schedule 6.07

Casualty Insurance Requirements

Each Casualty Policy for each Mortgaged Property shall:

- (i) include coverage for, and specifically state that coverage is provided for named windstorms, hail and terrorism;
- (ii) provide coverage in an amount not less than one hundred percent (100%) of the replacement cost value for such Mortgaged Property;
- (iii) have a deductible no greater than \$500,000.00 per occurrence and contain a replacement cost endorsement;
- (iv) contain a lender's loss payable endorsement containing provisions equivalent to those provisions contained in Form 438BFU and naming the Lender as the mortgagee;
- (v) be evidenced by an Acord Certificate Form 27 or Form 28 or equivalent form in favor of the Lender, as mortgagee, and such evidence shall be provided to the Lender;
- (vi) if such Casualty Policy is a blanket policy, provide that the blanket limit is subject to a so-called "Agreed Amount" or "No Co-Insurance" clause, or such Casualty Policy shall specifically state the applicable co-insurance percentage and the scheduled value with respect to such Mortgaged Property; and
- (vii) except as provided in clause (vi) above, not contain any co-insurance clauses or provisions that would reduce the coverage under such Casualty Policy.

Schedule 6.07

Schedule 7.03

Intentionally Omitted

Schedule 7.03

Schedule 7.25

Post-Closing Deliveries

None

Schedule 7.25

Schedule 10.02

**Lender's Office; Certain Addresses for Notices;
Tax Identification Number**

Loan Parties:

c/o Sonic Automotive, Inc.
4401 Colwick Road
Charlotte, NC 28211
Attn: Stephen K. Coss and Heath R. Byrd
Tel: 704-556-2420 and 704-566-2482
Fax: 704-927-3412 and 704-973-0798
Email: steve.coss@sonicautomotive.com and heath.byrd@sonicautomotive.com

Taxpayer Identification Number: 56-2010790.
Company's website: www.sonicautomotive.com

Lender:

Ally Bank
SE Business Center
3885 Crestwood Parkway Suite 400
Duluth GA 30096
Attn: Robert W. Gordon
Tel: 770-381-3232
Fax: 770-381-3006
Email: robert.w.gordon@ally.com

FORM OF ADVANCED REQUEST

Date: _____, _____

To: Ally Bank

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of _____ (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement" the terms defined therein being used herein as therein defined), among Sonic Automotive, Inc., a Delaware corporation (the "Company"), and Ally Bank.

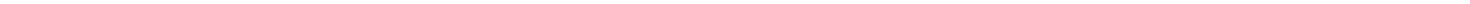
The undersigned hereby requests and Advance:

- 1. On _____ (a Business Day).
- 2. In the amount of \$_____.

The undersigned hereby represents and warrants that (i) such request complies with Section 2.01 of the Credit Agreement and (ii) each of the conditions set forth in Sections 4.02(a) and (b) of the Credit Agreement have been satisfied on and as of the date of such Borrowing.

The Borrower hereby requests that [check one line below and fill in blank spaces next to the line as appropriate]:

- i _____ Funds to be deposited into a deposit account per current standing instructions. Complete amount of deposit if not full loan advance amount: _____.
- ii _____ Funds to be wired per the following wire instructions:
 Amount of Wire Transfer: _____
 Bank Name: _____
 ABA: _____
 Account Number: _____
 Account Name: _____
 Reference: _____
- iii _____ Funds to be wired per the attached Funds Flow (multiple wire transfers).
- iv _____ Funds to be wired per the current Notice of Account Designation.



SONIC AUTOMOTIVE, INC.

By: _____

Name: _____

Title: _____

Exhibit A-2

[RESERVED]

Exhibit B-1

[RESERVED]

Exhibit C-1

[RESERVED]

Exhibit F-1-2

FORM OF SUBSIDIARY GUARANTY

[attached]

Exhibit E-1

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____, _____

To: Ally Bank

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of _____, 2020 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**"; all terms used herein but not otherwise defined herein have the respective meanings given thereto in the Credit Agreement), between Sonic Automotive, Inc., a Delaware corporation (the "**Company**"), and Ally Bank (the "**Lender**").

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the _____ of the Company, and that, as such, he/she is authorized to execute and deliver this Certificate to the Lender on the behalf of the Company, and that:

[Use following paragraph 1 for fiscal year-end financial statements]

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.01(a) of each Credit Agreement for the fiscal year of the Company ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

[Use following paragraph 1 for fiscal quarter-end financial statements]

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.01(b) of each Credit Agreement for the fiscal quarter of the Company ended as of the above date. Such quarterly financial statements fairly present the financial condition, results of operations and cash flows of the Company and its Subsidiaries in accordance with GAAP as at

[Use following paragraph 1 for fiscal month-end financial statements]

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.01(c) of each Credit Agreement for the fiscal month of the Company ended as of the above date. Such monthly financial statements fairly present the financial condition, results of operations and cash flows of the Company and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of each Credit Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Company and its Subsidiaries during the accounting period covered by the attached financial statements.

2. A review of the activities of the Loan Parties during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period each Loan Party has performed and observed all of its Obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned during such fiscal period, each Loan Party performed and observed each covenant and condition of the Loan Documents applicable to it, and no Default has occurred and is continuing.]

--or--

[the following covenants or conditions have not been performed or observed and the following is a list of each such Default and its nature and status:]

3. The representations and warranties of the Company and each Loan Party contained in Article V of the Credit Agreement, and any representations and warranties of any Loan Party that are contained in any document furnished at any time under or in connection with the Loan Documents, are true and correct on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Compliance Certificate, the representations and warranties contained in subsections (a) and (b) of Section 5.05 of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a), (b) and (c), respectively, of Section 6.01 of the Credit Agreement, including the statements in connection with which this Compliance Certificate is delivered.

4. The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate as of _____, ____.

SONIC AUTOMOTIVE, INC.

By: _____
Name: _____
Title: _____

For the Quarter/Year ended _____ (“Statement Date”)

SCHEDULE 1

to the Compliance Certificate

[Financial Statements to be attached]

Exhibit F-3

For the Quarter/Year ended _____ (“Statement Date”)

SCHEDULE 2

to the Compliance Certificate
(\$ in 000's)

[to be attached]

Exhibit F-4

FORM OF JOINDER AGREEMENT

THIS JOINDER AGREEMENT (the "Joinder Agreement"), dated as of , 20__ is made by [_____], a (the "Joining Subsidiary"), and delivered to ALLY BANK (the "Lender") , under that certain Credit Agreement (as amended, revised, modified, supplemented or amended and restated from time to time, the "Credit Agreement"), dated as of _____, 2020 between Sonic Automotive, Inc., a Delaware corporation (the "Company") and the Lender. All capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

WHEREAS, certain Subsidiaries of the Company and the Lender have entered into a Subsidiary Guaranty Agreement dated as of _____, 2020 (as amended, revised, modified, supplemented or amended and restated from time to time, the "Subsidiary Guaranty Agreement");

