

SONIC AUTOMOTIVE INC
Form DEF 14A
March 26, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

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Sonic Automotive, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

4401 Colwick Road

Charlotte, North Carolina 28211

March 22, 2013

Dear Stockholder:

You are cordially invited to attend our Annual Meeting of Stockholders to be held at 10:30 a.m. on Wednesday, April 17, 2013, at Charlotte Motor Speedway, Smith Tower, 600 Room, U.S. Highway 29 North, Concord, North Carolina. We look forward to greeting personally those stockholders who are able to attend.

The accompanying formal Notice of Meeting and Proxy Statement describe the matters on which action will be taken at the meeting.

Whether or not you plan to attend the meeting on Wednesday, April 17, 2013, it is important that your shares be represented. To ensure that your vote will be received and counted, at your earliest convenience please follow the instructions for voting your shares provided in the accompanying Proxy Statement and proxy card, notice letter or the voting instructions you receive by e-mail or via the Internet. Your vote is important regardless of the number of shares you own.

On behalf of the Board of Directors

Sincerely,

O. BRUTON SMITH

Chairman and Chief Executive Officer

You can help us make a difference by eliminating paper proxy mailings. With your consent, we will provide all future proxy materials electronically. Instructions for consenting to electronic delivery can be found on your proxy card or at www.proxydocs.com/SAH. Your consent to receive stockholder materials electronically will remain in effect until cancelled.

VOTING YOUR PROXY IS IMPORTANT

SONIC AUTOMOTIVE, INC.

NOTICE OF MEETING

Charlotte, NC

March 22, 2013

The 2013 Annual Meeting of Stockholders of Sonic Automotive, Inc. (Sonic) will be held at Charlotte Motor Speedway, Smith Tower, 600 Room, U.S. Highway 29 North, Concord, North Carolina on Wednesday, April 17, 2013, at 10:30 a.m. (the Annual Meeting), for the following purposes as described in the accompanying Proxy Statement.

1. To elect nine directors;
2. To approve, on a non-binding advisory basis, Sonic s executive compensation as disclosed in the accompanying Proxy Statement;
3. To ratify the appointment of Ernst & Young LLP as Sonic s independent public accountants for the year ending December 31, 2013; and
4. To transact such other business as may properly come before the meeting or any adjournments or postponements.

We currently are not aware of any other business to be brought before the Annual Meeting. Only holders of record of Sonic s Class A Common Stock and Class B Common Stock (collectively, the Common Stock) at the close of business on February 19, 2013 will be entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof.

Whether or not you plan to attend the Annual Meeting, you are urged to vote. For specific voting instructions, please refer to the information provided in the accompanying Proxy Statement and your proxy card, notice letter or the voting instructions you receive by e-mail or that are provided via the Internet. Submitting your proxy does not deprive you of your right to attend the Annual Meeting and to vote your shares in person.

Stephen K. Coss
Senior Vice President, General Counsel and Secretary

SONIC AUTOMOTIVE, INC.

PROXY STATEMENT

March 22, 2013

GENERAL

Introduction

The Annual Meeting of Stockholders of Sonic Automotive, Inc. will be held on Wednesday, April 17, 2013 at 10:30 a.m., at Charlotte Motor Speedway, Smith Tower, 600 Room, U.S. Highway 29 North, Concord, North Carolina, for the purposes set forth in the accompanying Notice of Meeting. We refer to this meeting, together with any adjournments or postponements as the Annual Meeting. Only holders of record of Sonic's Class A Common Stock (the Class A Common Stock) and Class B Common Stock (the Class B Common Stock) at the close of business on February 19, 2013 (the Record Date) will be entitled to notice of, and to vote at, the Annual Meeting. This Proxy Statement and form of proxy are furnished to stockholders in connection with the solicitation by the Board of Directors of proxies to be used at the Annual Meeting, and at any and all adjournments or postponements thereof, and are first being sent or made available to stockholders on or about March 29, 2013. References in this Proxy Statement to Sonic, the Company, we, us, our and similar terms refer to Sonic Automotive, Inc. We sometimes refer to our Class A Common Stock and Class B Common Stock as our Common Stock.

Each valid proxy received in time will be voted at the Annual Meeting. To be valid, a written proxy card must be properly executed, proxies voted by telephone or via the Internet must be properly completed pursuant to this solicitation and, in either case, the proxy must not be later timely revoked. If you specify your vote regarding any matter presented at the Annual Meeting, your proxy will be voted in accordance with your specification. If you do not specify your vote, proxies will be voted (i) in favor of electing Sonic's nine nominees to the Board of Directors; (ii) in favor of the proposal to approve, on a non-binding advisory basis, Sonic's executive compensation as disclosed in this Proxy Statement; (iii) in favor of the proposal to ratify the appointment of Ernst & Young LLP as the independent accountants of Sonic and its subsidiaries for the year ending December 31, 2013; and (iv) in the discretion of the proxy holders on any other business as may properly come before the Annual Meeting. The Board of Directors currently knows of no other business that will be presented for consideration at the Annual Meeting.

Methods of Voting

If your shares of Class A Common Stock are registered directly in your name, you may vote by mail, by telephone, over the Internet or in person at the Annual Meeting. If your shares of Class A Common Stock are held in the name of your broker or other nominee, you may vote by mail, by telephone, over the Internet or in person at the Annual Meeting. If you are a registered holder of Class B Common Stock, you may vote by mail or in person at the Annual Meeting. Votes submitted by mail, by telephone or over the Internet must be received by 11:59 p.m., Eastern time, on Tuesday, April 16, 2013.

