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STATE OF NORTH CAROLINA

IN THE GENERAL COURT OF JUSTICE

2008 MAR 17 PM 3: 50 SUPERIOR COURT DIVISION

COUNTY OF MECKLENBURG

08-CVS-4259

MECKLENBURG CO., C.S.C.

SONIC AUTOMOTIVE, INC.,

BY \_\_\_\_\_ )

Plaintiff, )

v. )

MERCEDES-BENZ USA, LLC, )

Defendant. )

COMPLAINT

[Jury Trial Demanded]

Plaintiff Sonic Automotive, Inc., complaining of Defendant Mercedes-Benz USA, LLC, states:

**Parties, Jurisdiction and Venue**

1. Plaintiff Sonic Automotive, Inc. (“Sonic”), is a Delaware Corporation having its principal place of business in Mecklenburg County, North Carolina.

2. Defendant Mercedes-Benz USA, LLC (“MBUSA”), is a Delaware limited liability company having (according to its North Carolina Secretary of State filings) its principal office in Wilmington, Delaware. MBUSA usually does, and for all relevant times has done, business in North Carolina, including in Mecklenburg County. MBUSA has a certificate of authority to transact business in North Carolina and is subject to service of process through its North Carolina Registered Agent, CT Corporation System, 225 Hillsborough Street, Raleigh, North Carolina 27603.

3. This Court is the proper venue for this lawsuit pursuant to N.C. Gen. Stat. §§ 1-80 and 1-82.

4. The amount in controversy exceeds \$10,000.

5. This Court has jurisdiction over, and is the proper division for this civil action pursuant to N.C. Gen. Stat. §§ 7A-240 and 7A-243.

### Facts

6. MBUSA manufactures or assembles new motor vehicles and/or imports new motor vehicles for distribution in the United States, including North Carolina, through a distributor and/or sells or distributes new motor vehicles to new motor vehicle dealers in North Carolina. MBUSA is a Manufacturer of new motor vehicles under North Carolina Motor Vehicle Dealers and Manufacturers Licensing Law, N.C. Gen. Stat. § 20-285, *et. seq.* (“North Carolina Dealer Franchise Law”).

7. Sonic is one of the largest automotive retailers in the United States. Sonic currently operates 169 automobile dealership franchises, including nine (9) Mercedes-Benz franchises.

#### MBUSA’s unlawful refusal to approve Sonic’s acquisition of Beck Imports’ dealership

8. On February 12, 2008, Sonic entered into an Asset Purchase Agreement with, among others, Beck Imports Limited Partnership (“Beck Imports”) whereby Sonic agreed to purchase Beck Imports’ Mercedes-Benz automobile dealership business located at 5141 E. Independence Blvd., Charlotte, Mecklenburg County, North Carolina (“the Charlotte dealership”). Beck Imports is a dealer engaged in the business of selling new and used motor vehicles and has sold far more than five (5) motor vehicles in the preceding twelve (12) consecutive months. Beck Imports is a motor vehicle dealer or dealer under North Carolina Dealer Franchise Law and is a MBUSA franchisee.

9. On or about February 12, 2008, Beck Imports forwarded a copy of the Asset Purchase Agreement to MBUSA.

10. By letter dated February 15, 2008, to Beck Imports, MBUSA acknowledged receipt of the Asset Purchase Agreement. In the same letter, MBUSA told Beck Imports that it was considering whether to exercise “MBUSA’s Right of First Refusal” to buy the Charlotte dealership itself and, furthermore, that if it decided to exercise its (supposed) option, it would not honor payment of a \$1,000,000 structuring fee to which Sonic is entitled under the Asset Purchase Agreement. A copy of MBUSA’s February 15, 2008, letter to Beck Imports is attached as **Exhibit A** and is incorporated as if fully set forth.

11. Under North Carolina Dealer Franchise Law, MBUSA has no lawful right of first refusal. As MBUSA was and is undoubtedly aware, any attempt by it, as threatened, to prevent the sale of the Charlotte dealership to Sonic through the exercise of any contractual right of first refusal is unlawful. See N.C. Gen. Stat. § 20-305(18).

12. By letter dated February 20, 2008, MBUSA told Sonic that it would not review or approve a dealer application from Sonic for the acquisition of the Charlotte dealership because, according to MBUSA, Sonic had not made “substantial progress in remedying certain deficiencies in several of its current Mercedes-Benz dealerships” in accordance with a letter agreement dated June 12, 2007 (the “letter agreement”). A copy of the letter agreement, which is discussed more fully below, is attached as **Exhibit B** and is incorporated as if fully set forth.

13. By letter dated February 27, 2008, MBUSA misrepresented to Beck Imports that the letter agreement “addressed performance issues of other Mercedes-Benz dealerships owned by Sonic,” and that Sonic agreed not to acquire any additional Mercedes-Benz dealerships until “these specific issues were properly addressed.” A copy of MBUSA’s February 27, 2008, letter to Beck Imports is attached as **Exhibit C** and is incorporated as if fully set forth.

14. In accordance with N.C. Gen. Stat. § 20-305(4), on February 28, 2008, Sonic and Beck Imports sent MBUSA formal notice of the Asset Purchase Agreement, together with a formal MBUSA dealer application package, which includes another copy of the Asset Purchase Agreement, notice and information regarding the identity, financial ability and qualifications of the proposed transferee, as well as information regarding the identity and qualifications of the persons proposed to be involved in executive management or as principal operators. A copy of Sonic and Beck Import's February 28, 2008 letter that provided MBUSA with formal notice of the Asset Purchase Agreement and which accompanied the formal MBUSA dealer application package is attached as **Exhibit D** and is incorporated as if fully set forth.