WHEREAS, the Joining Subsidiary is required by the terms of the Credit Agreement to become a "Guarantor" under the Subsidiary Guaranty Agreement and be joined as a party to the Subsidiary Guaranty Agreement as a Guarantor (as defined in the Subsidiary Guaranty Agreement);

WHEREAS, the Joining Subsidiary will materially benefit from the Loan made available and to be made available to the Company by the Lender under the Credit Agreement;

NOW, THEREFORE, the Joining Subsidiary hereby agrees as follows with the Lender:

1. **Subsidiary Guaranty Agreement.**

a. **Joinder.** The Joining Subsidiary hereby irrevocably, absolutely and unconditionally becomes a party to the Subsidiary Guaranty Agreement as a "Guarantor" (such term as used in this Section 1 having the meaning set forth in the Subsidiary Guaranty Agreement) and bound by all the terms, conditions, obligations, liabilities and undertakings of each Guarantor or to which any Guarantor is subject thereunder, including without limitation the joint and several, unconditional, absolute, continuing and irrevocable guarantee to the Lender of the payment and performance in full of the Guaranteed Liabilities (as defined in the Subsidiary Guaranty Agreement) whether now existing or hereafter arising, all with the same force and effect as if the Joining Subsidiary were a signatory to the Subsidiary Guaranty Agreement.

b. **Affirmations.** The Joining Subsidiary hereby acknowledges and reaffirms as of the date hereof with respect to itself, its properties and its affairs each of the representations, warranties, acknowledgements and certifications applicable to, and each of the waivers by, any Guarantor contained in the Subsidiary Guaranty Agreement.

2. **Miscellaneous.**

a. **Notices.** Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desires to give and serve upon any other party any communication with respect to this Joinder Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner, and deemed received, as provided for in the Credit Agreement.

b. **Severability.** Whenever possible, each provision of this Joinder Agreement shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision of this Joinder Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Joinder Agreement. This Joinder Agreement is to be read, construed and applied together with the Credit Agreement and the other Loan Documents, which, taken together, set forth the complete understanding and agreement of the Lender and the Joining Subsidiary with respect to the matters referred to herein and therein.

c. **Successors and Assigns.** This Joinder Agreement and all obligations of the Joining Subsidiary hereunder shall be binding upon the successors and assigns of the Joining Subsidiary (including any debtor-in-possession on behalf of the Joining Subsidiary) and shall, together with the rights and remedies of the Lender, hereunder, inure to the benefit of the Lender, all future holders of any instrument evidencing any of the Obligations and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein shall in any manner affect the Liens granted to the Lender under the Loan Documents. The Joining Subsidiary may not assign, sell, hypothecate or otherwise transfer any interest in or obligation under this Joinder Agreement.

d. **Counterparts.** This Joinder Agreement may be authenticated in any number of separate counterparts, each of which shall collectively and separately constitute one and the same agreement. This Joinder Agreement may be authenticated by manual signature, facsimile or, if approved in writing by the Lender, electronic means, all of which shall be equally valid. Without limiting the foregoing provisions of this Section 5(d), the provisions of Section 10.10 of the Credit Agreement shall be applicable to this Joinder Agreement.

e. **Section Titles.** The Section titles contained in this Joinder Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

f. **Delivery.** The Joining Subsidiary hereby irrevocably waives notice of acceptance of this Joinder Agreement and acknowledges that the Obligations are and shall be deemed to be incurred, and credit extensions under the Loan Documents made

and maintained, in reliance on this Joinder Agreement and the Joining Subsidiary's joinder as a party to the Subsidiary Guaranty Agreement, as herein provided.

g. **Governing Law; Venue; Waiver of Jury Trial.** The provisions of Sections 10.14 and 10.15 of the Credit Agreement are hereby incorporated by reference as if fully set forth herein.

IN WITNESS WHEREOF, the Joining Subsidiary has duly executed and delivered this Joinder Agreement as of the day and year first written above.

JOINING SUBSIDIARY:

[_____]

By:

Name:

Title:

Exhibit G-3

EXHIBIT H – EXHIBIT O

[Reserved]

REVOLVING COMMERCIAL PROMISSORY NOTE

\$69,000,000.00 USD Effective Date: June 23, 2020

FOR VALUE RECEIVED, on the dates, and in the amounts so herein stipulated, the undersigned, SONIC AUTOMOTIVE, INC. a Delaware corporation, with a mailing address of 4401 Colwick Road, Charlotte, North Carolina 28211-2311 (hereinafter called "**Borrower**"), promises to pay to the order of ALLY BANK (ALLY CAPITAL IN HAWAII, MISSISSIPPI, MONTANA AND NEW JERSEY) ("**Bank**") at its offices located at 3885 Crestwood Parkway, Suite 400, Duluth, Georgia 30096 (or such other place for payment as instructed by Bank in writing), in coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, the principal sum of Sixty-Nine Million Dollars (\$69,000,000.00) (the "**Principal**"), or so much thereof as may be advanced pursuant to the terms provided hereunder and that certain Credit Agreement dated of even date herewith between Borrower and Bank (the "**Loan Agreement**"), together with accrued interest on the Principal amount hereof remaining unpaid from time to time, computed from the date hereof until maturity at a per annum rate as set forth in the Loan Agreement (the "**Applicable Rate**") (the "**Loan**").

The Loan shall be made in multiple advances (each an "**Advance**") during the term of the Loan in amounts and frequency as set forth in the Loan Agreement. To obtain each Advance, the Borrower agrees to follow the standard procedures for funding as outlined in the Loan Agreement. Any Principal amount prepaid may be reborrowed. Regardless of the amount of the outstanding Principal balance at the maturity date of the Loan, Bank has no obligation to make, and Borrower has no right to request or receive any further advances under this Note after that date. At no time shall the aggregate of all advances made under this Note ever exceed the face amount of this Note. No reliance or course of dealing shall be established by the granting or denial of Advances, which may be approved or rejected in accordance with the Loan Documents.

It is especially agreed that if default shall be made in any payment due hereon, either Principal or interest, or if there is a default in any of the terms, covenants or provisions set forth in the Loan Agreement or in that certain Deed of Trust, as hereinafter defined, or any other document given to secure this Note (collectively with the Deed of Trust, the "**Security Instruments**"), then, in any such event, at the option of Bank or any other holder hereof at any time thereafter without notice of intent to accelerate, notice of acceleration, or any other demand or notice, the unpaid Principal balance of this Note and all accrued interest shall at once become due and payable. Any failure to exercise this option shall not constitute a waiver by Bank of the right to exercise the same at any other time. Any sum, Principal or interest, payable under this Note which is not paid when due shall bear interest from the date such payment is due

until paid at the Applicable Rate plus five percent (5%) per annum. If default is made in the prompt payment of this Note when due or declared due and the same is placed in the hands of an attorney for collection, or suit is brought on same, or the same is collected through probate, bankruptcy or other judicial proceedings, then Borrower agrees and promises to pay to Bank its reasonable and necessary attorney's fees and court costs.