Voting by Mail. By signing the proxy card and returning it in the prepaid and addressed envelope enclosed with the proxy materials delivered by mail, you are authorizing the individuals named on the proxy card to vote your Voting Shares at the Annual Meeting in the manner you indicate.

Voting by Telephone or Over the Internet. To vote by telephone or over the Internet, please follow either the instructions included on your proxy card or notice letter or the voting instructions you receive by e-mail or via the Internet. If you vote by telephone or over the Internet, you do not need to complete and mail a proxy card. You may incur costs such as telephone and Internet access charges if you vote by telephone or over

the Internet. If you choose to vote by telephone or over the Internet, you must do so by 11:59 p.m., Eastern time, on Tuesday, April 16, 2013.

Voting in Person at the Annual Meeting. If you attend the Annual Meeting and plan to vote in person, we will provide you with a ballot at the Annual Meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the Annual Meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in street name. As a beneficial owner, if you wish to vote at the Annual Meeting, you will need to bring to the Annual Meeting a legal proxy from your broker or other nominee authorizing you to vote those shares.

We encourage you to return a proxy card even if you plan to attend the Annual Meeting so that your shares will be voted if you are unable to attend the Annual Meeting. If you receive more than one proxy card, it is an indication that your shares are held in multiple accounts. Please complete and return all proxy cards to ensure that all of your shares are voted.

Revoking Your Proxy

Stockholders who execute written proxies may revoke them (i) at any time before they are exercised by delivering a written notice stating that the proxy is revoked to Stephen K. Coss, the Secretary of Sonic, at 4401 Colwick Road, Charlotte, North Carolina 28211, or (ii) by delivering a later dated proxy signed by the same person who signed the earlier proxy to Stephen K. Coss, the Secretary of Sonic, at 4401 Colwick Road, Charlotte, North Carolina 28211. Stockholders who vote by telephone or over the Internet may revoke their proxy by following the telephone and Internet procedures by 11:59 p.m., Eastern time, on Tuesday, April 16, 2013. If you are the stockholder of record, you may also revoke your proxy by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy.

Ownership of Common Stock

Sonic currently has authorized under its Amended and Restated Certificate of Incorporation (the "Charter") 100,000,000 shares of Class A Common Stock, of which 40,982,054 shares were outstanding as of the Record Date and are entitled to be voted at the Annual Meeting, and 30,000,000 shares of Class B Common Stock, of which 12,029,375 shares were outstanding as of the Record Date and are entitled to be voted at the Annual Meeting. At the Annual Meeting, holders of Class A Common Stock will have one vote per share, and holders of Class B Common Stock will have ten votes per share. All outstanding shares of Common Stock are entitled to vote as a single class on all proposals submitted to a vote at the Annual Meeting. The presence at the Annual Meeting in person or by proxy of a majority of the shares entitled to vote will constitute a quorum for the transaction of business at the Annual Meeting.

A quorum being present, directors will be elected by the affirmative vote of a plurality of the votes cast, the proposal on approval of executive compensation will be approved in a non-binding advisory vote if the votes cast in favor exceed the votes cast against approval and each of the other proposals referred to in the accompanying Notice of Meeting will be approved if a majority of the votes cast by shares entitled to vote on the proposal are cast in favor thereof. Under the rules of the New York Stock Exchange, brokers who are voting shares held in street name have the discretion to vote shares on routine matters but not on non-routine matters. Routine matters include ratification of independent public accountants. Non-routine matters include the election of directors and the non-binding advisory vote to approve executive compensation. Broker non-votes and abstentions will be counted to determine a quorum. For elections of directors, withheld votes and broker non-votes will not be counted toward that nominee's achievement of a plurality. Abstentions and broker non-votes on other matters, including ratification of independent public accountants, are not considered to have been voted for or against such proposals and have the practical effect of reducing the number of affirmative votes required to achieve a majority by reducing the total number of shares from which the majority of votes cast is calculated.

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A holder of Common Stock who signs a proxy card may withhold votes as to any director-nominee by writing the name of the nominee in the space provided on the proxy card. A holder of Common Stock may not vote for more than nine nominees.

The following table sets forth certain information regarding the beneficial ownership of Sonic's Common Stock as of February 19, 2013, by (i) each stockholder known by Sonic to own beneficially more than five percent of a class of the outstanding Common Stock, (ii) each director and nominee to the Board of Directors of Sonic, (iii) each named executive officer of Sonic listed in the Summary Compensation Table, and (iv) all directors and executive officers of Sonic as a group. Except as otherwise indicated below, each of the persons named in the table has sole voting and investment power with respect to the securities indicated as beneficially owned by them, subject to community property laws where applicable. Unless otherwise noted, the address for the beneficial owners is 4401 Colwick Road, Charlotte, North Carolina 28211.