15. MBUSA in fact received formal notice of the Asset Purchase Agreement and the formal MBUSA dealer application package on February 29, 2008.

16. By letters dated March 3, 2008, MBUSA notified Sonic and Beck Imports that "MBUSA will not review or approve a dealer agreement application from Sonic Automotive, Inc., related to this acquisition for the reasons as stated [in MBUSA's letters of February 20, 2008 and February 27, 2008 to Sonic and Beck Imports, respectively]." One copy each of MBUSA's March 3, 2008, letter to Sonic and Beck Imports, with attachments, are attached collectively as **Exhibit E** and are incorporated as if fully set forth.

17. In refusing to approve the proposed sale of the Charlotte dealership from Beck Imports to Sonic, MBUSA is knowingly, willfully and wantonly violating North Carolina Dealer Franchise Law. Pursuant to N.C. Gen. Stat. § 20-305(4), a franchisor/manufacture's objection to a proposed sale of a dealership may only be premised upon a proposed transferee's lack of good moral character, lack of general business experience, or lack of financial ability. MBUSA has neither expressed any lawful basis for refusing to approve the proposed sale, nor does any

lawful basis exist. Sonic is in every respect qualified to own and operate a Mercedes-Benz dealership, and indeed currently owns and operates nine (9) Mercedes-Benz dealerships. Furthermore, MBUSA recently awarded Sonic's Mercedes-Benz dealership in Nashville, Tennessee (which Sonic has owned and operated since March 2005), MBUSA's "Best of the Best" Award.

18. On information and belief, MBUSA is withholding its approval of Sonic's acquisition of the Charlotte dealership in knowing and intentional violation of North Carolina Dealer Franchise Law in an effort to gain additional unfair leverage in its other dealings with Sonic (just as it did with respect to Sonic's March 2007 acquisition of a Mercedes-Benz dealership in Calabasas, California (the "Calabasas dealership"), as set forth below).

19. MBUSA engaged in the misconduct described above through and with the participation of its directors, officers and/or managers.

#### The letter agreement

20. The June 12, 2007, letter agreement between Sonic and MBUSA arose from Sonic's acquisition of the Calabasas dealership. As a condition of MBUSA's approval of Sonic's purchase of the Calabasas dealership, MBUSA required Sonic to agree to make improvements to four (4) of Sonic's Mercedes-Benz dealerships and to present and implement a plan to increase sales and market performance with respect to a fifth dealership. In particular, MBUSA required Sonic to agree to implement MBUSA's new "Autohaus design" at four (4) of Sonic's Mercedes-Benz dealerships. At the time of the letter agreement, MBUSA had not defined "Autohaus design" with any degree of specificity. What constitutes "Autohaus design" is still unclear today.

21. MBUSA prepared the first draft of the letter agreement, which included deadlines for the completion of improvements and included the provision that MBUSA is now attempting to rely upon in refusing to approve Sonic's acquisition of the Charlotte dealership, as follows: "Additionally, it is agreed between the parties that MBUSA shall not approve the acquisition of any additional Mercedes-Benz dealerships by Sonic until substantial progress is realized in remedying the respective dealership deficiencies as noted herein ..."

22. Sonic objected to the proposed deadlines as too aggressive and unrealistic. Accordingly, Sonic proposed extended deadlines to which MBUSA agreed.

23. In addition, Sonic objected that without additional progress deadlines, whether "substantial progress is realized" in making the improvements would be unacceptably uncertain and debatable. In order to eliminate uncertainty and to provide objective bases for determining whether "substantial progress is realized" in making improvements, Sonic proposed additional deadlines for submission of facility plans to MBUSA. MBUSA agreed.

24. MBUSA knew during negotiations and at the time the parties entered into the letter agreement that Sonic's understanding, belief and expectation in signing the letter agreement was that Sonic's compliance with the parties' agreed upon deadlines for facility plan submission would constitute the realization of "substantial progress" in making the improvements.

25. Based upon MBUSA's statements during negotiations, MBUSA also understood, believed and expected that Sonic's compliance with the parties' agreed upon deadlines for facility plan submission would constitute realization of "substantial progress" in making the improvements.

26. MBUSA did not at any time prior to its recent refusal to approve Sonic's acquisition of the Charlotte dealership say or do anything to indicate that it had any understanding, belief or expectation different from those set forth above or say or do anything to indicate that Sonic's understanding, belief and expectation was in any way incorrect.

27. As part of the letter agreement, Sonic agreed to negotiate a new "Framework Agreement" with MBUSA by no later than September 30, 2007. Sonic arranged a meeting with senior executives of Sonic and MBUSA for that purpose. The meeting was scheduled to take place on August 23, 2007. During the week of August 6, 2007, however, MBUSA cancelled the meeting and said that MBUSA would attempt to reschedule the meeting for October 2007. Despite Sonic's attempts to reschedule the meeting, MBUSA has not yet agreed to a new meeting date for the purpose of negotiating a new Framework Agreement. Furthermore, to date, MBUSA has not provided Sonic with a proposed draft of a new Framework Agreement with which to begin negotiations.

28. Sonic has complied with all deadlines in the letter agreement for facility plan submissions, as well as for its submission of a Sales Operation Action Plan for Sonic's Mercedes-Benz dealership in Franklin, Tennessee. Furthermore, except to the extent that MBUSA's plan review, requested modifications and plan negotiation and/or dispute resolution have or will delay the completion of improvements, Sonic intends and expects to meet all future deadlines.

29. Sonic and MBUSA are currently engaged in discussions and negotiations regarding facility plans. MBUSA has requested modifications that will cost Sonic millions of dollars to implement. On information and belief, MBUSA is withholding its approval of Sonic's acquisition of the Charlotte dealership in knowing and intentional violation of North Carolina

Dealer Franchise Law in an effort to gain unfair leverage in these dealings and to force Sonic to concede if Sonic is to have any ability to expand its Mercedes-Benz business.