If Bank or its successor has not received the full amount of any installment payment at the end of the 10th day after it is due, Borrower agrees to pay a late charge to Bank. The amount of the late charge will be three percent (3%) of the amount of the overdue installment payment. Borrower agrees to pay the late charge promptly. The late charge will be charged only one time with respect to any late installment payment.

Borrower and any and all endorsers, guarantors and sureties severally waive, to the extent permitted by law, all notices, demands for payment, presentment for payment, protest and notice of protest, notice of intent to accelerate, notice of acceleration, any other notices of any kind, the filing of suit hereon for the purpose of fixing liability and diligence in taking any action to collect amounts called for hereunder and in the handling of collateral or securities at any time existing in connection herewith, and consent that the time of payment hereof may be extended and re-extended from time to time without notice to any of them.

It is the intention of the parties hereto to comply with the usury laws of the State of New York and of the United States of America. The parties hereto do not intend to contract for, charge or receive any interest or other charge that is usurious, and by execution of this Note, Borrower agrees that Bank has no such intent. This Note, the Loan Agreement, the Security Instruments, and all other agreements between Borrower and Bank or any other holder hereof, which are now existing or hereafter arising, whether written or oral, are hereby expressly limited so that in no event whatsoever, whether by reason of acceleration of maturity hereof, or otherwise, shall the amount paid, or agreed to be paid, to Bank or any other holder hereof for the use, forbearance or detention of the money to be due hereunder or otherwise, or for the payment or performance of any covenant or obligation contained herein or in any other document evidencing, securing, or pertaining to the indebtedness evidenced hereby, exceed the Maximum Rate. If from any circumstance whatsoever fulfillment of any provisions hereof or other document, at the time performance of such provisions shall be due, shall involve transcending the valid limits prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the Maximum Rate, and if from any such circumstance Bank or any other holder shall ever receive as interest or otherwise an amount which will exceed the Maximum Rate, such amount which would be excessive interest shall be applied to the reduction of the Principal amount owing hereunder or on account of any

other principal indebtedness of Borrower to the holder and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of Principal hereof and such other indebtedness, such excess shall be refunded to Borrower. All sums paid and agreed to be paid to Bank or any other holder for use, forbearance or detention of the indebtedness of Borrower shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the periods until payment in full of this Note (or any renewals, extensions and rearrangements hereof) so that the actual rate of interest on account of this indebtedness evidenced by this Note is uniform throughout the term of this Note (and all renewals, extensions and rearrangements hereof) and does not exceed the Maximum Rate. The terms and provisions of this paragraph shall control and supersede any other provisions of this Note.

Except as otherwise stated herein, all payments under this Note shall be applied first against Bank's costs and expenses incurred in connection with this Loan, then accrued and unpaid interest and the remainder against the Principal balance hereof. All partial prepayments shall be applied toward the payment of Principal installments in the inverse order of maturity. Bank's records shall constitute prima facie evidence of the amount of funds advanced hereunder.

If at any time the Applicable Rate exceeds the Maximum Rate, then interest hereon shall accrue at the Maximum Rate. If the Applicable Rate should then subsequently decrease to a level less than the Maximum Rate or if the Maximum Rate applicable to this Note should then subsequently be increased to a level which would be greater than the Applicable Rate, then, in either case, the interest hereon shall thereafter accrue at a rate equal to the applicable Maximum Rate until the aggregate amount of interest accrued through the term of this Note equals the aggregate amount of interest that would have accrued at the Applicable Rate without regard to any usury limit, at which time interest hereon shall again accrue at the Applicable Rate.

Any check, draft, money order or other instrument given in payment of all or any part hereof or on any part of the indebtedness may be accepted by the holder hereof and handled in collection in a customary manner, but same shall not constitute payment hereof or of the indebtedness or diminish any rights of Bank, except to the extent that actual cash proceeds of such instrument are unconditionally received by Bank.

Without being limited thereto or thereby, this Note is secured by one or more deeds of trust, mortgages and deeds to secure debt (however titled) (collectively, the "**Deed of Trust**", whether one or more) executed by Borrower in favor of Bank and the Loan Agreement covering the collateral described therein.

The individual signing below warrants and represents that s/he has the requisite authority to bind the entity on whose behalf s/he signs.

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

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

CROSS COLLATERAL, CROSS DEFAULT, AND GUARANTY AGREEMENT

THIS AGREEMENT is effective this 23rd day of June, 2020, and is entered into by and among Ally Financial Inc., a Delaware corporation and Ally Bank (Ally Capital in Hawaii, Mississippi, Montana and New Jersey), a Utah chartered state bank, each with a local business address at Ally Bank, SE Business Center, 3885 Crestwood Parkway Suite 400, Duluth Georgia 30096, (together with Ally Financial Inc., the “Ally Parties”), and the entities and individuals listed below (collectively the “Dealership Parties”):

Sonic Automotive, Inc., a Delaware corporation, Sonic Development, LLC, a North Carolina limited liability company, AM Realty GA, LLC, a Georgia limited liability company, AM GA, LLC, a Georgia limited liability company, EchoPark Automotive, Inc., a Delaware corporation, SRE Texas - 6, L.P., a Texas limited partnership, Sonic Automotive - 4701 I-10 East, TX, L.P., a Texas limited partnership, Sonic of Texas, Inc., a Texas corporation, Sonic Automotive of Nevada, Inc., a Nevada corporation, SRE Texas 11, LLC, a Texas limited liability company, SAI Philpott T, LLC, a Texas limited liability company, SRE Holding, LLC, a North Carolina limited liability company, EchoPark Realty TX, LLC, a Texas limited liability company, SAI DS, LLC, a Texas limited liability company, SAI Pensacola A, LLC, a Florida limited liability company, SAI FL HC2, Inc., a Florida corporation, EP Realty SC, LLC, a South Carolina limited liability company, EchoPark SC, LLC, a South Carolina limited liability company, SRE Texas 15, LLC, a Texas limited liability company, Sonic Houston JLR, LP, a Texas limited partnership, SRE Texas 13, LLC, a Texas limited liability company, and SAI McKinney M, LLC, a Texas limited liability company, each with an office address at 4401 Colwick Road

Charlotte, North Carolina 28211.

Recitals:

- A. One or more of the Ally Parties have made loans and advances to some or all of the Dealership Parties, which are affiliated and share a close business nexus.
- B. One or more of the Ally Parties may make additional loans, advances, and other extensions of credit to some or all of the Dealership Parties, or continue to extend credit to one or more of the Dealership Parties, if the Dealership Parties agree to provide additional security by cross-collateralizing, cross-defaulting, and guarantying all of said existing, proposed and future loans, advances, and extensions of credit.
- C. It is the intention of the Dealership Parties and the Ally Parties that all of the Dealership Parties’ assets which one or more of the Ally Parties now has, or may hereafter obtain, a lien on or security interest in, secures payment and performance for all current and future loans, advances, and extensions of credit made by the Ally Parties to some or all of the Dealership Parties.
- D. It is the intention of the Dealership Parties and the Ally Parties that any default in the payment or performance of any obligation of any of the Dealership Parties to any of the Ally Parties, at the option of one or more of the Ally Parties, will constitute a default of all then-existing obligations of all Dealership Parties to the Ally Parties.
- E. It is the intention of each of the Dealership Parties individually to guaranty the performance and payment of Obligations of every other of the Dealership Parties.