Beneficial Owner	Number of Shares of Class A Common Stock(1)	Percentage of Outstanding Class A Common Stock	Number of Shares of Class B Common Stock	Percentage of Outstanding Class B Common Stock	Percentage of All Outstanding Voting Stock(2)
O. Bruton Smith (3)(4)	645,250	1.6%	11,052,500	91.9%	21.8%
Sonic Financial Corporation (3)(4)			8,881,250	73.8%	16.8%
B. Scott Smith (5)(6)	497,246	1.2%	976,875	8.1%	2.8%
David P. Cosper (7)	204,292	*			*
David Bruton Smith (5)	204,116	*			*
Jeff Dyke (8)	214,024	*			*
William R. Brooks (9)	68,050	*			*
William I. Belk (9)(10)	59,585	*			*
Victor H. Doolan (9)	33,840	*			*
Robert Heller (9)(11)	57,585	*			*
Robert L. Rewey (9)	56,585	*			*
David C. Vorhoff (9)	31,659	*			*
All directors and executive officers as a group (11 persons) (5)	2,002,546	4.8%	12,029,375	100.0%	25.9%
BlackRock, Inc. (12)	3,030,578	7.4%			5.7%
FMR LLC (and related persons) (13)	4,737,398	11.6%			8.9%
Paul P. Rusnak (14)	5,100,000	12.4%			9.6%

* Less than one percent.

- (1) Includes shares of Class A Common Stock and shares of restricted stock held by these individuals, including those shares of Class A Common Stock shown below as to which the following persons currently have a right, or will have the right within 60 days after February 19, 2013, to acquire beneficial ownership through the exercise of stock options or the vesting of restricted stock units: (i) Messrs. O. Bruton Smith, 570,721 shares; B. Scott Smith, 331,025 shares; Cosper, 98,020 shares; David Bruton Smith, 92,425 shares; Dyke, 145,804 shares; Brooks, 24,169 shares; Belk, 14,169 shares; Doolan, 4,169; Heller, 14,169 shares; Rewey, 24,169 shares; and Vorhoff, 4,169; and (ii) all directors and executive officers as a group, 1,323,009 shares.
- (2) The percentage of total voting power of Sonic is as follows: (i) Mr. O. Bruton Smith, 68.7%; Sonic Financial Corporation, 55.1%; Mr. B. Scott Smith, 6.4%; BlackRock, Inc., 1.9%; FMR LLC (and related persons), 2.9%; Paul P. Rusnak, 3.2%; and less than 1% for all other stockholders shown, and (ii) all directors and executive officers as a group, 75.3%.
- (3) The address for Mr. O. Bruton Smith and Sonic Financial Corporation (SFC) is 5401 East Independence Boulevard, Charlotte, North Carolina 28212.

- (4) The amount of Class B Common Stock shown for Mr. O. Bruton Smith consists of 2,171,250 shares owned directly by him and 8,881,250 shares owned by SFC, of which 5,474,145 shares are pledged as security for loans. Mr. Smith controls a majority of SFC's outstanding voting stock and is the only executive officer of SFC and is deemed to have sole voting and investment power with respect to the shares of Class B Common Stock held by SFC.
- (5) Includes 69,686 shares of Class A Common Stock held by SMDA Development 1, LLC, in which Messrs. B. Scott Smith and David Bruton Smith are members. Each of Messrs. B. Scott Smith and David Bruton Smith disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest, if any, therein.
- (6) Includes 900,765 shares of Class B Common Stock held by BWI Financial, LLC, an entity controlled by Mr. B. Scott Smith. Approximately 900,765 shares of Class B Common Stock owned directly or indirectly by Mr. B. Scott Smith are pledged to secure loans and 20,875 shares of Class A Common Stock are held in a margin account.
- (7) Includes 44,247 restricted shares of Class A Common Stock that will vest 25% on March 31, 2013, 30% on March 2, 2014 and 45% on March 2, 2015, 12,833 restricted shares of Class A Common Stock that vested on February 26, 2013 and 20,940 restricted shares of Class A Common Stock that will vest half on March 18, 2013 and the remaining half on March 18, 2014.
- (8) Includes 46,504 restricted shares of Class A Common Stock that will vest 25% on March 31, 2013, 30% on March 2, 2014 and 45% on March 2, 2015, 13,750 restricted shares of Class A Common Stock that vested on February 26, 2013, and 22,000 restricted shares of Class A Common Stock that will vest half on March 18, 2013 and the remaining half on March 18, 2014.
- (9) Includes 4,169 restricted shares of Class A Common Stock for each of Messrs. Brooks, Belk, Doolan, Heller, Rewey and Vorhoff that will vest on April 16, 2013.
- (10) Includes 6,000 shares held by Mr. Belk's children. Mr. Belk disclaims beneficial ownership of all securities held by his children.
- (11) Approximately 26,000 shares are held in a margin account. Mr. Heller shares voting and dispositive power over 11,000 shares with his wife.
- (12) The address of this entity is 40 East 52nd Street, New York, New York 10022. The Schedule 13G/A filed by BlackRock, Inc. on or about February 5, 2013 indicates that BlackRock, Inc. has sole voting power and sole dispositive power as to all of the 3,030,578 shares shown.
- (13) The address of this entity is 82 Devonshire Street, Boston, Massachusetts 02109. The information provided is based on a Schedule 13G/A filed by FMR LLC (and related persons) on or about February 14, 2013. That filing indicates that FMR LLC has sole voting power as to 441,116 of the shares shown. That filing also indicates that FMR LLC and Edward C. Johnson 3d have sole dispositive power as to 4,296,282 of the shares shown. That filing further indicates that Fidelity Management & Research Company, a wholly-owned subsidiary of FMR LLC and investment advisor registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 4,296,282 of the shares, and Strategic Advisers, Inc., a wholly-owned subsidiary of FMR LLC and investment advisor registered under Section 203 of the Investment Advisers Act of 1940, provides advisory services to individuals and, as such, beneficially owns 43,136 of the shares shown. The filing also indicates that Pyramis Global Advisors Trust Company (PGATC), an indirect wholly-owned subsidiary of FMR LLC and a bank as defined in Section 3(a)(6) of the Exchange Act, is the beneficial owner of 397,980 of the shares shown as a result of its serving as investment manager of institution accounts owning such shares, with Mr. Edward C. Johnson 3d and FMR LLC each having sole dispositive and voting power over these shares. The address for PGATC is 900 Salem Street, Smithfield, Rhode Island 02917. The filing also indicates that members of the family of Mr. Edward C. Johnson 3d, Chairman of FMR LLC, or trusts for their benefit, own shares representing 49% of the voting power of FMR, LLC and that, accordingly, members of Mr. Edward C. Johnson 3D's family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR, LLC.

