

SONIC AUTOMOTIVE INC

Form 424B5

September 14, 2009

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**The information in this preliminary prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-161519**

**Subject to Completion**

**Preliminary Prospectus Supplement dated September 14, 2009.**

## PROSPECTUS SUPPLEMENT

(To Prospectus dated September 10, 2009)

**\$125,000,000**

## Sonic Automotive, Inc.

### **% Convertible Senior Notes due 2029**

We are offering \$125,000,000 principal amount of our % Convertible Senior Notes due 2029. The notes will bear interest at a rate of % per year, payable semiannually in arrears on April 1 and October 1 of each year, beginning on April 1, 2010. The notes will mature on October 1, 2029.

Holders may convert their notes at their option prior to the close of business on the business day immediately preceding July 1, 2029 only under the following circumstances: (1) during any fiscal quarter commencing after December 31, 2009, if the last reported sale price of the Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the measurement period) in which the trading price (as defined below) per \$1,000 principal amount of notes for each day of that measurement period was less than 98% of the product of the last reported sale price of our Class A common stock and the applicable conversion rate on each such day; (3) if we call any or all of the notes for redemption, at any time prior to the close of business on the third scheduled trading day prior to the redemption date; or (4) upon the occurrence of specified corporate events. On and after July 1, 2029 to (and including) the close of business on the third scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, in respect of our conversion obligation, we will have the right to deliver shares of our Class A common stock, cash or a combination of cash and shares of our Class A common stock.

The conversion rate will initially be shares of Class A common stock per \$1,000 principal amount of notes (equivalent to a conversion price of approximately \$ per share of Class A common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for accrued interest. In addition, following certain corporate transactions that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate transaction in certain circumstances.

We may not redeem the notes prior to October 1, 2014. On or after October 1, 2014 and prior to the maturity date, we may redeem for cash all or part of the notes at 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, including any additional interest, to but excluding the redemption date.

Holders have the right to require us to purchase the notes on each of October 1, 2014, October 1, 2019 and October 1, 2024 for cash at a purchase price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the applicable purchase date. If we undergo a fundamental change, holders may require us to purchase the notes in whole or in part for cash at a repurchase price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the fundamental change purchase date.

The notes will be our senior unsecured obligations and will rank equal in right of payment to all of our other existing and future senior unsecured indebtedness and senior in right of payment to all of our existing and future senior subordinated debt and all existing and future subordinated indebtedness. The notes will be

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effectively junior to our existing and future secured debt, if any, to the extent of the value of the assets securing such debt. The notes will not be guaranteed by any of our subsidiaries and, accordingly, the notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

We will be required to pay additional interest in respect of the notes under specified circumstances. See [Description of Notes](#) [Events of Default](#).

Concurrently with this offering, we are offering 9,000,000 shares of our Class A common stock (or a total of 10,350,000 shares if the underwriters in that offering exercise their option to purchase additional shares in full) in an underwritten offering pursuant to a separate prospectus supplement. This offering is not contingent upon the concurrent Class A common stock offering being completed, and the concurrent Class A common stock offering is not contingent upon this offering being completed.

The notes will not be listed on any securities exchange or included in any automated quotation system. Our Class A common stock is listed on the New York Stock Exchange under the symbol SAH. The last reported sale price of our Class A common stock on the New York Stock Exchange on September 11, 2009 was \$11.16 per share. You are urged to obtain current market data and should not use the market price as of September 11, 2009 as a prediction of the future market price of our Class A common stock.

**Investing in the notes and the common stock issuable upon conversion of the notes involves a high degree of risk. See [Risk Factors](#) beginning on page S-13 of this prospectus supplement and page 1 of the accompanying prospectus.**

	<b>Per Note</b>	<b>Total</b>
Public offering price (1)	%	\$
Underwriting discounts and commissions (2)	%	\$
Proceeds, before expenses, to Sonic Automotive, Inc. (1)	%	\$

(1) Plus accrued interest from \_\_\_\_\_, 2009, if settlement occurs after that date.