Agreement:

For good and valuable consideration, the receipt and sufficiency of which are acknowledged, including the inducement of each of the Ally Parties, in its sole discretion, to extend credit or continue existing financial accommodations to the Dealership Parties, it is agreed as follows:

- 1) DEFINITIONS: As used in this Agreement, the terms listed below have the following meaning:

- a) Obligation(s) means any liability, indebtedness, or obligation of every kind and nature, now existing or hereafter arising, whether created directly, indirectly, or acquired by assignment, whether matured or unmatured, owed by any one or more of the Dealership Parties to one or more of the Ally Parties, any successor, assign, subsidiary, or affiliate of the Ally Parties and any cost or expense, including without limitation reasonable attorneys' fees, incurred in the collection or enforcement of this Agreement or any obligation of any one or more of the Dealership Parties.
- b) Security Agreement(s) means any existing or future agreement between one or more of the Dealership Parties and one or more of the Ally Parties which creates or provides for a security interest in or lien upon any of the assets or property (tangible, intangible, real, or personal) of any of the Dealership Parties, including but not limited to this Agreement, wholesale floorplan agreements (i.e., Wholesale Security Agreement or Inventory Financing and Security Agreement), other security agreements, deeds of trust and mortgages.
- c) Financing Accommodation(s) means the Security Agreement(s) and any and all other agreements evidencing an Obligation.
- 2) CROSS-COLLATERALIZATION: To secure payment and performance of all Obligations, each of the Dealership Parties grants to each of the Ally Parties a continuing security interest in all collateral in which one of the Ally Parties now has a security interest, and each of the Dealership Parties agrees that any future grant of a security interest in any assets of any one of the Dealership Parties to one of the Ally Parties will be deemed a grant to the other of the Ally Parties. Each of the Dealership Parties agrees that either or both of the Ally Parties are authorized to file financing statements, mark chattel paper, notify account debtors, note liens on documents of title, and take all other actions necessary to establish, confirm, and maintain a perfected security interest in such existing and future collateral. Each of the Dealership Parties agrees that all collateral now or hereafter subject to a security interest or lien of one or more of the Ally Parties pursuant to any or all of the Security Agreements secures any and all Obligations, including Obligations subsequently assigned to one of the Ally Parties by the other of the Ally Parties or by a third party, and subject to applicable law, each of the Ally Parties may apply, in its sole, absolute discretion, proceeds of any collateral to any of the Obligations of any of the Dealership Parties.
- 3) CROSS DEFAULT: In addition to and not in substitution for any provisions in any of Financing Accommodations, it is agreed that any default or breach by any of the Dealership Parties in the payment or performance under any of the Financing Accommodations will, at the option of the Ally Parties, constitute a default under each Financing Accommodation.
- 4) GUARANTY:
- a) All Dealership Parties, jointly and severally, unconditionally guarantee the performance and payment of all Obligations owing by any of the Dealership Parties to any of the Ally Parties, including Obligations subsequently assigned to one of the Ally Parties by the other of the Ally Parties or by a third party. Each of the Dealership Parties waives and dispenses with notice of acceptance of this guaranty; notice of non-payment or non-performance; notice of amount of indebtedness outstanding at any time; protests; demands; and prosecution of collection, foreclosure, and possessory remedies. Each of the Dealership Parties waives any right to require any of the Ally Parties to institute suit or otherwise proceed against other persons or other Dealership Parties; to advise the Dealership Parties of the results of any collateral checks or examinations; to require any or all of the Dealership Parties to comply with the Financing Accommodations; or, to proceed against or exhaust any security. Any liability of the Dealership Parties hereunder will not be affected by, nor will it be necessary to procure the consent of any of the Dealership Parties or give any notice in reference to: the release by the Ally Parties of any one or more of the Dealership Parties from this Agreement or any other agreement; any settlement, or variation of terms of any obligation of any of the Dealership Parties, or of a guarantor or any other interested person, by operation of law or otherwise; nor by failure to file, record, or register any security document. Each of the Dealership Parties recognizes that the Ally Parties may utilize various means of attempting to verify compliance with the credit terms by any borrower under any of the Financing Accommodations, including periodic collateral checks and examination of books and records, and expressly agrees that such steps are for the sole benefit of the Ally Parties and the adequacy of such checks and examinations will not be considered as a defense to

or mitigation of liability hereunder. Each of the Dealership Parties acknowledges and agrees that this guaranty is for a commercial obligation and not a consumer obligation which is primarily for personal, family, or household purposes. Each of the Dealership Parties authorizes the Ally Parties, from time to time, to investigate any financial information provided and to examine or review such party's credit history (including obtaining a credit report) and agrees to provide the Ally Parties with financial statements satisfactory to the Ally Parties upon request. This is an absolute, continuing payment guaranty and remains in effect as to each of the Dealership Parties until discharged pursuant to the terms of this Agreement or in writing by the Ally Parties. However, a single one of the Dealership Parties can terminate its own guaranty by sending written notice of its intent to the Ally Parties, which termination is effective forty-eight (48) hours after receipt by both of the Ally Parties of the written termination notice; provided, however, that such termination will not operate to release such party from liability hereunder with respect to any Obligations incurred prior to the effective date of such termination notice. In order to be effective, notice of termination must be sent as outlined in numbered paragraph 8, below, to the Ally Parties at the address listed above and also to: Ally Bank and Ally Financial Inc., 500 Woodward Avenue, MC: MI-01-16-RISK, Detroit, Michigan 48226, Attn.: Senior Vice President, Commercial Credit Operations. Except as noted in this Agreement, the Ally Parties make no promises to the Dealership Parties to induce execution of this guaranty provision.

- b) Each of the Dealership Parties acknowledges that: it is such Dealership Party's responsibility to review the Financing Accommodations and any other documents governing the guaranteed obligations before signing this Agreement and to obtain and review any future documentation that may affect the aggregate obligations of the Dealership Parties to the Ally Parties; it has knowledge of and adequate means to obtain the other Dealership Parties' financial information; and, the nature and amount of the guaranteed obligations may increase without notice to such Dealership Party. Each of the Dealership Parties expressly waives any duty of either of the Ally Parties to disclose to such Dealership Party any information related to any other Dealership Party's ability to repay the guaranteed obligations, including, without limitation, the state of any other Dealership Party's business, its condition (financial, operating, or otherwise) or any facts or circumstances that may affect a Dealership Party's risks under or related to this guaranty.
- c) No act or thing need occur to establish the liability of any of the Dealership Parties hereunder, and no act or thing, except full payment and discharge of all Obligations, will in any way exonerate any of the Dealership Parties or modify, reduce, limit, or release the liability of any of the Dealership Parties.
- d) The Ally Parties may in their discretion apply to the Obligations any sums received by, or available to, them on account of the Obligations, out of the collateral security, or any other source of payment. Such application will not reduce, affect, or impair the liability of the Dealership Parties.
- e) Each of the Dealership Parties waives any and all defenses, claims, and discharges of any of the other Dealership Parties pertaining to the Obligations, except the defense of discharge by payment in full. No Dealership Party will assert, plead, or enforce against either of the Ally Parties any defense of waiver, release, statute of limitations, res judicata, statutes of frauds, fraud, incapacity, minority, usury, illegality, or unenforceability which may be available to another Dealership Party in respect of any Obligation, or any setoff available against either of the Ally Parties by any other Dealership Party, whether or not on account of a related transaction.
- f) Each Dealership Party expressly agrees that it will be and will remain liable, to the fullest extent permitted by applicable law, for any deficiency remaining after foreclosure of any mortgage or security interest securing the Obligations, whether or not the liability of any other obligor for such deficiency is discharged pursuant to statute or judicial decision. Further, each Dealership Party expressly waives any condition precedent that may be required of either or both of the Ally Parties under applicable law prior to proceeding with any action to recover any deficiency remaining after foreclosure.