- (14) The address of this owner is 325 W. Colorado Boulevard, PO Box 70489, Pasadena, California 91117-7489. The information provided is based on a Schedule 13D/A filed by Paul P. Rusnak on or about May 26, 2010 and his subsequent Form 4 filing on December 13, 2012. The Schedule 13D/A filing indicates that Paul P. Rusnak has sole voting power and sole dispositive power as to 5,000,000 of the shares shown.

ELECTION OF DIRECTORS

Nominees for Election as Directors of Sonic

Nine directors currently serve on Sonic's Board of Directors and each was elected by our stockholders at our 2012 Annual Meeting of Stockholders. Under our Bylaws, the director nominees are elected by the stockholders for a one-year term expiring at the next annual meeting of stockholders. Any director appointed by the Board of Directors as a result of a newly created directorship or to fill a vacancy on the Board of Directors will hold office until the next annual meeting of stockholders. All directors' terms expire and their successors will be elected at the Annual Meeting and each annual meeting of stockholders thereafter.

Upon the recommendation of the Nominating and Corporate Governance Committee (the NCG Committee), the Board nominated each of our current directors to stand for reelection for a new term expiring at the 2014 annual meeting of stockholders or until their successors are duly elected and qualified. At the Annual Meeting, we intend to vote the proxies in the accompanying form for the election of O. Bruton Smith, B. Scott Smith, David Bruton Smith, William I. Belk, William R. Brooks, Victor H. Doolan, Robert Heller, Robert L. Rewey and David C. Vorhoff to the Board of Directors. All of these individuals consented to be named in this Proxy Statement and have agreed to serve, if elected. Due to the passing of long-time director, William P. Benton, in February 2009, and the prior resignation of another director, two seats on the Board of Directors will be vacant following the Annual Meeting. Because the Nominating and Corporate Governance Committee (the NCG Committee) of our Board of Directors has not selected a qualified candidate or candidates, the Board of Directors has elected not to fill these vacancies at the Annual Meeting. If for any reason any director nominee is unable to stand for reelection, we intend to vote proxies for the election of the other director nominees and the Board will designate a substitute nominee or reduce the number of directors in accordance with our Charter and Bylaws. If a substitute nominee is designated, proxies will be voted for the substitute nominee.

Directors

We have set forth below information regarding each of our directors. The NCG Committee and the Board believe that the experience, qualifications, attributes and skills of our directors described below and in the Nominating and Corporate Governance Committee section of this Proxy Statement, provide the Board with the ability to address the evolving needs of Sonic and represent the best interests of our stockholders.

O. Bruton Smith, 86, is the Founder of Sonic. He is also the Chairman, Chief Executive Officer and a director of Sonic and has served as such since Sonic's organization in January 1997, and he currently is a director and executive officer of many of Sonic's subsidiaries. Mr. Smith has worked in the retail automobile industry since 1966. Mr. Smith is also the Chairman and Chief Executive Officer, a director and controlling stockholder of Speedway Motorsports, Inc. (SMI). SMI is a public company whose shares are traded on the New York Stock Exchange (the NYSE). Among other things, SMI owns and operates the following NASCAR racetracks: Atlanta Motor Speedway, Bristol Motor Speedway, Charlotte Motor Speedway, Sonoma Raceway, Las Vegas Motor Speedway, New Hampshire Motor Speedway, Texas Motor Speedway and Kentucky Speedway. He is also an executive officer or a director of most of SMI's operating subsidiaries.

B. Scott Smith, 45, is the Co-Founder of Sonic. He is also President, Chief Strategic Officer and a director of Sonic. Prior to his appointment as President in March 2007, Mr. Smith served as Sonic's Vice Chairman and Chief Strategic Officer since October 2002. Mr. Smith was President and Chief Operating Officer of Sonic from

April 1997 until October 2002. Mr. Smith has been a Sonic director since its organization in January 1997. Mr. Smith also serves as a director and executive officer of many of Sonic's subsidiaries. Mr. Smith, who is a son of O. Bruton Smith and the brother of David Bruton Smith, has been an executive officer of Town & Country Ford since 1993, and was a minority owner of both Town & Country Ford and Fort Mill Ford before Sonic's acquisition of those dealerships in 1997. Mr. Smith became the General Manager of Town & Country Ford in November 1992 where he remained until his appointment as President and Chief Operating Officer of Sonic in April 1997. Mr. Smith has over 22 years of experience in the automobile dealership industry.