(2) We have agreed to sell the notes to the underwriters at a price of \$ \_\_\_\_\_, reflecting an underwriting discount per note of \$ \_\_\_\_\_. In addition, we have agreed to pay Moelis & Company, our financial advisor in connection with this offering and the concurrent Class A common stock offering, a financial advisory fee of \$200,000, which we have not included in the underwriting discounts and commissions.

We have granted the underwriters the right to purchase within a 30-day period from the date of this prospectus supplement up to an additional \$18,750,000 principal amount of notes, solely to cover over-allotments, if any. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be \$ \_\_\_\_\_ and total proceeds, before expenses, to us will be \$ \_\_\_\_\_.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company on or about \_\_\_\_\_.

**J.P. Morgan**  
Wells Fargo Securities

**Moelis & Company**

**BofA Merrill Lynch**  
Stephens Inc.

The date of this prospectus supplement is \_\_\_\_\_.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering, the notes and matters relating to us and our financial performance and condition. The second part, the accompanying prospectus dated September 10, 2009, gives more general information about securities we may offer from time to time, some of which does not apply to this offering.

If the description of this offering and the notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. In various places in this prospectus supplement and the accompanying prospectus, we refer you to sections of other documents for additional information by indicating the caption heading of the other sections. All cross-references in this prospectus supplement are to captions contained in this prospectus supplement and not in the accompanying prospectus, unless otherwise indicated.

You should read both this prospectus supplement and the accompanying prospectus together with additional information described under the heading *Where You Can Find More Information About Sonic*.

You should rely only on the information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities (1) in any jurisdiction where the offer or sale is not permitted, (2) where the person making the offer is not qualified to do so or (3) to any person who cannot legally be offered the securities. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the information incorporated by reference herein or therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

You should not consider any information in or incorporated by reference into this prospectus supplement or the accompanying prospectus to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in our securities.

You should base your decision to invest in our securities after considering all of the information contained in this prospectus supplement, the accompanying prospectus and any information incorporated by reference herein and therein.

No representation or warranty, express or implied, is made as to the accuracy or completeness of the information obtained from third party sources set forth herein, in the accompanying prospectus or incorporated by reference into this prospectus supplement or the accompanying prospectus, and nothing contained in this prospectus supplement, the accompanying prospectus or incorporated by reference herein or therein is, or shall be relied upon as, a promise or representation, whether as to past or future performance.

No automobile manufacturer or distributor has been involved, directly or indirectly, in the preparation of this prospectus supplement or the accompanying prospectus or in the offering being made hereby. No automobile manufacturer or distributor has been authorized to make any statements or representations in connection with the offering, and no automobile manufacturer or distributor has any responsibility for the accuracy or completeness of this prospectus supplement or the accompanying prospectus or for any offering thereunder.

Except as otherwise indicated or as the context otherwise requires, all references in this prospectus to the Company, we, us, our, or Sonic mean Sonic Automotive, Inc. and its subsidiaries, except that such references with respect to the terms of the notes mean Sonic Automotive, Inc. and not its subsidiaries.

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**CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement contains numerous forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act ) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). These forward looking statements address our future objectives, plans and goals, as well as our intent, beliefs and current expectations regarding future operating performance, and can generally be identified by words such as may, will, should, believe, expect, anticipate, intend, plan, foresee, similar words or phrases. Specific events addressed by these forward-looking statements include, but are not limited to:

future acquisitions or dispositions;

U.S. automotive industry trends;

future liquidity trends or needs;

general economic trends, including employment rates and consumer confidence levels;

vehicle sales rates and same store sales growth;

future covenant compliance;

our ability to consummate the concurrent Class A common stock offering and the application of the use of proceeds therefrom;

our financing plans and our ability to repay or refinance existing debt when due; and

our business and growth strategies.