- 5) EFFECT ON OTHER AGREEMENTS: This Agreement constitutes an amendment of and supplement to each of the Financing Accommodations now or hereafter executed; augments and is in addition to, and is not in substitution for, any provisions of any Financing Accommodation, including any other Cross Collateral, Cross Default and Guaranty Agreements between or among any of the Dealership Parties and either or both of the Ally Parties; and does not otherwise limit or affect the rights and remedies of any of the Ally Parties under any such Financing Accommodation.
- 6) FUTURE LOANS: Each of the Ally Parties may, in its sole and absolute discretion, make additional loans and other financing accommodations to any of the Dealership Parties, all of which will be subject to the terms of this Agreement. Notwithstanding anything to the contrary, any future change in the terms of or indebtedness owed by any of the Dealership Parties to one or more of the Ally Parties requires the written consent of the applicable Ally Party.
- 7) WAIVER OF TRIAL BY JURY: Each of the Dealership Parties waives trial by jury in any action or proceeding brought by any of the Ally Parties; in any counterclaim asserted by any of the Ally Parties against one or more of the Dealership Parties; and, in any matter connected in any manner with this Agreement or any Financing Accommodation.
- 8) NOTICES: Any notices or other communications required or permitted to be given by this Agreement must be in writing and must be personally delivered, mailed by prepaid certified, registered, or first class mail, or delivered by a nationally recognized overnight courier, to the Ally Parties or to the Dealership Parties to whom such notice or communication is directed at the addresses set forth above in this Agreement. Notwithstanding anything herein to the contrary, any notice or other communication will be deemed to have been given (whether actually received or not) on the day it is personally delivered or, if mailed or delivered by overnight courier, on the third (3rd) day after it is mailed or delivered as aforesaid. Any of the Ally Parties or of the Dealership Parties may change its address for purposes of this document by giving ten (10) days prior written notice of such change to the others pursuant to the terms of this clause.
- 9) NO OTHER UNDERSTANDING: The Dealership Parties acknowledge that the Ally Parties have made no promises to induce execution of this Agreement except as set forth herein; that there are no other agreements or understandings, either oral or in writing, affecting this Agreement; and nothing in this Agreement may be considered a waiver by any of the Ally Parties of any existing or future defaults by any of the Dealership Parties of any Financing Accommodation. Modifications or amendments to this Agreement other than a release or termination of obligations under this Agreement can only be made in a writing executed by all of the Ally Parties and all of the Dealership Parties.
- 10) SUCCESSORS AND ASSIGNS: The provisions of this Agreement bind and inure to the benefit of the heirs, administrators, successors, and assigns of each of the Dealership Parties and each of the Ally Parties.
- 11) SEVERABILITY: Any provision of this Agreement prohibited by law is ineffective only to the extent of the prohibition without invalidating the remaining provisions of this Agreement.
- 12) COUNTERPARTS: This Agreement may be executed in multiple counterparts and all of such counterparts taken together will be deemed to constitute one and the same agreement. Any electronically placed or delivered (e.g., via fax or email) signatures of the parties constitute and are deemed original signatures for all purposes.

[signatures appear on the following pages]

Sonic Automotive, Inc., a Delaware corporation

By: /s/ Heath R. Byrd

Name: Heath R. Byrd

Title: Executive Vice President and Chief Financial Officer

Sonic Development, LLC, a North Carolina limited liability company

By: /s/ Heath R. Byrd

Heath R. Byrd, Vice President and Treasurer

AM Realty GA, LLC, a Georgia limited liability company

By: /s/ Heath R. Byrd

Heath R. Byrd, Vice President and Treasurer

AM GA, LLC, a Georgia limited liability company

By: /s/ Heath R. Byrd

Heath R. Byrd, Vice President and Treasurer

EchoPark Automotive, Inc., a Delaware corporation

By: /s/ Heath R. Byrd

Heath R. Byrd, Vice President and Treasurer

SRE Texas - 6, L.P., a Texas limited partnership

By: Sonic of Texas, Inc., a Texas corporation,
Its General Partner

By: /s/ Heath R. Byrd

Heath R. Byrd, Vice President and Treasurer

Sonic Automotive - 4701 I-10 East, TX, L.P., a Texas limited partnership

By: Sonic of Texas, Inc., a Texas corporation,
Its General Partner

By: /s/ Heath R. Byrd

Heath R. Byrd, Vice President and Treasurer

[signatures continue on the following page]

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By: /s/ Heath R. Byrd
Heath R. Byrd, Vice President and Treasurer

Sonic Automotive of Nevada, Inc., a Nevada corporation

By: /s/ Heath R. Byrd
Heath R. Byrd, Vice President and Treasurer

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By: /s/ Heath R. Byrd
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By: Sonic of Texas, Inc., a Texas corporation,
Its General Partner

By: /s/ Heath R. Byrd
Heath R. Byrd, Vice President and Treasurer

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By: /s/ Heath R. Byrd
Heath R. Byrd, Vice President and Treasurer

SAI McKinney M, LLC, a Texas limited liability company

By: /s/ Heath R. Byrd
Heath R. Byrd, Vice President and Treasurer

Ally Financial Inc.