30. MBUSA has no right pursuant to the letter agreement to withhold approval of Sonic's acquisition of the Charlotte dealership or any Mercedes-Benz dealership. Substantial progress has in fact been realized in making the improvements covered in the letter agreement.

31. Furthermore, even if MBUSA's contention with respect to the terms of the letter agreement were correct, MBUSA still cannot lawfully rely upon the letter agreement to withhold its approval. If the letter agreement were to allow MBUSA to withhold its approval pending progress of improvements as outlined in the letter agreement (or for any reason other than lack of good moral character, lack of general business experience, or lack of financial ability), the letter agreement would be null and void and without force and effect.

32. To the extent the letter agreement purports to allow MBUSA to withhold its approval of Sonic's acquisition of the sale of the Charlotte dealership, the letter agreement is contrary to the public policy of North Carolina as established by North Carolina Dealer Franchise Law and is therefore unenforceable according to contract principles of illegality and, moreover, is expressly null and void and without force and effect pursuant to N.C. Gen. Stat. § 20-308.2 ("Any provision of any agreement .. which is in violation of any section of this Article shall be deemed null and void and without force and effect.").

**Count I**  
**Declaratory Judgment and Mandatory Injunction–**  
**MBUSA’s Obligation to Approve Sonic’s Acquisition of the Charlotte Dealership**

33. Sonic incorporates the preceding paragraphs as if fully set forth.

34. By virtue of MBUSA’s refusal to approve Sonic’s acquisition of the Charlotte dealership, an actual, justiciable controversy exists as to MBUSA’s obligation to do so.

35. This Court has the power pursuant to N.C. Gen. Stat. § 1-254 to construe, and to declare the obligations of MBUSA under, North Carolina Dealer Franchise Law.

36. Under North Carolina Dealer Franchise Law, MBUSA has no lawful basis for disapproving Sonic’s acquisition of the Charlotte dealership. Because Sonic is qualified in every respect to own and operate a Mercedes-Benz dealership, MBUSA is obligated under North Carolina Dealer Franchise Law to approve Sonic’s acquisition of the Charlotte dealership.

37. The Court should enter judgment declaring that MBUSA is obligated under North Carolina Dealer Franchise Law to approve Sonic’s acquisition of the Charlotte dealership and enter a mandatory injunction requiring MBUSA to approve the acquisition.

**Count II**  
**Declaratory Judgment – Letter Agreement Invalid**

38. Sonic incorporates the preceding paragraphs as if fully set forth.

39. By virtue of MBUSA’s attempt to rely upon the letter agreement to withhold approval of Sonic’s acquisition of the Charlotte dealership, an actual, justiciable controversy exists as to the validity of the letter agreement.

40. This Court has the power pursuant to N.C. Gen. Stat. § 1-254 to determine the validity of the letter agreement.

41. To the extent that the letter agreement in any way purports to allow MBUSA to withhold its approval of Sonic’s acquisition of the Charlotte dealership, or any Mercedes-Benz

dealership, for any reason other than lack of good moral character, lack of general business experience, or lack of financial ability, the letter agreement is contrary to public policy, is an illegal contract and is void. It is, furthermore, null and void and without force and effect pursuant to N.C. Gen. Stat. § 20-308.2.

42. The Court should enter judgment declaring that to the extent the letter agreement in any way purports to allow MBUSA to withhold its approval of Sonic's acquisition of the Charlotte dealership, or any Mercedes-Benz dealership, for any reason other than lack of good moral character, lack of general business experience, or lack of financial ability, the letter agreement is null and void and without force and effect.

**Count III**  
**Declaratory Judgment – Substantial Progress**

43. Sonic incorporates the preceding paragraphs as if fully set forth.

44. By virtue of MBUSA's stated position with respect to the letter agreement, an actual, justiciable controversy exists as to the meaning of "substantial progress ... in remedying the respective dealership deficiencies" and whether "substantial progress" has been realized.

45. This Court has the power pursuant to N.C. Gen. Stat. § 1-254 to construe the letter agreement and to declare the parties' rights, status and other legal relations under the letter agreement.

46. Under the letter agreement, the parties' agreed upon deadlines for facility plan submissions constitute realization of substantial progress in making improvements called for in the letter agreement.

47. Sonic has complied with all deadlines in the letter agreement for facility plan submission. Substantial progress has therefore been realized.

48. The Court should enter judgment declaring that the parties' agreed upon deadlines for facility plan submissions constitute realization of substantial progress in making improvements called for in the letter agreement and that substantial has been realized.

**Count IV**  
**Unfair and Deceptive Trade Practices**

49. Sonic incorporates the preceding paragraphs as if fully set forth.

50. Without limitation, MBUSA's misconduct in knowingly taking a position with respect to the letter agreement that is contrary to the parties' intent, threatening to attempt to exercise a wholly unenforceable "Right of First Refusal," refusing to approve Sonic's acquisition of the Charlotte dealership in manifest dereliction of North Carolina Dealer Franchise Law, misrepresenting the letter agreement and Sonic's performance of the letter agreement to Beck Imports, and engaging in such misconduct in order to gain unfair leverage in its other dealings with Sonic constitutes unfair and deceptive acts and practices in violation of the North Carolina Unfair Trade Practices Act, N.C. Gen. Stat. § 75-1.1, *et. seq.*

51. MBUSA's misconduct is in and affecting commerce.

52. MBUSA willfully, wantonly, fraudulently and maliciously engaged in unlawful acts proscribed by Chapter 75 of the North Carolina General Statutes.

53. As a direct and proximate result of MBUSA's misconduct, Sonic has been actually damaged in an amount in excess of \$10,000.