These forward-looking statements are based on our current estimates and assumptions and involve various risks and uncertainties. As a result, you are cautioned that these forward-looking statements are not guarantees of future performance, and that actual results could differ materially from those projected in these forward-looking statements. Factors which may cause actual results to differ materially from our projections include those risks described in Risk Factors and elsewhere in this prospectus supplement, the accompanying prospectus and our filings with the SEC that are incorporated by reference into this prospectus supplement or the accompanying prospectus, as well as:

the number of new and used cars sold in the United States generally, and as compared to our expectations and the expectations of the market;

our ability to generate sufficient cash flows or obtain additional financing to refinance existing debt and to fund acquisitions, capital expenditures, our share repurchase program, dividends on our common stock and general operating activities;

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the reputation and financial condition of vehicle manufacturers whose brands we represent, the terms of any bailout of any such manufacturer by the U.S. government or other government and the success or failure of such a bailout, the financial incentives vehicle manufacturers offer and their ability to design, manufacture, deliver and market their vehicles successfully;

the impact of the cash for clunkers program on our sales in future periods;

our relationships with manufacturers, which may affect our ability to complete additional acquisitions;

changes in laws and regulations governing the operation of automobile franchises, accounting standards, taxation requirements and environmental laws;

general economic conditions in the markets in which we operate, including fluctuations in interest rates, employment levels, the level of consumer spending and consumer credit availability;

the terms of and our ability to obtain any refinancing of our existing indebtedness;

high competition in the automotive retailing industry, which not only creates pricing pressures on the products and services we offer, but on businesses we seek to acquire;

the timing of, pricing for and our ability to generate liquidity through asset dispositions, as well as the timing of our ability to successfully integrate recent and potential future acquisitions; and

the rate and timing of overall economic recovery or additional economic decline.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights selected information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus. The following summary does not contain all of the information that you should consider before investing in the notes and is qualified in its entirety by the more detailed information appearing elsewhere in the prospectus supplement, the accompanying prospectus and the financial statements and the documents incorporated by reference. You should carefully read the entire prospectus supplement and the accompanying prospectus carefully, including the Risk Factors section beginning on page S-13 of this prospectus supplement, before making an investment decision. See Where You Can Find More Information About Sonic. To the extent the following information is inconsistent with the information in the accompanying prospectus, you should rely on the following information.*

**The Company**

We are one of the largest automotive retailers in the United States. As of June 30, 2009, we operated 154 dealership franchises, representing 31 different brands of cars and light trucks, at 131 locations and 30 collision repair centers in 15 states. Our dealerships provide comprehensive services including sales of both new and used cars and light trucks, sales of replacement parts, performance of vehicle maintenance, manufacturer warranty repairs, paint and collision repair services, and arrangement of extended service contracts, financing, insurance and other aftermarket products for our customers. Our brand diversity allows us to offer a broad range of products at a wide range of prices from lower priced, or economy vehicles, to luxury vehicles. Although vehicle sales are cyclical and are affected by many factors, including general economic conditions, consumer confidence, levels of discretionary personal income, interest rates and available credit, our parts, service and collision repair services are not as dependent upon near-term vehicle sales volume.

**Business Strengths**

***Diverse Revenue Stream.*** As compared to automotive manufacturers, we believe Sonic has a higher ratio of variable or semi-variable costs that allows us to manage the majority of our expenses, such as advertising, sales commissions and vehicle carrying costs, as demand patterns change. We also believe we have a greater diversity in our sources of revenues compared to automobile manufacturers. In addition to new vehicle sales, our revenues include used vehicle sales, which are less sensitive to economic cycles and seasonal influences than are new vehicle sales. In addition, our parts and service sales carry a higher gross margin and, in the past, have not been as economically sensitive as vehicle sales. The following charts depict the diversity of our sources of revenues and gross profit for the six months ended June 30, 2009:

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**Diverse Geographic Mix.** Our acquisition strategy over the years has been focused on metropolitan markets, predominantly in the Southeast, Southwest, Midwest and California. As of June 30, 2009, we operated dealerships (classified in our financial statements as continuing operations or discontinued operations) in the following markets:

<b>Market</b>	<b>Number of Dealerships</b>	<b>Number of Franchises</b>	<b>Percentage of Total Revenue Six Months Ended June 30, 2009</b>
Houston	19	25	23.0%
Alabama/Tennessee	16	23	11.0%
North/South Carolina/Georgia	16	17	10.4%
Los Angeles North	8	10	7.3%
Dallas	6	8	7.0%
North Bay (San Francisco)	10	9	7.0%
South Bay (San Francisco)	10	11	6.4%
Florida	11	12	5.9%
Los Angeles South / San Diego	7	8	5.4%
Oklahoma	7	7	4.4%
Mid-Atlantic	5	6	4.3%
Ohio	4	6	2.7%
Las Vegas	4	4	2.2%
Colorado	2	2	2.0%
Michigan	6	6	1.0%
<b>Total</b>	<b>131</b>	<b>154</b>	<b>100.0%</b>



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**Diverse Brand Mix and Effective Portfolio Management.** Where practicable, our acquisition strategy has been to acquire franchises that we believe have above average sales prospects. A majority of our existing dealerships are either luxury or mid-line import brands. The following table depicts the breakdown of our new vehicle revenues by brand:

Brand (1)	Percentage of New Vehicle Revenue		
	Year Ended December 31,		
	2006	2007	2008
BMW	15.9%	18.5%	20.0%
Mercedes	6.8%	7.7%	8.2%
Lexus	8.1%	7.7%	6.4%
Cadillac	7.5%	6.8%	5.3%
Audi	1.3%	1.5%	1.9%
Porsche	1.5%	1.5%	1.5%
Land Rover	1.1%	1.9%	1.5%
Volvo	2.7%	2.3%	1.5%
Other Luxury (4)	1.2%	1.2%	1.2%
Acura	1.4%	1.3%	1.1%
Infiniti	0.6%	0.6%	0.6%
<b>Total Luxury</b>	<b>48.1%</b>	<b>51.0%</b>	<b>49.2%</b>
Honda	13.9%	12.5%	12.4%
Toyota	12.2%	12.4%	12.2%
Other (3)	2.4%	2.6%	3.9%
Volkswagen	1.8%	1.5%	1.9%
Hyundai	1.8%	1.6%	1.5%
Nissan	1.0%	0.8%	0.7%
<b>Total Import</b>	<b>33.1%</b>	<b>31.4%</b>	<b>32.6%</b>
Ford	8.9%	7.9%	9.1%
General Motors (2)	9.3%	9.1%	8.6%
Chrysler (5)	0.6%	0.6%	0.5%
<b>Total Domestic</b>	<b>18.8%</b>	<b>17.6%</b>	<b>18.2%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

(1) In accordance with the provisions of SFAS No. 144, prior years' income statement data reflect reclassifications to exclude franchises sold, identified for sale, or terminated subsequent to December 31, 2007, which had not been previously included in discontinued operations. See Notes 1 and 2 to our consolidated financial statements incorporated by reference into this prospectus supplement from our Current Report on Form 8-K furnished to the SEC on August 21, 2009, which discusses these and other factors that affect the comparability of the information for the periods presented.

(2) Includes Buick, Chevrolet, GMC, Pontiac and Saturn

(3) Includes Isuzu, KIA, Mini, Mitsubishi, Scion and Subaru

(4) Includes Hummer, Jaguar and Saab

(5) Includes Chrysler, Dodge and Jeep

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We believe our best prospects for growth in the near term will come from a potential rebound in the industry-wide new vehicle sales volume along with continued success in our operational initiatives in used vehicles and parts and service. We also believe that attractive acquisition opportunities continue to exist and, over the long-term, will seek to capitalize on opportunities to acquire additional luxury and mid-line import brands that we believe can benefit from our professional management practices and allow us to provide greater breadth of products and services in the markets in which we currently operate.