By: /s/ Matt Mayes
Print Name: Matt Mayes
Title: Authorized Representative
Date: 6-22-20

GUARANTY

Dated as of June 23, 2020

To induce Ally Bank (Ally Capital in Hawaii, Mississippi, Montana and New Jersey) , a Utah state-chartered bank (“Bank”) to make a revolving loan (the “Loan”) to Sonic Automotive, Inc., a Delaware corporation (“Borrower”) pursuant to the Credit Agreement (“Credit Agreement”) between Borrower and Bank and other related agreements dated as of the date hereof, Sonic Development, LLC, a North Carolina limited liability company, AM Realty GA, LLC, a Georgia limited liability company, AM GA, LLC, a Georgia limited liability company, EchoPark Automotive, Inc., a Delaware corporation, SRE Texas - 6, L.P., a Texas limited partnership, Sonic Automotive - 4701 I-10 East, TX, L.P., a Texas limited partnership, Sonic of Texas, Inc., a Texas corporation, Sonic Automotive of Nevada, Inc., a Nevada corporation, SRE Texas 11, LLC, a Texas limited liability company, SAI Philpott T, LLC, a Texas limited liability company, SRE Holding, LLC, a North Carolina limited liability company, EchoPark Realty TX, LLC, a Texas limited liability company, SAI DS, LLC, a Texas limited liability company, SAI Pensacola A, LLC, a Florida limited liability company, SAI FL HC2, Inc., a Florida corporation, EP Realty SC, LLC, a South Carolina limited liability company, EchoPark SC, LLC, a South Carolina limited liability company, SRE Texas 15, LLC, a Texas limited liability company, Sonic Houston JLR, LP, a Texas limited partnership, SRE Texas 13, LLC, a Texas limited liability company, and SAI McKinney M, LLC, a Texas limited liability company (collectively the “Guarantor”, whether one or more than one) hereby absolutely and unconditionally guarantees the payment and performance of the following (collectively “Obligations”):

- a. Borrower’s obligations owed to Bank under and/or in connection with the Loan, including, without limitation, the following:
 - i. Any and all renewals, extensions, and/or modifications of the Loan;
 - ii. Any and all agreements related to the Loan;
 - iii. All of Bank’s costs, expenses, and attorney and other legal fees incurred by Bank in connection with the Loan; and
 - b. Any voluntary and/or involuntary credit extensions that Bank makes to Borrower in any bankruptcy proceeding.
1. **THIS GUARANTY IS AN ABSOLUTE, UNLIMITED, UNCONDITIONAL, IRREVOCABLE, CONTINUING GUARANTY OF PAYMENT AND PERFORMANCE** of Borrower’s Obligations, and Guarantor’s liability under this Guaranty will not be affected by any change in circumstance, including without limitation:
- a. Any settlement or variation of terms of any Obligation of Borrower; any related agreements between Bank and Borrower; or any obligation of any guarantor or other interested person, by operation of law or otherwise;
 - b. The failure to file, record, or register any security document;
 - c. The unenforceability of any Obligation;
 - d. Partial or total release, sale, or foreclosure of any real or personal property securing any Obligation ("Collateral") or any nonperfection or other impairment of Bank’s security interest in Collateral;
 - e. Bank obtains new or additional Collateral;
 - f. Release or substitution of any other guarantors of any Obligation or any others providing any other security enhancement (e.g., letter of credit);
 - g. Borrower’s assignment or other transfer of any Obligation, whether by operation of law or otherwise (e.g., merger);
 - h. Change in Borrower’s entity structure;
 - i. Discharge of any Obligation, or other relief obtained by Borrower, in any bankruptcy or insolvency proceeding.
-

- j. Any action or forbearance by Bank in exercising its rights and remedies against Borrower in connection with any Obligation, regardless of any resulting prejudice to Guarantor or increase in the likelihood that Guarantor will have to pay or perform under this Guaranty or otherwise.
2. Guarantor acknowledges and expressly agrees that Bank may utilize various means to attempt to verify Borrower's compliance with the terms of the Loan, including periodic checks on the Collateral and examinations of books and records and that:
 - a. Such steps are for the sole benefit of Bank; and
 - b. The adequacy of performance of such Collateral checks and examinations will not be considered as a defense to, or mitigation of, Guarantor's liability under this Guaranty.
3. Guarantor continuously and unconditionally promises, represents, and warrants that:
 - a. Immediately upon demand by Bank, Guarantor will pay to Bank:
 - i. Any and all amounts Borrower owes to Bank in connection with the Obligation;
 - ii. All of Bank's costs and expenses, including without limitation, attorney and other legal fees, arising in connection with enforcement of its rights under this Guaranty, even after payment and performance of the Obligations and/or Guarantor's termination of this Guaranty;
 - b. Guarantor is solvent, the fair market value of its assets exceeds its liabilities, and it is paying its current debts as they fall due;
 - c. Upon Bank's request, Guarantor will provide Bank with Guarantor's financial statements and any other information, documents, and/or records requested;
 - d. If Guarantor is an entity, Guarantor's execution of, and payment and performance under, this Guaranty:
 - i. Have been duly authorized;
 - ii. Constitute valid obligations enforceable according to the terms of this Guaranty;
 - iii. Do not violate any of Guarantor's entity documents (e.g., by-laws, partnership agreement, etc.) or any law, regulation, or judgment;
 - iv. Do not require any approval that was not given;
 - e. Guarantor has a close business nexus to Borrower and will obtain a financial or other benefit from Bank's Loan to Borrower;
 - f. Guarantor will not assign this Guaranty without Bank's prior written consent;
 - g. Guarantor's statements, promises, representations, and warranties in this Guaranty or any other documents or information submitted to Bank do not contain any untrue, inaccurate, or incomplete statements;
 - h. Guarantor will immediately notify Bank if any of the foregoing promises, representations, or warranties become untrue or misleading.
5. The occurrence and continuance of (i) an Event of Default under the Credit Agreement, or (ii) any of the following, constitutes a default under this Guaranty ("Default"):
 - a. Guarantor's failure to pay, perform under, or meet the terms of this Guaranty;
 - b. Guarantor's misrepresentation or breach of any provision, promise, warranty contained in this Guaranty;
6. If a Default occurs and is continuing, Bank has all rights and remedies provided by law.
7. Any forbearance, delay, or failure by Bank in exercising its rights or remedies under or in connection with this Guaranty or otherwise does not constitute a waiver of such rights or remedies or of any existing or future default by Guarantor or Borrower under or in connection with this Guaranty, any Obligation, or otherwise.
8. Guarantor expressly waives and releases Bank from any and all past and present claims, defenses, causes of action, or damages arising from any and all dealings or relationships between Guarantor and Bank.
9. Guarantor expressly waives and dispenses with:
 - a. Notices of any kind, including without limitation:
 - i. Acceptance of this Guaranty;

- ii. Borrower's default under any Obligation;
- iii. Amount of Borrower's indebtedness to Bank outstanding at any time;
- iv. Further advances under, and renewals, extensions, or modifications of, any Obligation and/or any related agreements;
- v. Complete or partial sale or foreclosure of the Collateral and of posting of related advertisements;
- b. Until the Obligations have been paid in full, any and all rights of subrogation, reimbursement, contribution, offset, indemnity, and recourse to, or with respect to, any Collateral or any of Borrower's assets or property;
- c. Protests, demands and prosecution of collection, foreclosure, and possessory remedies;
- d. Any right to require Bank to:
 - i. Proceed against Borrower or other persons for payment or performance of any Obligation;
 - ii. Advise Guarantor of the results of any Collateral checks or examinations;
 - iii. Require Borrower to comply with any agreement with Bank;
 - iv. Proceed against or exhaust any Collateral;
- e. Assignment of any Obligation or this Guaranty;
- f. Any defense based on any statute of limitations or laches;
- g. Any defense based on ultra vires or unauthorized activity;
- h. THE RIGHT TO TRIAL BY JURY AS TO ANY AND ALL MATTERS RELATING IN ANY WAY TO THIS GUARANTY, TO THE EXTENT PERMITTED BY LAW.**