54. Sonic is entitled to recover from MBUSA treble damages and attorney's fees and costs pursuant to N.C. Gen. Stat. §§ 75-16 and 75-16.1.

**Count V**  
**Tortious Interference with Contract**

55. Sonic incorporates the preceding paragraphs as if fully set forth.

56. Sonic has legal rights pursuant to the Asset Purchase Agreement between it and Beck Imports.

57. At the time MBUSA engaged in the misconduct set forth above, it had full knowledge of the Asset Purchase Agreement.

58. MBUSA intentionally and without justification engaged in the misconduct set forth above with the purpose and effect of interfering with performance of the Asset Purchase Agreement.

59. As a direct and proximate result of MBUSA's tortious interference with the Asset Purchase Agreement, Sonic has been actually damaged in an amount in excess of \$10,000.

60. MBUSA is liable for punitive damages in an amount to be determined by a jury, sufficient in amount to punish MBUSA and deter it and others similarly situated from engaging in such misconduct in the future.

**Count VI**  
**Tortious Interference with Prospective Economic Advantage**

61. Sonic incorporates the preceding paragraphs as if fully set forth.

62. Sonic has a valid and realistic expectancy of future profit from the ownership and operation of the Charlotte dealership.

63. At the time MBUSA engaged in the misconduct set forth above, it had full knowledge of the Asset Purchase Agreement and Sonic's expectancy of future profit from, among other things, the sale of Mercedes-Benz motor vehicles and related parts, accessories and service.

64. MBUSA intentionally and without justification engaged in the misconduct set forth above with the purpose and effect of interfering with Sonic's prospective economic advantage arising from Sonic's ownership and operation of the Charlotte dealership.

65. As a direct and proximate result of MBUSA's tortious interference with Sonic's prospective economic advantage, Sonic has been actually damaged in an amount in excess of \$10,000.

66. MBUSA is liable for punitive damages in an amount to be determined by a jury, sufficient in amount to punish MBUSA and deter it and others similarly situated from engaging in such misconduct in the future.

**Count VII**  
**Reformation – Mutual Mistake**

67. Sonic incorporates the preceding paragraphs as if fully set forth.

68. The true agreement of Sonic and MBUSA as respects the letter agreement is that the parties' agreed upon deadlines for facility plan submissions constitute realization of substantial progress in making improvements called for in the agreement.

69. To the extent the letter agreement does not reflect this true intent, it should be reformed to reflect the parties' true intent.

**Count VIII**  
**Reformation – Unilateral Mistake**

70. Sonic incorporates the preceding paragraphs as if fully set forth.

71. MBUSA knew during negotiations and at the time the parties entered into the letter agreement that Sonic's understanding, belief and expectation in signing the letter agreement was that Sonic's compliance with the parties' agreed upon deadlines for facility plan

submission would constitute the realization of “substantial progress” in making the improvements.

72. To the extent Sonic was mistaken, MBUSA did not at any time prior to its recent refusal to approve Sonic’s acquisition of the Charlotte dealership say or do anything to indicate that it had any understanding, belief or expectation different from those set forth above or say or do anything to indicate that Sonic’ understanding, belief and expectation was in any way incorrect.

73. To the extent it does not, the letter agreement should be reformed to reflect Sonic’s understanding, belief and expectation.

**WHEREFORE**, Plaintiff Sonic Automotive, Inc., respectfully prays the Court to:

1. Enter a judgment declaring that MBUSA is obligated under North Carolina Dealer Franchise Law to approve Sonic’s acquisition of the Charlotte dealership.
2. Enter a mandatory injunction requiring MBUSA to approve Sonic’s acquisition of the Charlotte dealership.
3. Enter a judgment declaring that to the extent the letter agreement in any way purports to allow MBUSA to withhold its approval of Sonic’s acquisition of the Charlotte dealership, or any Mercedes-Benz dealership, for any reason other than lack of good moral character, lack of general business experience, or lack of financial ability, the letter agreement is null and void and without force and effect.
4. Enter a judgment declaring that the parties’ agreed upon deadlines for facility plan submissions constitute realization of substantial progress in making improvements called for in the letter agreement and that substantial has been realized.

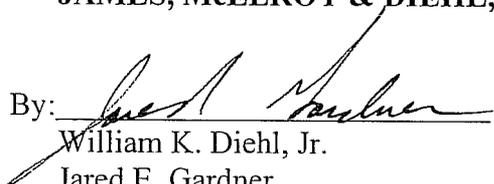
5. Enter a judgment that Sonic have and recover from MBUSA all damages caused by MBUSA's unfair and deceptive trade practices, trebled pursuant to N.C. Gen. Stat. § 75-16.
6. Enter a judgment that Sonic have and recover from MBUSA all damages caused by MBUSA's tortious interference with the Asset Purchase Agreement.
7. Enter a judgment that Sonic have and recover from MBUSA all damages caused by MBUSA's tortious interference with Sonic's prospective economic advantage.
8. Enter a judgment that Sonic have and recover from MBUSA punitive damages in an amount sufficient to punish it and to deter it and others similarly situated from engaging in such misconduct in the future.
9. Enter a judgment that Sonic have and recover from MBUSA the costs of this action, including attorney's fees, pursuant to N.C. Gen. Stat. § 75-16.1 and other applicable law.
10. Enter a judgment that Sonic have and recover interest on the above damages as allowed by law.
11. Enter a judgment, to the extent necessary, reforming the letter agreement to reflect the parties' true intent, or Sonic's understanding, belief and expectation, that the parties' agreed upon deadlines for facility plan submissions constitute realization of substantial progress in making improvements called for in the agreement.