David Bruton Smith, 38, is our Executive Vice President and a director since October 2008 and has served in Sonic's organization since October 2000. Prior to being named a director and Executive Vice President of Sonic, Mr. Smith, also a son of O. Bruton Smith and the brother of B. Scott Smith, served as Sonic's Senior Vice President of Corporate Development since March 2007. Prior to that appointment, Mr. Smith served as Sonic's Vice President of Corporate Strategy from October 2005 to March 2007, and also served prior to that time as Dealer Operator of Sonic's Arnold Palmer Cadillac dealership from January 2004 to October 2005, Sonic's Fort Mill Ford dealership from January 2003 to January 2004 and Sonic's Town and Country Ford dealership from October 2000 to December 2002.

William I. Belk, 63, has been a director of Sonic since March 1998. Mr. Belk is currently affiliated with Southeast Investments, NC, Inc., a FINRA member firm headquartered in Charlotte, North Carolina. Mr. Belk's past professional experience includes serving as a North Carolina District Court Judge, serving as a partner in the investment banking firm Carolina Financial Group, Inc., and serving in the positions of Chairman and director for certain Belk stores, a retail department store chain. Mr. Belk has also previously served as a director of Monroe Hardware Co., Inc., a wholesaler of hardware materials. Mr. Belk is an attorney with an LL.M. in Taxation and a Masters in Business Administration.

William R. Brooks, 63, has been a director of Sonic since its organization in January 1997. Mr. Brooks also served as Sonic's initial Chief Financial Officer, Treasurer, Vice President and Secretary from January 1997 to April 1997. Since December 1994, Mr. Brooks has been the Vice President, Treasurer, Chief Financial Officer and a director of SMI, became Executive Vice President of SMI in February 2004 and became Vice Chairman in 2008. Mr. Brooks also serves as an executive officer and a director for various operating subsidiaries of SMI. Before the formation of SMI in December 1994, Mr. Brooks was the Vice President of Charlotte Motor Speedway (formerly Lowe's Motor Speedway) and a Vice President and director of Atlanta Motor Speedway.

Victor H. Doolan, 72, has been a director of Sonic since July 2005. Prior to being appointed as a director of Sonic, Mr. Doolan served for approximately three years as president of Volvo Cars North America until his retirement in March 2005. Prior to joining Volvo, Mr. Doolan served as the Executive Director of the Premier Automotive Group, the luxury division of Ford Motor Company from July 1999 to June 2002. Mr. Doolan also enjoyed a 23-year career with BMW, culminating with his service as President of BMW of North America from September 1993 to July 1999. Mr. Doolan has worked in the automotive industry for approximately 36 years. Mr. Doolan also served as a director of Blue Fire Ethanol Fuels Inc. until December 2010.

Robert Heller, 73, has been a director of Sonic since January 2000. Mr. Heller served as a director of FirstAmerica Automotive, Inc. from January 1999 until its acquisition by Sonic in December 1999. Mr. Heller was a director and Executive Vice President of Fair, Isaac and Company from 1994 until 2001, where he was responsible for strategic relationships and marketing. From 1991 to 1993, Mr. Heller was President and Chief Executive Officer of Visa U.S.A. Mr. Heller is a former Governor of the Federal Reserve System, and has had an extensive career in banking, international finance, government service and education. Mr. Heller currently serves as director of Bank of Marin Bancorp, a public company traded on the Nasdaq.

Robert L. Rewey, 74, has been a director of Sonic since December 2001. Mr. Rewey served as the Group Vice President of Ford Motor Company's North American Operations and Global Sales, Marketing and Customer Services from January 2000 until his retirement in April 2001. During his career with Ford, Mr. Rewey

also served as President of Lincoln Mercury Division and then Ford Division and Group Vice President of North American sales, marketing and customer service. He has served on the board of directors for Volvo Cars and Mazda Corporation. In his prior positions, Mr. Rewey was responsible for initiating Ford's global brand, motorsports and marketing executive development strategies. He also implemented innovations in Six Sigma for sales and marketing and developed short term vehicle leasing. Mr. Rewey has served as a member of the Board of Visitors, Fuqua School, Duke University and the Dean's Council, Fisher School of Business, Ohio State University. Mr. Rewey currently serves as a director of SMI and of LoJack Corporation, a public company traded on the Nasdaq.

David C. Vorhoff, 57, has been a director of Sonic since April 2007. Mr. Vorhoff is a co-founding Partner of McColl Partners, LLC, and has served as a Managing Director of the firm since its founding in 2001. Headquartered in Charlotte, North Carolina, McColl Partners provides investment banking services to middle-market companies and financial institutions, and advises clients in three primary areas: mergers and acquisitions; raising private capital; and strategic advisory and valuation assignment. Prior to 2001, Mr. Vorhoff was a Managing Director of Banc of America Securities' Health Care Group and of NationsBanc Montgomery Securities Health Care Group in New York, and of NationsBank Capital Markets' mergers and acquisitions group in Charlotte. Mr. Vorhoff also served as a director of Star Scientific, a public company traded on the Nasdaq, from October 2005 to September 2007.