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We continue to evaluate our portfolio of franchises. At June 30, 2009, we had 21 franchises at 18 dealerships held for sale. These dealerships include a variety of brands which represent either franchises that do not yield, or are not expected to yield, adequate long-term returns or profitable franchises that we are marketing to generate additional capital to reduce our leverage. There are no assurances that we will be able to sell these franchises on favorable terms given current market conditions.

### **Business Strategy**

***Increase Sales of Higher Margin Products and Services.*** We continue to pursue opportunities to increase our sales of higher-margin products and services by expanding the following:

***Parts, Service & Repair:*** Each of our dealerships offers a fully integrated service and parts department. Manufacturers permit warranty work to be performed only at franchised dealerships such as ours. As a result, our franchised dealerships are uniquely qualified and positioned to perform work covered by manufacturer warranties on increasingly complex vehicles. We believe we can continue to grow our profitable parts and service business over the long-term by investing in sophisticated equipment and well trained technicians, using variable rate pricing structures, focusing on customer service and efficiently managing our parts inventory. In addition, we believe our emphasis on selling extended service contracts associated with new and used vehicle retail sales will drive further service and parts business in our dealerships as we increase the potential to retain current customers beyond the term of the standard manufacturer warranty period.

***Increase Used Vehicle Market Penetration.*** We believe the used vehicle market in the United States is approximately 2-4 times the size of the new vehicle market. We are seeking to increase our share of this market through advanced inventory management technology, training our dealership personnel on standardized pricing and sales methodologies, consistent inventory acquisition methodologies and a strong regional oversight management structure. For the three months ended June 30, 2009, our same store used vehicle unit sales volume was up 4.3% compared to an average decline of 18.8% for our public automotive retailer peer group. Our used vehicle strategy is focused on the following areas:

***Certified Pre-Owned Vehicles:*** Various manufacturers provide franchised dealers the opportunity to sell certified pre-owned ( CPO ) vehicles. This certification process extends the standard manufacturer warranty on the CPO vehicle. We typically earn higher revenues and gross profits on CPO vehicles compared to non-certified pre-owned vehicles. We also believe the extended manufacturer warranty increases our potential to retain the pre-owned purchaser as a future parts and service customer since CPO warranty work can only be performed at franchised dealerships.

***Value Used Vehicles:*** Due to our favorable luxury and import brand mix, our used vehicle strategy has historically been focused on CPO vehicles and other higher cost of sale vehicles. A market segment that drives used vehicle volume in the industry that we historically participated in on only a limited basis is vehicles with retail prices below \$10,000. Until recent years, if we received a trade-in which did not meet our then existing internal criteria for used vehicles (in many instances these would be value vehicles), we would wholesale the vehicle. We believe we have an opportunity to further increase our share of this value used vehicle market as a result of the standardized practices and advanced inventory management technology we have introduced to our dealerships over the past several years. We also believe value vehicles are not as sensitive to market fluctuations as higher priced used vehicles. As a result, we have shifted our strategy to more aggressively market and retail these value vehicles.

***Expand our eCommerce Capabilities.*** Automotive customers have become increasingly more comfortable using technology to research their vehicle buying alternatives and communicate with dealership personnel. Our conversion to a single dealer management system has given us the ability to leverage technology to more efficiently integrate systems, customize our dealership websites and use our customer data to improve the effectiveness of our advertising and interaction with our customers. As we migrate away from more traditional advertising media and more towards internet advertising, we have reduced our advertising expense as a percentage of gross profit. For the six months ended June 30, 2009, our advertising expense as a percentage of gross profit was 4.4% compared to 5.3% in the same period of 2008.