12. Enter a judgment that Sonic have and recover such other and further relief as this Court may deem just and proper.

**Plaintiff demands trial by jury on all issues so triable.**

This the 17<sup>th</sup> day of March, 2008.

**JAMES, McELROY & DIEHL, P.A.**

By: 

William K. Diehl, Jr.

Jared E. Gardner

600 South College Street

Charlotte, NC 28202

Telephone: 704.372.9870

Telecopy: 704.333.5508

*Attorneys for Plaintiff Sonic Automotive, Inc.*



Mercedes-Benz

Mercedes-Benz USA, LLC

Southern Region

February 15, 2008

Mr. William C. Beck, Jr.  
Beck Imports of the Carolinas  
5141 East Independence Blvd.  
Charlotte, NC 28212

**Re: Asset Purchase and Sales Agreement – Current Dealership Name and Purchaser**

Dear Mr. Beck:

This is to advise receipt of your letter dated February 12, 2008 wherein you notified MBUSA that you have entered into an Asset Purchase Agreement with Sonic Automotive, Inc. to sell the assets of Beck Imports Limited Partnership d/b/a Beck Imports of the Carolinas, your Mercedes-Benz dealership in Charlotte, NC.

We review all bona fide written buy/sell agreements and related application documents to determine the qualifications, reputation, integrity, expertise and commitment of the proposed purchaser(s). In addition, we may also consider exercising MBUSA's Right of First Refusal as set forth in section IX.B. of the Mercedes-Benz Passenger Car and Light Truck Dealer Agreements. As stated therein, should MBUSA decide to exercise this option, both you and the proposed buyer(s) will be notified in writing, within 60 days (or other period as set forth in the applicable state statutes) upon receipt by MBUSA, of all required application documents needed for MBUSA to properly evaluate the transaction and proposed purchaser(s).

In review of a copy of the buy/sell agreement provided with your letter, we note that paragraph 2.8 Structuring Fee outlines an obligation for consideration due Sonic Automotive, Inc. for fees incurred in structuring the buy/sell agreement. Please be advised that MBUSA will not consider this as a bona fide obligation to fulfill if exercising its Right of First Refusal.

Please contact me should any questions arise regarding the processing of the buy/sell transaction.

Sincerely,

Allen Price  
Regional Sales Development Manager

cc: K. Sreenan  
F. Newcomb





Mercedes-Benz

Mercedes-Benz USA, LLC  
A Daimler Company

February 20, 2008

Mr. B. Scott Smith  
President  
Sonic Automotive, Inc.  
6415 Idlewild Road  
Suite 109  
Charlotte, North Carolina 28212

Re: Purchase agreement for the Charlotte dealership

Mr. Smith:

We recently received the purchase agreement between Sonic Automotive, Inc. (Sonic) and Beck Imports of the Carolinas (Beck). Please be advised that MBUSA is not in a position at this time to review or approve a dealer application from Sonic for the acquisition of Beck.

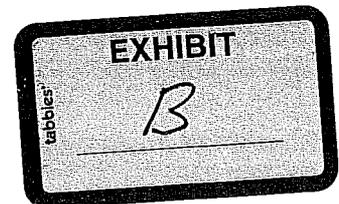
In accordance with the terms of the agreement dated June 12, 2007 between Sonic and Mercedes-Benz USA, LLC ("MBUSA"), Sonic is required to make substantial progress in remedying certain deficiencies in several of its current Mercedes-Benz dealerships before MBUSA will approve the acquisition by Sonic of any additional Mercedes-Benz dealerships. As Sonic has failed to make substantial progress in remedying these deficiencies, we are unable to approve your acquisition of an additional Mercedes-Benz dealership at this time. While we recognize that plans for facility renovation/expansion of the Mercedes-Benz dealerships in Belmont and Walnut Creek have recently been submitted for review, there has been no substantial progress to remedy said deficiencies as required under the terms of our agreement.

Therefore, MBUSA will not accept a dealer application from Sonic for the acquisition of Beck at this time.

Sincerely,

Tracey L. Matura  
General Manager, Strategic Retail Development

cc: Kevin Sreenan  
Mark Kelly  
Fred Newcomb



Mercedes-Benz USA, LLC  
One Mercedes Drive  
P.O. Box 350  
Montvale, NJ 07645-0350  
Phone (201) 573-0600  
Fax (201) 573-0117  
www.MBUSA.com



Mercedes-Benz

Mercedes-Benz USA, LLC

A DaimlerChrysler Company

June 12, 2007

Mr. Mark Iuppenlatz  
Sonic Automotive, Inc.  
6415 Idlewild Road, Suite 109  
Charlotte, NC 28212

Dear Mr. Iuppenlatz:

This is to memorialize the agreement between Mercedes-Benz USA, LLC ("MBUSA") and Sonic Automotive, Inc. ("Sonic") with respect to the proposed purchase of Calabasas Motorcars, Inc. d/b/a Mercedes-Benz of Calabasas, the Mercedes-Benz dealership in Calabasas, CA.

In consideration of MBUSA granting approval for Sonic to purchase the Calabasas dealership, MBUSA will require that Sonic make certain renovations to the Calabasas dealership facility as well as address the deficiencies of other Mercedes-Benz dealerships owned by Sonic for the markets identified below.

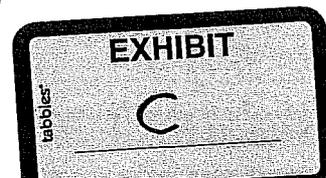
The parties hereby agree as follows:

Calabasas, CA

Within 24 months from the effective date of the Mercedes-Benz Dealer Agreements for the Calabasas dealership, Sonic will submit plans to MBUSA ("facility plan") for the renovation of the current dealership facility that must be acceptable to MBUSA and meet MBUSA current and projected 5 yr requirements for space, Autohaus design, and corporate identification including immediate replacement of the external pylon. The plan must also incorporate both internal and external Autohaus design elements. Dealer to complete related construction pursuant to the facility plan no later than December 31, 2012.