Board and Committee Member Independence

Because Mr. Bruton Smith holds more than 50% of the voting power of Sonic's Common Stock, Sonic qualifies as a controlled company for purposes of the NYSE's listing standards and is, therefore, not required to comply with all of the requirements of those listing standards, including the requirement that a listed company have a majority of independent directors. Nevertheless, Sonic is committed to having its board membership in favor of independent directors as evidenced by Sonic's Corporate Governance Guidelines.

Our Board of Directors has determined that currently a majority of Sonic's directors, including Messrs. Belk, Doolan, Heller, Rewey and Vorhoff, and all of the members of Sonic's board committees, are independent directors within the meaning of the NYSE's current listing standards and the rules and regulations of the SEC. The Board's determination was based in part on its assessment of each director's relationship with Sonic and the materiality of that relationship in light of all relevant facts and circumstances, not only from the standpoint of the director in his or her individual capacity, but also from the standpoint of the persons to which the director is related and organizations with which the director is affiliated. The Board of Directors applied Categorical Standards for Determination of Director Independence, which the Board adopted to assist it in evaluating the independence of each of its directors, and also considered the following transactions, relationships or arrangements. For Mr. Doolan, the Board of Directors considered his former position as a non-employee director of Fisker Automotive, Inc., a privately-held vehicle manufacturer. Mr. Doolan has informed Sonic that he resigned from his position as a non-employee director of Fisker effective March 31, 2012. The Board of Directors also considered Mr. Doolan's former position as a non-employee director of True Car, Inc. (formerly ZAG, Inc.), a privately-held marketing company serving the automotive industry and any transactions between Sonic and its subsidiaries with True Car. Mr. Doolan has informed Sonic that he resigned from his position as a non-employee director of True Car effective January 31, 2012. For Mr. Rewey, the Board of Directors considered his position as a non-employee director of SMI and any transactions between Sonic and its subsidiaries and SMI and its subsidiaries. The Board of Directors also considered Mr. Rewey's position as a non-employee director of LoJack and any transactions between LoJack and Sonic and its subsidiaries and Mr. Rewey's engagement as a consultant by Dealer Tire, LLC and any relationships between Dealer Tire, LLC and Sonic and its subsidiaries or its executive officers. The Board of Directors determined that none of these transactions, relationships or arrangements impaired any of these individuals' independence and that each of the independent directors met the Categorical Standards for Determination of Director Independence.

Board Meetings and Committees of the Board

Attendance at Board and Committee Meetings. Our Board of Directors held five meetings during 2012. Each of the directors attended 75% or more of the aggregate number of meetings of the Board and committees of the Board on which the director served.

Executive Sessions of the Board of Directors. The non-management directors meet in executive session without members of management present prior to or after each board meeting. Mr. Belk, as lead independent director, presides over these executive sessions of non-management directors.

Attendance at Annual Meetings of Stockholders. Pursuant to the Board of Directors' policy, all directors are strongly encouraged to attend our annual stockholders meetings. All of our directors attended last year's annual stockholders meeting.

Board Leadership Structure and Role in Risk Oversight. Sonic's principal executive officer, Mr. O. Bruton Smith, also serves as the chairman of Sonic's Board of Directors. Because of Mr. O. Bruton Smith's extensive business experience (and in particular the automotive industry), his founding of Sonic and his significant equity ownership in Sonic, and in light of the majority of independent directors on Sonic's board, Sonic has determined it is appropriate that Mr. Smith serve in both roles. Sonic's lead independent director, Mr. William I. Belk, presides over executive sessions of non-management directors without the presence of management, and coordinates feedback to the Chief Executive Officer on behalf of the non-employee directors regarding business issues and Board management.

It is management's responsibility to manage risk and bring to the Board of Directors' attention the most material risks to Sonic. Sonic's Board of Directors, including through Board Committees comprised solely of independent directors, regularly reviews various areas of significant risk to Sonic, and advises and directs management on the scope and implementation of policies, strategic initiatives and other actions designed to mitigate various types of risks. Specific examples of risks primarily overseen by the full Board of Directors include competition risks, industry risks, economic risks, liquidity risks, business operations risks and risks related to acquisitions and dispositions. Sonic's Audit Committee regularly reviews with management and the independent auditors significant financial risk exposures and the processes management has implemented to monitor, control and report such exposures. Specific examples of risks primarily overseen by the Audit Committee include risks related to the preparation of Sonic's financial statements, disclosure controls and procedures, internal controls and procedures required by the Sarbanes-Oxley Act, accounting, financial and auditing risks, treasury risks (insurance, interest rate hedging, credit and debt), matters reported to the Audit Committee through the Internal Audit Department and through anonymous reporting procedures, risks posed by significant litigation matters, cyber risks and compliance with applicable laws and regulations. Sonic's NCG Committee monitors compliance with Sonic's Code of Business Conduct and Ethics, evaluates proposed affiliate transactions for compliance with Sonic's Charter and applicable contracts, and reviews compliance with applicable laws and regulations related to corporate governance. Sonic's Compensation Committee reviews and evaluates potential risks related to the attraction and retention of talent, and risks related to the design of compensation programs established by the Compensation Committee for Sonic's executive officers.