10. In addition to the waivers in Paragraph 12 above, in California and/or to the extent that California law applies, Guarantor waives and dispenses with:

- a. Note and Notice Waivers. Guarantor waives, to the fullest extent permitted by law, presentment, notice of dishonor, protest, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, and all other notices or demands of any kind (including, without limitation, notice of the acceptance by Lender and Lender of this Guaranty, notice of the existence, creation, non-payment, or non-performance of any or all Obligations), excepting only notices specifically provided for in the Guaranty.
- b. Waiver of Acts and Omissions. Guarantor waives any defense to enforcement of the Guarantor Obligations or any Liens and Encumbrances granted by Guarantor based on acts and omissions of Lender.
- c. Waiver of Certain Statutory Provisions. Guarantor further agrees that nothing contained herein shall prevent Lender from suing on the Note or from exercising any rights available under any of the Loan Documents and that the exercise of any of such rights shall not constitute a legal or equitable discharge of Guarantor. Without limiting the generality of the foregoing, Guarantor hereby expressly waives any and all benefits and defenses under California Civil Code ("CC"), Sections 2787-2855, inclusive, and 2899, 2953 and 3433, including, without limitation, the right to require Lender to (i) proceed against Borrower, (ii) proceed against or exhaust any security or collateral Lender may hold, or (iii) pursue any other right or remedy for the benefit of Guarantor. Guarantor hereby expressly waives any and all benefits and defenses under (A) California Code of Civil Procedure ("CCP") Section 580a which would otherwise limit Guarantor's liability after a non-judicial foreclosure sale to the difference between the obligations guaranteed herein and the value of the property or interest sold at such non-judicial foreclosure sale as determined by a fair value hearing or otherwise, (B) CCP Sections 580b and 580d, which would otherwise limit Lender's right to recover a deficiency judgment with respect to purchase money obligations and after a non-judicial foreclosure sale, respectively, and (C) CCP Section 726 which, among other things, would otherwise require Lender to exhaust all of its security before a personal judgment may be obtained or a deficiency judgment may be pursued and would limit Guarantor's liability after a judicial foreclosure sale to the difference between the obligations guaranteed herein and the fair value of the property or interest sold at such judicial foreclosure sale. Notwithstanding any foreclosure of the lien of any deed of trust or security agreement with respect to any or all real or personal property secured thereby, whether by the

exercise of the power of sale contained therein, by an action for judicial foreclosure, or by an acceptance of a deed in lieu of foreclosure, and notwithstanding enforcement of any other guaranty executed in connection with the Loan Documents, Guarantor shall remain bound under this Guaranty. Guarantor acknowledges that it has been made aware of the provisions of CC Section 2856, has read and understands the provisions of that statute, has been advised by its counsel as to the scope, purpose and effect of that statute, and based thereon, without limiting any other waivers herein, Guarantor hereby gives the following waivers with respect to, and as described in, CC Sections 2856(c) and (d):

(c) . . . “Guarantor waives all rights and defenses that the guarantor may have because the debtor’s debt is secured by real property. This means among other things:

(1) The creditor may collect from the guarantor without first foreclosing on any real or personal property pledged by the debtor;

(2) If the creditor forecloses on any real property collateral pledged by the debtor:

(A) The amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price.

(B) The creditor may collect from the guarantor even if the creditor, by foreclosing on the real property collateral, has destroyed any right the guarantor may have to collect from the debtor.

This is an unconditional and irrevocable waiver of any rights and defenses the guarantor may have because the debtor’s debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based on Sections 580a, 580b, 580d or 726 of the Code of Civil Procedure.”

(d) . . . “Guarantor waives all rights and defenses arising out of an election of remedies by the creditor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed the guarantor’s rights of subrogation and reimbursement against the principal by operation of Section 580d of the Code of Civil Procedure or otherwise.”

d. Waiver of Law and Equitable Principles Conflicting With This Guaranty. Guarantor waives any and all provisions of law and equitable principles that conflict with this Guaranty.

e. Waiver of Any Obligation of Lender to Inform Guarantor. Guarantor waives any right to require Lender to provide to Guarantor any information concerning performance of the Borrower Obligations, the ability of Borrower to perform the Borrower Obligations, or any other matter, regardless of what information Lender may have from time to time.

f. Waiver of Contribution, Exoneration, Indemnification, Reimbursement, Subrogation, and Other Rights Against Borrower. Guarantor waives any and all present and future claims, remedies, and rights of Guarantor against Borrower, the Collateral, and any other property, interests in property, or rights to property of Borrower (i) arising from any performance by Guarantor hereunder, (ii) arising from any application of any Collateral or any other property, interests in property, or rights to property of Guarantor to payment or performance of the Obligations, or (iii) otherwise arising in respect of this Guaranty, regardless of whether such claims, remedies, and rights arise under any present or future agreement, document, or instrument or are provided by any law, ordinance, regulation, or rule (federal, state, or local) (including, without limitation, (A) any and all rights of contribution, exoneration, indemnity, reimbursement, and subrogation, (B) all suretyship rights and defenses described in CC Section 2856(a), and (C) any and all rights to participate in the rights and remedies of Lender against Borrower and the Collateral).

11. Waiver “Sham Guaranty” Claims. Guarantor acknowledges, agrees, and represents and warrants to Lender that (i) Lender was not involved with, participated in, or advised Borrower or Guarantor with respect to the ownership and management structure of Borrower and that such structure was previously created by Borrower

and/or Guarantor based upon their own decisions and otherwise based on independent advice obtained by them from their own counsel and consultants, which reasons included separating Guarantor from any liability that may be incurred by Borrower in the conduct and operation of its business, (ii) Guarantor is not, has not nor has ever been intended to be primarily obligated with Borrower with respect to the Loan, whether at law, contractor or equity, and the obligations and liabilities of Guarantor under this Guaranty are separate and independent of Borrower, and (iii) Guarantor hereby waives any right to claim to the contrary, including without limitation, any right to claim as a defense to the validity, enforceability or collectability of this Guaranty as against Guarantor that this Guaranty is a "sham guaranty".