Belmont, CA

Sonic acknowledges that required actions to correct facility deficiencies as documented in the Dealer Agreement Improvement Addendum dated January 1, 2002, and the Agreement between Sonic and MBUSA dated December, 6, 2005 are significantly overdue and the current facility conditions negatively impact Mercedes-Benz representation in the Belmont, CA market. In view of the urgency to remedy the aforementioned deficiencies, Sonic agrees that within 3 months from the effective date herein, it shall submit plans to MBUSA ("facility plan") for the renovation of the current dealership facility that must be acceptable to MBUSA and meet MBUSA current and projected 5 year requirements for space, function, flow, image, Autohaus design, and corporate identification, incorporating both internal and external Autohaus design elements.



Mr. Mark Iuppenlatz  
Sonic Automotive, Inc.  
June 12, 2007  
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MBUSA acknowledges that Sonic is initiating a relocation of its service and parts operations to a separate facility at 1315 Elmer Street in Belmont. MBUSA to date has not received the overall facility plan referred to above which is to include the required actions to remedy the deficiencies at the current dealership facility, which facility shall house variable operations. Sonic agrees to complete all related construction pursuant to the facility plan by no later than December 31, 2008.

Walnut Creek, CA

Sonic acknowledges that all obligations agreed to be performed to remedy facility deficiencies pursuant to the Dealer Agreement Improvement Addendum dated December 8, 2005 remain outstanding. Sonic further acknowledges herewith that its Dealership facility does not meet current MBUSA requirements for space and image which negatively impacts Mercedes-Benz representation in the Walnut Creek, CA market. Within 6 months from the effective date herein, Sonic agrees to submit plans to MBUSA ("facility plan") for a new or renovated dealership facility that must be acceptable to MBUSA and meet MBUSA current and projected 5 yr requirements for space, function, flow, image, Autohaus design, and corporate identification, incorporating all internal and external Autohaus design elements. Sonic agrees to complete all related construction pursuant to the facility plan and commence Mercedes-Benz operations at this location by no later than April 1, 2009.

Daytona Beach, FL

Sonic hereby acknowledges the need to address future dealership facility expansion to meet MBUSA requirements for space and image. Within 18 months from the effective date herein, Sonic shall submit plans to MBUSA ("facility plan") for the renovations to the current dealership facility that must be acceptable to MBUSA and meet MBUSA current and projected 5 yr requirements for space, function, flow, image, Autohaus design, and corporate identification, incorporating both internal and external Autohaus design elements. Sonic agrees to complete all related construction pursuant to the facility plan by no later than December 31, 2011.

Franklin, TN

Sonic acknowledges that market share results in the Franklin, TN AOI are below National and regional averages resulting in a sales opportunity of 350+ units. Sonic agrees that within 3 months from the effective date herein to present to

Mr. Mark Juppenlatz  
Sonic Automotive, Inc.  
June 12, 2007  
Page 3 of 4

Franklin, TN (cont'd)

MBUSA and institute a formal plan of operational measures to increase sales and market performance to meet national and regional averages.

Sonic acknowledges that time is of the essence with respect to the time frames set forth herein. Except as set forth herein, MBUSA has no obligation to extend any of the timeframes noted herein, unless Sonic's failure to comply with such time period arises from a cause outside the reasonable control of Sonic by virtue of a Force Majeure Event. MBUSA is relying upon Sonic to exercise good faith and due diligence in the performance of the required actions herein.

Sonic's failure or delay in performing its obligations under this agreement will not be deemed a breach to the extent that such failure or delay is directly due to a Force Majeure Event. In such event, Sonic shall: (i) promptly notify MBUSA; (ii) exercise due diligence to eliminate or remedy the cause of the failure; and (iii) continue performance as soon as reasonably possible. "Force Majeure Event" shall include but not be limited to any war, strike, fire, flood, or act of God, any material, transportation or utility shortage, any governmental order, decree or regulation, any failure to obtain required permits for construction projects from local or state governmental entities upon Sonic's use of commercially reasonable efforts and due care to obtain same, or any other similar circumstances beyond Sonic's reasonable control that it could not avoid by exercising due care.

Sonic acknowledges that time is of the essence with respect to the time frames set forth herein. Additionally, it is agreed between the parties that MBUSA shall not approve the acquisition of any additional Mercedes-Benz dealerships by Sonic until substantial progress is realized in remedying the respective dealership deficiencies as noted herein, notwithstanding the terms pertaining to the acquisition of Mercedes-Benz dealerships as outlined in (Exhibit "A" Policy) of the Agreement dated November 20, 1998 ("Framework Agreement") between MBUSA and Sonic. Additionally it is agreed between the parties that Sonic hereby agrees to negotiate a new Framework Agreement by no later than September 30, 2007.

If the foregoing accurately reflects our agreement, kindly sign on the following page where indicated and return one original to our attention.

Mr. Mark Iuppenlatz  
Sonic Automotive, Inc.  
June 12, 2007  
Page 4 of 4

Sincerely,

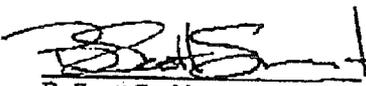
Mercedes-Benz USA, LLC

By:   
Ernst Lieb,  
President & CEO

By:   
Tracey Matura, General Manager  
Strategic Retail Development

Agreed to and accepted the 14<sup>TH</sup> day of June, 2007.

Sonic Automotive, Inc.