Committees of the Board of Directors and their Charters. The Board of Directors of Sonic has three standing committees: the Audit Committee, the Compensation Committee, and the NCG Committee. Each of these committees acts pursuant to a written charter, which was adopted by the Board of Directors and most recently amended in February 2013 for the Audit Committee, February 2006 for the NCG Committee and December 2007 for the Compensation Committee.

The Audit Committee currently consists of Messrs. Heller (chairman), Belk, Doolan and Vorhoff. The Compensation Committee currently consists of Messrs. Rewey (chairman), Belk, Doolan and Heller. The NCG Committee currently consists of Messrs. Vorhoff (chairman), Doolan and Rewey. Set forth below is a summary of the principal functions of each committee.

Audit Committee. The Audit Committee appoints Sonic's independent accountants, reviews and approves the scope and results of audits performed by them and the Company's internal auditors, and reviews and approves the independent accountant's fees for audit and non-audit services. It also reviews certain corporate compliance matters and reviews the adequacy and effectiveness of the Company's internal accounting and financial controls, its significant accounting policies, and its financial statements and related disclosures. A more detailed description of the Audit Committee's duties and responsibilities can be found in its charter. Our Board of Directors has determined that each of Messrs. Heller, Belk, Doolan and Vorhoff qualifies as an audit committee financial expert as defined by the current rules of the SEC, is financially literate as that term is defined by the rules of the NYSE, has accounting or related financial management expertise and is independent under the rules and regulations of the SEC, including as defined in Rule 10A-3(b)(1), and the current listing standards of the NYSE. The Audit Committee met eleven times during 2012.

Audit Committee Report

The Audit Committee is appointed by the Board of Directors to assist the board in fulfilling its oversight responsibilities relating to Sonic's accounting policies, reporting policies, internal controls, compliance with legal and regulatory requirements, and the integrity of Sonic's financial reports. The Audit Committee manages Sonic's relationship with Sonic's independent accountants, who are ultimately accountable to the Audit Committee. The Board of Directors has determined that each member of the Audit Committee is financially literate as such term is defined by the rules of the New York Stock Exchange (NYSE) and independent as such term is defined by the current rules of the NYSE and the Securities and Exchange Commission.

The Audit Committee reviewed and discussed the audited financial statements of Sonic with management and Ernst & Young LLP, Sonic's independent accountants. Management has the responsibility for preparing the financial statements, certifying that Sonic's financial statements are complete, accurate, and prepared in accordance with generally accepted accounting principles, and implementing and maintaining internal controls and attesting to internal control over financial reporting. The independent accountants have the responsibility for performing an independent audit of the financial statements in accordance with generally accepted auditing standards and expressing an opinion on the effectiveness of internal control over financial reporting. The Audit Committee also discussed and reviewed with the independent accountants all matters required to be discussed by generally accepted auditing standards, including those described in SAS No. 61, as amended (AICPA, Professional Standards, Vol. 1 AU section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. With and without management present, the Audit Committee discussed and reviewed the results of the independent accountants' audit of the financial statements.

During 2012, the Audit Committee met eleven times, including meetings to discuss the interim financial information contained in each quarterly earnings announcement for the quarters ended December 31, 2011, March 31, 2012, June 30, 2012 and September 30, 2012 with the chief financial officer and the independent accountants prior to public release. In addition, the Audit Committee regularly monitored the progress of management and the independent accountants in assessing Sonic's compliance with Section 404 of the Sarbanes-Oxley Act, including their findings, required resources and progress throughout the year.

In discharging its oversight responsibility as to the audit process, the Audit Committee received from the independent accountants the written disclosures and the letter from the independent accountants required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence and has discussed with the independent accountant the independent accountant's independence. The Audit Committee met separately with management, internal auditors and the independent accountants to discuss, among other things, the adequacy and effectiveness of Sonic's internal accounting and financial controls, the internal audit function's organization, responsibilities, budget and staffing and reviewed with both the independent accountants and the internal auditors their audit plans, audit scope, and identification of audit risks.

Based on these reviews and discussions with management and the independent accountants, the Audit Committee recommended to the Board and the Board approved that Sonic's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2012 for filing with the Securities and Exchange Commission. The Committee also recommended the appointment of the independent accountants, Ernst & Young LLP, as Sonic's independent accountants for the year ended December 31, 2013 and the Board concurred in such recommendation.

Robert Heller, Chairman

William I. Belk

Victor H. Doolan

David C. Vorhoff

Compensation Committee. The Compensation Committee administers certain compensation and employee benefit plans of Sonic and annually reviews and determines compensation of all executive officers of Sonic. The Compensation Committee administers the Sonic Automotive, Inc. 1997 Stock Option Plan (the "Stock Option Plan"), the Sonic Automotive, Inc. Employee Stock Purchase Plan, the Sonic Automotive, Inc. Amended and Restated Incentive Compensation Plan (the "Incentive Compensation Plan"), the Sonic Automotive, Inc. 2004 Stock Incentive Plan (the "2004 Stock Incentive Plan"), the Sonic Automotive, Inc. Supplemental Executive Retirement Plan (the "SERP"), the Sonic Automotive, Inc. 2012 Stock Incentive Plan (the "2012 Stock Incentive Plan") and certain other employee stock plans, approves individual grants of equity-based compensation under the plans it administers and periodically reviews Sonic's executive compensation programs and takes action to modify programs that yield payments or benefits not closely related to Sonic's or its executives' performance. The Compensation Committee also periodically reviews compensation of non-management directors and makes recommendations to the full Board, who determines the amount of such compensation. In formulating its recommendation to the full Board, the Compensation Committee considers the recommendations of management and, from time to time, independent consulting firms that specialize in executive compensation. The Board of Directors has determined that all Compensation Committee members are independent as defined in the current listing standards of the NYSE and the rules and regulations of the SEC. The Compensation Committee met six times during 2012.