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***Emphasize Expense Control.*** We continually focus on controlling expenses and expanding margins at the dealerships we acquire and integrate into our organization. We believe the majority of our costs are variable or semi-variable costs which allows us to manage these expenses, such as advertising, sales commissions and vehicle carrying costs, as demand patterns change. We manage these costs, such as advertising and variable compensation expenses, so that they are generally related to vehicle sales and can be adjusted in response to changes in vehicle sales volume. The majority of our non-clerical dealership personnel are paid either a commission or a modest salary plus commissions. In addition, dealership management compensation is tied to individual dealership profitability. We believe we can further manage these types of costs through best practices, standardization of compensation plans, controlled oversight and accountability, reducing associate turnover and centralizing and standardizing processes and systems such as accounting office consolidation, payroll system consolidation and inventory management technology. For the six months ended June 30, 2009, our total SG&A expenses declined \$51.2 million, or 11.7%, compared to the same period of 2008.

Our Class A common stock is traded on the New York Stock Exchange under the trading symbol SAH. Our principal executive offices are located at 6415 Idlewild Road, Suite 109, Charlotte, North Carolina 28212, telephone (704) 566-2400. We were incorporated in Delaware in 1997.

### **Recent Developments**

#### *Cash For Clunkers*

The U.S. Department of Transportation introduced the Car Allowance Rebate System ( CARS ), or more commonly referred to as Cash For Clunkers , on July 27, 2009. The CARS program, which ended on August 25, 2009, was a new federal program that gave buyers up to \$4,500 for a new, more environmentally-friendly vehicle when they traded in their older, less-fuel-efficient vehicle. According to government press releases, nearly 700,000 vehicles were traded in under the program with approximately \$2.9 billion in rebate applications.

The effect of the CARS program caused the industry-wide seasonally-adjusted new vehicle annual sales volume to increase to 11.3 million units in July and 14.1 million units in August when it had been averaging approximately 9.6 million units during the six months ended June 30, 2009. Although we believe the majority of the sales under the CARS program represented incremental buyers, we also believe that the industry-wide new vehicle sales rate for September could be below the pre-CARS average due to some pull-forward effect of the program and the fact that industry-wide new vehicle inventory levels were at historically low levels due to the high sales volume in July and August.

Sonic estimates that approximately 28% of its new vehicle unit volume for July and August 2009 was related to vehicles sold under the CARS program. All of our regions benefitted approximately the same from the program with the exception of our Northern California region where vehicles sold under the CARS program totaled approximately 37% of new vehicle unit volume for July and August 2009. Sonic brands which benefitted the most from the program were Honda (42% of volume), Toyota (37% of volume), Nissan (61% of volume), Chevrolet (27% of volume) and Ford (25% of volume).

We believe the August 2009 seasonally adjusted annual rate for new vehicle unit sales ( SAAR ) (14.1 million units) was higher than August of 2008 (13.7 million units) due to the CARS program. As a result of the CARS program ending, we believe the SAAR for months subsequent to August 2009 may continue to trend lower than the comparable prior year period.

#### *Credit Agreement Amendment*

On September 11, 2009, we entered into an amendment to our Credit Agreement dated February 17, 2006, among the Company, the subsidiaries of the Company named therein, Bank of America, N.A., JPMorgan Chase Bank, N.A., Toyota Motor Credit Corporation, BMW Financial Services NA, LLC, Carolina First Bank, Comerica Bank, Fifth Third Bank, General Electric Capital Corporation, KeyBank National Association, Nissan Motor Acceptance Corporation, Sovereign Bank, SunTrust Bank, Wachovia Bank, National Association and World Omni Financial Corp. This amendment, among other things, authorized the repayment of our 4.25% Convertible Senior Subordinated Notes due 2015 and the redemption of our 6.00% Senior Secured Convertible Notes due 2012 with net proceeds from this offering and the concurrent Class A common stock offering. As of September 11, 2009, we had \$35.0 million outstanding and \$95.7 million available under the 2006 Revolving Credit Sub-Facility portion of the 2006 Credit Facility (as such terms are defined herein).