By:   
B. Scott Smith,  
President

By:   
Mark Iuppenlatz,  
Executive Vice President  
Manufacturer Relations



Mercedes-Benz

Mercedes-Benz USA, LLC  
A Daimler Company

February 27, 2008

Mr. Skipper Beck  
Beck Imports of the Carolinas  
5141 E. Independence Bl.  
Charlotte, North Carolina 28212

Dear Skipper:

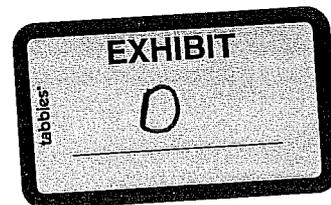
Please be advised that after our receipt and review of the buy/sell agreement between Sonic Automotive, Inc. ("Sonic") and Beck Imports of the Carolinas ("Beck") MBUSA issued written notification to Sonic Automotive Inc. in a letter dated February 19 that an application package will not be accepted at this time from Sonic for the acquisition of Beck.

MBUSA and Sonic entered into an agreement in June 2007 which addressed performance issues of other Mercedes-Benz dealerships owned by Sonic. As part of the agreement, Sonic agreed not to acquire any additional Mercedes-Benz dealerships until these specific issues were properly addressed. At this time certain of these issues remain outstanding and MBUSA is not in a position to approve Sonic's acquisition of Beck.

We apologize for any inconvenience this may cause.

Sincerely,

Tracey L. Matura  
General Manager  
Strategic Retail Development



Mercedes-Benz USA, LLC  
One Mercedes Drive  
P.O. Box 350  
Montvale, NJ 07645-0350  
Phone (201) 573-0600  
Fax (201) 573-0117  
www.MBUSA.com



February 28, 2008

**Via U.S. Certified Mail Return Receipt Requested,  
Overnight Delivery and Email**

Mr. Allen Price  
Regional Sales Development Manager  
Mercedes-Benz USA, LLC  
8813 Western Way  
Jacksonville, FL 32256-0367

Mr. Tom Waters  
Supervisor, Dealer Franchising  
Mercedes-Benz USA, LLC  
One Mercedes Drive  
Montvale, NJ 07645-0350

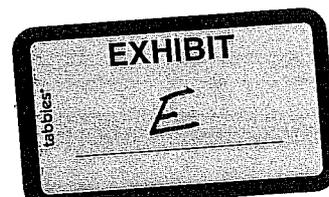
**Re: Formal Notification to Mercedes-Benz USA, LLC of Proposed Sale of the Business  
of Beck Imports Limited Partnership d/b/a Beck Imports of The Carolinas**

Gentlemen:

This letter and the associated enclosures serve as formal notice from Beck Imports Limited Partnership d/b/a Beck Imports of the Carolinas ("Beck Imports") to Mercedes-Benz USA, LLC ("MBUSA"), pursuant to North Carolina General Statute § 20-305(4), that Beck Imports has entered into an Asset Purchase Agreement with Sonic Automotive, Inc. ("Sonic") to sell the assets of Beck Imports to Sonic.

Enclosed is a formal MBUSA dealer application package and another copy of the Asset Purchase Agreement, which are provided to MBUSA in satisfaction of the notification requirements of N.C. Gen. Stat. § 20-305(4). As required by that statute, the enclosed application package provides notice and information regarding the identity, financial ability and qualifications of the proposed transferee, as well as information regarding the identity and qualifications of the persons proposed to be involved in executive management or as principal operators. Specifically, the enclosed application includes the following documents:

- Organizational documents for the applicant, SAI Charlotte M, LLC (a North Carolina limited liability company wholly-owned by Sonic Automotive, Inc.) ("SAI Charlotte")

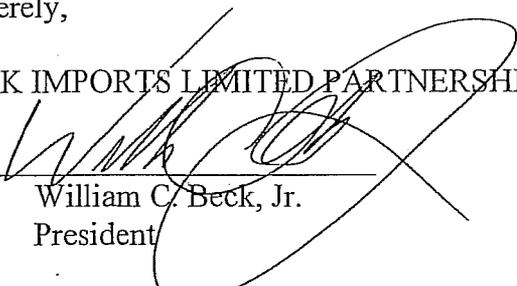


- M). The organizational documents include this entity's complete Articles of Organization (including numerous amendments) and Operating Agreement;
- Bank of America Invoice verifying availability of funds for the investment pursuant to Sonic's \$350 Million Revolving Credit Facility;
  - Proforma Dealer Financial Statement for SAI Charlotte M (which, following acquisition will do business under the assumed name of "Beck Imports of the Carolinas");
  - MBUSA Personal Data Sheet and Confidential Financial Statement for Mr. B. Scott Smith, the proposed Dealer Principal;
  - MBUSA Application for Dealer Agreement for SAI Charlotte M;
  - Unanimous Written Consent of the Managers of SAI Charlotte M authorizing the entity to enter into Mercedes-Benz Car and Light Truck Dealer Agreements with MBUSA;
  - MBUSA Personal Data Sheet and Confidential Financial Statement for Mr. Richard Mikels, the proposed General Manager (as you are aware, Mr. Mikels is the current MBUSA-approved General Manager of Beck Imports);
  - Unanimous Written Consent of the Managers of SAI Charlotte M appointing Mr. Mikels as the General Manager and Operator of SAI Charlotte M consistent with MBUSA Dealer Agreement requirements;
  - Secretary's Certificate of Sonic certifying as to resolutions of the Board of Directors of Sonic authorizing the acquisition of the assets of Beck Imports;
  - Copy of the existing Lease and Notice of Option to Renew the existing Lease for the existing dealership premises of Beck Imports; and
  - Wholesale Financing Commitment dated February 27, 2008 by Mercedes-Benz Financial in favor of SAI Charlotte M for a continuing floor plan inventory financing commitment.