12. Waiver of Setoff and Counterclaim. Guarantor waives all rights to interpose any setoffs or counterclaims of any nature in any action or proceeding instituted by Lender with respect to this Guaranty, the collateral therefor, or any matter arising therefrom or relating thereto and the posting of any bond which may otherwise be required, and waives any and all benefits of cross-demands pursuant to section 431.70 of the California Code of Civil Procedure.
13. Waiver of Other Rights and Claims. Guarantor waives any and all present and future rights (a) to participate in the rights and remedies of Lender against Borrower or any other Third Party, the Collateral or any other Third Party Assets, (b) to require marshaling of assets or to require realization on the Collateral or any portion thereof, or in any particular order, priority or timing and (c) any right to designate the portion of the Obligations that are to be satisfied as a result of a partial payment thereof, whether by Guarantor pursuant to this Guaranty or otherwise by any Third Party, including any right to do so under CC Section 2822.
14. Guarantor waives any defense to enforcement of the Guarantor Obligations or any liens and encumbrances granted by Guarantor based on acts and omissions of Lender.
15. Guarantor waives any and all provisions of law and equitable principles that conflict with this Guaranty.
16. Guarantor may not assign this Guaranty without Bank's prior written consent; Bank may only assign any Obligation and/or this Guaranty as provided in the Credit Agreement, and if it does so, this Guaranty continues without interruption and remains valid, in full force and effect, and enforceable against Guarantor by the party to whom it is assigned.
17. If Guarantor makes payment(s) to Bank under this Guaranty such that the Obligations are fully or partially paid and Guarantor is partially or fully discharged under this Guaranty, and later such payment is invalidated, found to be fraudulent or preferential, set aside, and/or required to be disgorged by Bank, then this Guaranty will be automatically re-instated and will remain in full force and effect as if Guarantor was never discharged until all Obligations have been fully and finally paid.
18. Guarantor continuously and irrevocably authorizes Bank to obtain from and provide to third persons any and all types and kinds of information concerning Guarantor, whether from Bank's direct actual experience or obtained from other sources. Bank will not sell Guarantor's personal information received in connection herewith to unrelated third parties for marketing or sales purposes.
19. This Guaranty is in addition to, and does not supercede or in any way affect, any other Guaranty or surety-type agreement executed by Guarantor, whether singly or as a co-party to such agreement.
20. This Guaranty will remain in full force and effect until forty-eight hours after Bank receives written notice of termination or modification from Guarantor. Such notice:
 - a. Must be sent to such offices as Bank may designate from time to time;
 - b. Will not operate to release Guarantor or his estate from liability under this Guaranty with respect to any Obligations incurred prior to the effective date of such notice.

21. Except as noted above, Bank has made no promises to Borrower or Guarantor to induce execution of this Guaranty, and there are no other agreements or understandings, either oral or in writing, between Bank and Guarantor affecting this Guaranty.
22. Any and all amendments to this Guaranty must be in writing and signed by Guarantor and Bank.
23. This Guaranty binds and inures to the benefit of the successors and assigns of Guarantor and Bank, respectively.
24. If any part of this Guaranty is not valid or enforceable according to applicable law, all other parts will remain valid and enforceable.
25. This Guaranty will be governed by and construed under the laws of the state of New York.
26. The liability of all parties signing this Guaranty, where more than one, is joint and several.
27. Guarantor has read all of the terms and conditions of this Guaranty, has consulted with legal or other advisors or has been given an opportunity to do so, and freely and voluntarily gives this Guaranty to the Bank.
28. This Guaranty may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which are taken together shall constitute one and the same agreement.

[REMAINDER OF PAGE LEFT BLANK; SIGNATURES ON FOLLOWING PAGE]

The parties have executed this Guaranty as of the date set forth above.

Sonic Development, LLC, a North Carolina limited liability company

By: /s/ Heath R. Byrd

Heath R. Byrd, Vice President and Treasurer

AM Realty GA, LLC, a Georgia limited liability company

By: /s/ Heath R. Byrd

Heath R. Byrd, Vice President and Treasurer

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By: Sonic of Texas, Inc., a Texas corporation,
Its General Partner

By: /s/ Heath R. Byrd

Heath R. Byrd, Vice President and Treasurer

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[signatures continue on the following page]

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By: /s/ Heath R. Byrd
Heath R. Byrd, Vice President and Treasurer

[signatures continue on the following page]

SAI McKinney M, LLC, a Texas limited liability company

By: /s/ Heath R. Byrd

Heath R. Byrd, Vice President and Treasurer

Accepted:

**Ally Bank (Ally Capital in Hawaii, Mississippi,
Montana and New Jersey)**

Signature: /s/ Matt Mayes

By (print): Matt Mayes

Title: Authorized Representative

Date: 6-22-20

Signature Page to Guaranty

Sonic Automotive, Inc.**Director Compensation Policy**

*(Effective as of April 29, 2020)**

Each non-employee director of Sonic Automotive, Inc. (the “Company”) will receive the following compensation for such director’s service on the Board of Directors:

- an annual cash retainer of \$85,000, payable in quarterly installments;
- \$20,000 annual cash retainer for the Audit Committee Chairman, payable in quarterly installments, and \$12,500 annual cash retainer for the Compensation Committee Chairman, the Nominating and Corporate Governance Committee Chairman and the Lead Independent Director, payable in quarterly installments;
- \$6,250 annual cash retainer for the Vice Chairman of any Board committee, payable in quarterly installments;
- a demonstrator vehicle for personal use; and
- an annual equity grant of \$145,000 in the form of restricted stock or, subject to the non-employee director’s timely election, deferred restricted stock units on the first business day following each annual meeting of the Company’s stockholders pursuant to the Sonic Automotive, Inc. 2012 Formula Restricted Stock and Deferral Plan for Non-Employee Directors. The number of restricted shares of Class A Common Stock or deferred restricted stock units, as applicable, granted to an eligible non-employee director each year will equal \$145,000 divided by the average closing sale price of the Class A Common Stock on the New York Stock Exchange for the twenty (20) trading days immediately preceding the grant date (rounded up to the nearest whole share or unit). Generally, subject to the director’s continued service on the Board, the restricted stock award (whether restricted stock or deferred restricted stock units) will vest in full on the earlier of (i) the first anniversary of the grant date or (ii) the day before the next annual meeting of the Company’s stockholders following the grant date.

Non-employee directors are eligible to participate in the Sonic Automotive, Inc. Deferred Compensation Plan (the “Plan”) and may elect to defer up to 100% of their annual cash retainer under the Plan.

Any non-employee director who is initially elected to the Board of Directors during a calendar year but after the annual meeting of the Company’s stockholders has been held for such year will receive an equity grant of \$145,000 in the form of restricted stock upon his or her election to the Board with the number of shares determined as described above. Generally, subject to the director’s continued service on the Company’s Board, the restricted stock will vest in full on the first anniversary of the grant date.

Directors who are also employees of the Company do not receive compensation (other than their compensation as employees of the Company) for their service on the Board of Directors.

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* Amended and adopted by the Board of Directors on February 12, 2020.

CERTIFICATION

I, Heath R. Byrd, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sonic Automotive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 30, 2020

By: /s/ HEATH R. BYRD

Heath R. Byrd

Executive Vice President and Chief Financial Officer

CERTIFICATION

I, David Bruton Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sonic Automotive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 30, 2020

By: /s/ DAVID BRUTON SMITH

David Bruton Smith

Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Sonic Automotive, Inc. (the Company) on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Heath R. Byrd, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ HEATH R. BYRD

Heath R. Byrd

Executive Vice President and Chief Financial Officer

July 30, 2020

**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 ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David Bruton Smith, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID BRUTON SMITH

David Bruton Smith
Chief Executive Officer
July 30, 2020