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The following is a brief summary of the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. For a more complete description of the terms of the notes, see Description of Notes beginning on Page S-42 and Description of Debt Securities beginning on page 2 of the accompanying prospectus. As used in this section, Sonic, the Company, we, our and us refers to Sonic Automotive, Inc. and not to its subsidiaries.

<b>Issuer</b>	Sonic Automotive, Inc., a Delaware corporation
<b>Notes Offered</b>	\$125.0 million principal amount of % Convertible Senior Notes due 2029. We have also granted the underwriters a 30-day option to purchase up to an additional \$18.75 million principal amount of the notes from us to cover over-allotments.
<b>Offering Price</b>	Each note will be offered at a price of %, plus accrued interest, if any, from , 2009.
<b>Maturity</b>	October 1, 2029, unless earlier redeemed, repurchased or converted.
<b>Interest</b>	% per year on the principal amount. Interest will be payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2010. We will pay additional interest, if any, under the circumstances described under <u>Description of Notes</u> <u>Events of Default</u> .
<b>Ranking</b>	The notes will be our unsecured senior obligations and rank equal in right of payment to all of our other existing and future senior unsecured indebtedness and senior in right of payment to all of our existing and future senior subordinated debt and all existing and future subordinated indebtedness. The notes will be effectively junior to our existing and future secured debt, if any, to the extent of the value of the assets securing such debt. The notes will not be guaranteed by any of our subsidiaries and accordingly the notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.
	As of June 30, 2009, we and our subsidiaries had approximately \$738.2 million aggregate principal amount of consolidated debt, excluding notes payable floorplan. Assuming we had completed this offering and the concurrent Class A common stock offering and applied the net proceeds to repurchase all of our 4.25% Convertible Senior Subordinated Notes due 2015 (the 4.25% Convertible Notes ) and a portion of our 6.00% Senior Secured Convertible Notes due 2012 (the 6.00% Convertible Notes ) as contemplated in this prospectus supplement under <u>Use of Proceeds</u> , as of June 30, 2009, the notes would have been effectively or structurally subordinated to approximately \$521.7 million aggregate principal amount of debt (excluding notes payable floorplan).
	If we are unable to repurchase any of our 4.25% Convertible Notes with net proceeds from this offering or the concurrent Class A common stock offering, as of June 30, 2009, the notes would have been effectively or structurally subordinated to approximately \$572.6 million aggregate principal amount of debt (excluding notes payable floorplan) and senior in right of payment to approximately \$160 million of debt.

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**Conversion Rights**

Holders may convert their notes prior to the close of business on the business day immediately preceding July 1, 2029, in multiples of \$1,000 principal amount, at the option of the holder only under the following circumstances:

during any fiscal quarter commencing after December 31, 2009 if the last reported sale price of the Class A common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day;

during the five business day period after any 10 consecutive trading day period (the measurement period) in which the trading price (as defined under Description of Notes Conversion Rights Conversion upon Satisfaction of Trading Price Condition) per \$1,000 principal amount of notes for each day of such measurement period was less than 98% of the product of the last reported sale price of our Class A common stock and the applicable conversion rate on each such day;

at any time prior to the close of business on the third scheduled trading day prior to the redemption date if we call any or all of the notes for redemption; or

upon the occurrence of specified corporate transactions described under Description of Notes Conversion Rights Conversion upon Specified Corporate Transactions.

On and after July 1, 2029, to (and including) the close of business on the third scheduled trading day immediately preceding the maturity date, holders may convert their notes, in multiples of \$1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The conversion rate initially will be \_\_\_\_\_ shares per \$1,000 principal amount of notes (equal to a conversion price of approximately \$ \_\_\_\_\_ per share of Class A common stock), subject to adjustment as described in this prospectus supplement.