Nominating and Corporate Governance Committee. The NCG Committee is responsible for identifying individuals who are qualified to serve as directors of Sonic and for recommending qualified nominees to the Board of Directors for election or re-election as directors of Sonic. The NCG Committee will consider director nominees submitted by stockholders in accordance with the provisions of Sonic's Bylaws. The NCG Committee is also responsible for recommending committee members and chairpersons of committees of our Board of Directors and for establishing a system for, and monitoring the process of, performance reviews of the Board of Directors and its committees. Finally, the NCG Committee is responsible for developing and recommending to the Board of Directors a set of corporate governance principles applicable to Sonic and for monitoring compliance with Sonic's Code of Business Conduct and Ethics. The Board of Directors has determined that all NCG Committee members are independent as defined in the current listing standards of the NYSE and the rules and regulations of the SEC. The NCG Committee met three times during 2012.

The NCG Committee has a process of identifying and evaluating potential nominees for election as members of the Board of Directors, which includes considering recommendations by directors and management and may include engaging third party search firms to assist the NCG Committee in identifying and evaluating potential nominees. The NCG Committee has adopted a policy that stockholder nominees for director will be treated the same as nominees submitted by other directors or management.

As set forth in Sonic's Bylaws, Sonic's Corporate Governance Guidelines and the charter of Sonic's Nominating and Corporate Governance Committee, the NCG Committee considers potential nominees for directors from all sources, develops information from many sources concerning the potential nominee, and makes a decision whether to recommend any potential nominee for consideration for election as a member of the Board of Directors. Sonic's qualification standards for directors are set forth in its Corporate Governance Guidelines. These standards include the director's or nominee's:

independent judgment;

ability to qualify as an independent director (as defined under applicable SEC rules and regulations and NYSE listing standards);

ability to broadly represent the interests of all stockholders and other constituencies;

maturity and experience in policy making decisions;

time commitments, including service on other boards of directors;

business skills, background and relevant expertise that are useful to Sonic and its future needs;

willingness and ability to serve on committees of the board of directors; and

other factors relevant to the NCG Committee's determination.

As stated in Sonic's Corporate Governance Guidelines, the Board of Directors should be composed ideally of persons having a diversity of skills, background and expertise that are useful to Sonic and its future and ongoing needs. With this goal in mind, when considering potential nominees for the Board of Directors, the NCG Committee considers the standards above and each potential nominee's individual qualifications in light of the composition and needs of the Board of Directors at such time and its anticipated composition and needs in the future, but a director nominee should not be chosen nor excluded based on race, color, gender, national origin or sexual orientation.

Based on this process, the NCG Committee identified and recommended that Messrs. O. Bruton Smith, B. Scott Smith, David Bruton Smith, William I. Belk, William R. Brooks, Victor H. Doolan, Robert Heller, Robert L. Rewey and David C. Vorhoff be nominated for re-election to the Board of Directors. In determining each nomination was appropriate and that each is qualified to serve on the Board of Directors, the NCG Committee considered the following:

Mr. William I. Belk: Mr. Belk has extensive consumer retail experience, serving in many positions of responsibility over a lengthy previous career in Belk Stores, a retail department store chain in the Southeastern U.S. controlled by the Belk family; has served on Sonic's Board of Directors, Audit Committee and Compensation Committee since March 1998; and has further served as Sonic's Lead Independent Director since August 2002.

Mr. William R. Brooks: Mr. Brooks has significant accounting and financial management expertise, having served as Chief Financial Officer of SMI, a publicly traded corporation, since 1994; has further served on Sonic's Board of Directors since the company's inception in 1997; and further serves as an officer and director of SFC, which is the largest stockholder of Sonic.

Mr. Victor H. Doolan: Mr. Doolan has significant expertise in the automotive industry, and particularly in manufacturing, sales and marketing, serving previously as President of Volvo Cars North America, as Executive Director of the Premier Automotive Group (the luxury division of Ford Motor Company during his tenure), and a 23-year career with BMW culminating with his service as President of BMW of North America; and has served on Sonic's Board of Directors, Audit Committee and Nominating and Corporate Governance Committee since July 2005, and on Sonic's Compensation Committee since December 2009.

Mr. Robert Heller: Mr. Heller has significant expertise in economics, business, banking and consumer finance, having served previously as a Governor of the Federal Reserve System, President and Chief Executive Officer of Visa U.S.A., and as a director and Executive Vice President of Fair, Isaac and Company; and has served on Sonic's Board of Directors, Audit Committee and Compensation Committee since January 2000.

Mr. Robert L. Rewey: Mr. Rewey has significant expertise in the automotive industry, and particularly in manufacturing, sales and marketing; during a lengthy and distinguished career with Ford Motor Company, Mr. Rewey held numerous positions of authority, including Group Vice President of Ford Motor Company's North American Operations and Global Sales, Marketing and Customer Services, President of the Ford Division, Pre