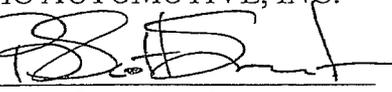
As required by applicable North Carolina state law, Beck Imports and Sonic look forward to receiving MBUSA's decision as to approval of the proposed sale within thirty (30) days of your receipt of this notification letter and application package.

Sincerely,

BECK IMPORTS LIMITED PARTNERSHIP

By:   
William C. Beck, Jr.  
President

SONIC AUTOMOTIVE, INC.

By:   
B. Scott Smith  
President and Chief Strategic Officer

Enclosures



Mercedes-Benz

Mercedes-Benz USA, LLC  
A Daimler Company

March 3, 2008

Mr. B. Scott Smith,  
President  
Sonic Automotive, Inc.  
6415 Idlewild Road  
Suite 109  
Charlotte, NC 28212

Re: Asset Purchase Agreement  
Beck Imports Limited Partnership

Dear Mr. Smith:

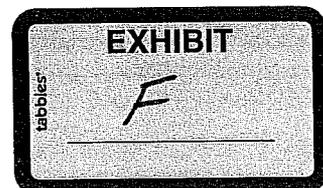
This is to acknowledge receipt of your letter dated February 28, 2008 wherein you enclose certain Mercedes-Benz Dealer Agreement Application documents related to the proposed purchase of Beck Imports Limited Partnership d/b/a Beck Imports of the Carolinas, the Mercedes-Benz dealership in Charlotte, NC.

As previously communicated to you by MBUSA in the attached copy of a letter dated February 20, 2008 from Ms. Tracey Matura, MBUSA will not review or approve a dealer agreement application from Sonic Automotive, Inc. related to this acquisition for the reasons as stated therein.

Sincerely,

Thomas E. Waters,  
Supervisor, Dealer  
Franchising

cc: T. Matura  
F. Newcomb  
A. Price



Mercedes-Benz USA, LLC  
One Mercedes Drive  
P.O. Box 350  
Montvale, NJ 07645-0350  
Phone (201) 573-0600  
Fax (201) 573-0117  
www.MBUSA.com



Mercedes-Benz

Mercedes-Benz USA, LLC  
A Daimler Company

February 20, 2008

Mr. B. Scott Smith  
President  
Sonic Automotive, Inc.  
6415 Idlewild Road  
Suite 109  
Charlotte, North Carolina 28212

Re: Purchase agreement for the Charlotte dealership

Mr. Smith:

We recently received the purchase agreement between Sonic Automotive, Inc. (Sonic) and Beck Imports of the Carolinas (Beck). Please be advised that MBUSA is not in a position at this time to review or approve a dealer application from Sonic for the acquisition of Beck.

In accordance with the terms of the agreement dated June 12, 2007 between Sonic and Mercedes-Benz USA, LLC ("MBUSA"), Sonic is required to make substantial progress in remedying certain deficiencies in several of its current Mercedes-Benz dealerships before MBUSA will approve the acquisition by Sonic of any additional Mercedes-Benz dealerships. As Sonic has failed to make substantial progress in remedying these deficiencies, we are unable to approve your acquisition of an additional Mercedes-Benz dealership at this time. While we recognize that plans for facility renovation/expansion of the Mercedes-Benz dealerships in Belmont and Walnut Creek have recently been submitted for review, there has been no substantial progress to remedy said deficiencies as required under the terms of our agreement.

Therefore, MBUSA will not accept a dealer application from Sonic for the acquisition of Beck at this time.

Sincerely,

Tracey L. Matura  
General Manager, Strategic Retail Development

cc: Kevin Sreenan  
Mark Kelly  
Fred Newcomb

Mercedes-Benz USA, LLC  
One Mercedes Drive  
P.O. Box 350  
Montvale, NJ 07645-0350  
Phone (201) 573-0600  
Fax (201) 573-0117  
www.MBUSA.com



Mercedes-Benz

Mercedes-Benz USA, LLC

A Daimler Company

March 3, 2008

Mr. William C. Beck, Jr.  
President  
Beck Imports Limited Partnership  
d/b/a Beck Imports of the Carolinas  
5141 E. Independence Bl  
Charlotte, NC 28212

Re: Asset Purchase Agreement  
Beck Imports Limited Partnership

Dear Mr. Beck:

This is to acknowledge receipt of your letter dated February 28, 2008 wherein you enclose certain Mercedes-Benz Dealer Agreement Application documents related to the proposed purchase of Beck Imports Limited Partnership d/b/a Beck Imports of the Carolinas, the Mercedes-Benz dealership in Charlotte, NC.

As previously communicated to you by MBUSA in the attached copy of a letter dated February 27, 2008 from Ms. Tracey Matura, MBUSA will not review or approve a dealer agreement application from Sonic Automotive, Inc. related to this acquisition for the reasons as stated therein.

Sincerely,

Thomas E. Waters,  
Supervisor, Dealer  
Franchising

cc: T. Matura  
F. Newcomb  
A. Price





Mercedes-Benz

Mercedes-Benz USA, LLC

A Daimler Company

February 27, 2008

Mr. Skipper Beck  
Beck Imports of the Carolinas  
5141 E. Independence Bl.  
Charlotte, North Carolina 28212

Dear Skipper:

Please be advised that after our receipt and review of the buy/sell agreement between Sonic Automotive, Inc. ("Sonic") and Beck Imports of the Carolinas ("Beck") MBUSA issued written notification to Sonic Automotive Inc. in a letter dated February 19 that an application package will not be accepted at this time from Sonic for the acquisition of Beck.

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We apologize for any inconvenience this may cause.

Sincerely,

Tracey L. Matura  
General Manager  
Strategic Retail Development

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