In addition, following certain corporate transactions that occur prior to October 1, 2014, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate transaction in certain circumstances as described under Description of Notes Payment upon Conversion Adjustment to Shares Delivered upon Conversion upon a Make-Whole Fundamental Change.

You will not receive any separate cash payment for accrued and unpaid interest and additional interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed paid by the cash and shares of our Class A common stock, if applicable, together with any cash payment for any fractional share, into which a note is convertible.

**Payment upon Conversion**

Subject to the immediately succeeding paragraph, upon conversion, we will deliver to holders, at our election and in full satisfaction of our conversion obligation:

- (i) \_\_\_\_\_ shares of our Class A common stock, together with cash in lieu of fractional shares, which we refer to as physical settlement ;

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(ii) a cash payment without any delivery of shares of our Class A common stock, which we refer to as a cash settlement ; or

(iii) a combination of cash and shares of our Class A common stock, together with cash in lieu of fractional shares, which we refer to as a net share settlement.

The amount of cash and the number of shares of Class A common stock, if any, will be calculated as described under Description of Notes Payment upon Conversion.

All conversions on or after July 1, 2029 will be settled in the same relative proportions of cash and/or shares of our Class A common stock. If we have not delivered a notice of our election of settlement method prior to July 1, 2029, we will be deemed to have elected net share settlement.

Prior to July 1, 2029, we will use the same settlement method for all conversions occurring on any given conversion date. Except for any conversions that occur on or after July 1, 2029, however, we will not have any obligation to use the same settlement method with respect to conversions that occur on different trading days. If we elect to do so, we will inform you of the settlement method we have selected no later than the second trading day immediately following the related conversion date. If we do not make such an election, we will be deemed to have elected net share settlement.

**Repurchase upon Fundamental Change**

If we undergo a fundamental change (as defined in this prospectus supplement under Description of Notes Fundamental Change Permits Holders to Require Us to Purchase Notes ), subject to certain conditions, you will have the option to require us to purchase all or any portion of your notes for cash. The fundamental change purchase price will be 100% of the principal amount of the notes to be purchased plus accrued and unpaid interest, including additional interest, to but excluding the fundamental change purchase date.

**Repurchase at the Option of the Holder**

You may require us to repurchase your notes on October 1, 2014, October 1, 2019 and October 1, 2024 for cash at a price equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest to but excluding such date of repurchase.

**Redemption at Our Option**

We may not redeem the notes prior to October 1, 2014. On or after October 1, 2014 and prior to the maturity date, we may redeem for cash all or part of the notes at 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, including any additional interest, to but excluding the redemption date.

**Use of Proceeds**

We intend to use the net proceeds of this offering, as well as the proceeds to us from the concurrent Class A common stock offering, to repay outstanding indebtedness. See Use of Proceeds in this prospectus supplement.

**Trustee, Paying Agent and Conversion Agent**

U.S. Bank National Association



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**Book-Entry Form**

The notes will be issued in book-entry form and will be represented by a global certificate or certificates deposited with, or on behalf of, The Depository Trust Company ( DTC ) and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global note) and any such interest may not be exchanged for certificated securities, except in limited circumstances.

**Trading**

The notes are a new issue of securities with no established trading market. We cannot assure you that any active or liquid market will develop for the notes. Certain of the underwriters have advised us that they currently intend to make a market in the notes. However, they are under no obligation to do so and may discontinue any such market-making activities at any time without notice. See Underwriting in this prospectus supplement. Although the notes will be registered, the notes will not be listed on any securities exchange or included in any automated quotation system. See Underwriting in this prospectus supplement.

**Tax Consequences**

For a discussion of the tax consequences of this offering see Certain United States Federal Tax Considerations.

**Trading Symbol for Our Class A Common Stock**

Our Class A common stock is listed on the New York Stock Exchange under the trading symbol SAH.