

SONIC AUTOMOTIVE INC

Form 10-Q

October 28, 2010

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

OR

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

Commission files number 1-13395

SONIC AUTOMOTIVE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

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

**6415 Idlewild Road, Suite 109, Charlotte, North
Carolina**

28212

(Address of principal executive offices)

(Zip Code)

(704) 566-2400

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such file). Yes ☐ No ☐

Yes ☐ No ☐

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

Large Accelerated Filer ☐ Accelerated Filer ☒

Non-Accelerated Filer ☐

Smaller Reporting Company ☐

(Do not check if a smaller reporting company)

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

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As of October 22, 2010, there were 40,707,683 shares of Class A Common Stock and 12,029,375 shares of Class B Common Stock outstanding.

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

	Third Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2010	2009	2010
Revenues:				
New vehicles	\$ 903,716	\$ 937,709	\$ 2,367,236	\$ 2,611,988
Used vehicles	379,389	453,815	1,081,855	1,339,323
Wholesale vehicles	34,588	47,597	105,451	108,336
Total vehicles	1,317,693	1,439,121	3,554,542	4,059,647
Parts, service and collision repair	268,801	283,741	807,556	842,697
Finance, insurance and other	43,403	47,398	116,558	133,607
Total revenues	1,629,897	1,770,260	4,478,656	5,035,951
Cost of Sales:				
New vehicles	(840,173)	(877,691)	(2,207,435)	(2,440,097)
Used vehicles	(347,187)	(418,576)	(986,355)	(1,231,720)
Wholesale vehicles	(36,216)	(49,053)	(108,275)	(112,270)
Total vehicles	(1,223,576)	(1,345,320)	(3,302,065)	(3,784,087)
Parts, service and collision repair	(132,018)	(143,141)	(400,328)	(421,711)
Total cost of sales	(1,355,594)	(1,488,461)	(3,702,393)	(4,205,798)
Gross profit	274,303	281,799	776,263	830,153
Selling, general and administrative expenses	(214,140)	(226,331)	(619,560)	(672,542)
Impairment charges	(620)	(87)	(5,707)	(132)
Depreciation and amortization	(8,131)	(8,731)	(23,865)	(25,729)
Operating income	51,412	46,650	127,131	131,750
Other income (expense):				
Interest expense, floor plan	(4,533)	(5,430)	(14,925)	(15,615)
Interest expense, other, net	(18,277)	(15,226)	(57,998)	(48,024)
Interest expense, non-cash, convertible debt	7,818	(1,768)	1,556	(5,175)
Interest expense, non-cash, cash flow swaps	(2,180)	(1,484)	(5,359)	(5,402)
Other income (expense), net	2,449	(351)	2,519	(7,522)
Total other expense	(14,723)	(24,259)	(74,207)	(81,738)
Income from continuing operations before taxes	36,689	22,391	52,924	50,012
Income tax provision	(16,510)	(8,442)	(23,816)	(19,905)

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Income from continuing operations	20,179	13,949	29,108	30,107
Discontinued operations:				
Loss from operations and the sale of discontinued franchises	(8,551)	(633)	(19,203)	(6,149)
Income tax benefit (expense)	3,966	(331)	7,393	1,617
Loss from discontinued operations	(4,585)	(964)	(11,810)	(4,532)
Net income	\$ 15,594	\$ 12,985	\$ 17,298	\$ 25,575
Basic earnings per share:				
Earnings per share from continuing operations	\$ 0.47	\$ 0.26	\$ 0.70	\$ 0.57
Loss per share from discontinued operations	(0.10)	(0.01)	(0.28)	(0.09)
Earnings per share	\$ 0.37	\$ 0.25	\$ 0.42	\$ 0.48
Weighted average common shares outstanding	42,305	52,311	41,130	52,151
Diluted earnings per share:				
Earnings per share from continuing operations	\$ 0.24	\$ 0.25	\$ 0.48	\$ 0.56
Loss per share from discontinued operations	(0.07)	(0.02)	(0.22)	(0.07)
Earnings per share	\$ 0.17	\$ 0.23	\$ 0.26	\$ 0.49
Weighted average common shares outstanding	63,195	65,851	52,529	65,711

See notes to unaudited condensed consolidated financial statements.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	December 31, 2009	(Unaudited) September 30, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 30,035	\$ 10,623
Receivables, net	232,969	166,546
Inventories	795,275	863,917
Assets held for sale	12,167	13,548
Other current assets	14,937	15,582
Total Current Assets	1,085,383	1,070,216
Property and Equipment, net	382,085	392,173
Goodwill	469,482	468,516
Other Intangible Assets, net	80,806	79,563
Other Assets	51,099	61,633
Total Assets	\$ 2,068,855	\$ 2,072,101
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable - floor plan - trade	\$ 214,871	\$ 436,444
Notes payable - floor plan - non-trade	548,493	339,117
Trade accounts payable	55,345	47,968
Accrued interest	16,146	10,035
Other accrued liabilities	144,709	145,447
Liabilities associated with assets held for sale - non-trade	3,346	-
Current maturities of long-term debt	23,991	23,704
Total Current Liabilities	1,006,901	1,002,715
Long-Term Debt	552,150	529,632
Other Long-Term Liabilities	141,052	143,631
Stockholders' Equity:		
Class A convertible preferred stock, none issued	-	-
Class A common stock, \$.01 par value; 100,000,000 shares authorized; 54,986,875 shares issued and 40,099,559 shares outstanding at December 31, 2009; 55,635,206 shares issued and 40,657,683 shares outstanding at September 30, 2010	550	556
Class B common stock; \$.01 par value; 30,000,000 shares authorized; 12,029,375 shares outstanding at December 31, 2009 and September 30, 2010	121	121
Paid-in capital	662,186	666,401
Accumulated deficit	(35,180)	(9,604)
Accumulated other comprehensive income (loss)	(22,350)	(23,703)

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Treasury stock, at cost (14,887,316 Class A shares held at December 31, 2009 and 14,977,523 Class A shares held at September 30, 2010)	(236,575)	(237,648)
Total Stockholders' Equity	368,752	396,123
Total Liabilities and Stockholders' Equity	\$ 2,068,855	\$ 2,072,101

See notes to unaudited condensed consolidated financial statements.

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

	Class A Common Stock		Class B Common Stock		Paid-In	Accumulated	Treasury	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Compre- hensive Income
	Shares	Amount	Shares	Amount	Capital	Deficit	Stock			
BALANCE AT DECEMBER 31, 2009	54,987	550	12,029	121	662,186	(35,180)	(236,575)	(22,350)	368,752	
Shares awarded under stock compensation plans	292	3	-	-	1,185	-	-	-	1,188	-
Purchases of treasury stock	-	-	-	-	-	-	(1,073)	-	(1,073)	-
Income tax benefit associated with stock compensation plans	-	-	-	-	636	-	-	-	636	-
Income tax benefit associated with convertible note hedge	-	-	-	-	205	-	-	-	205	-
Fair value of interest rate swap agreements, net of tax benefit of \$830	-	-	-	-	-	-	-	(1,353)	(1,353)	(1,353)
Stock-based compensation expense	-	-	-	-	419	-	-	-	419	-

Restricted stock amortization, net of forfeitures	-	-	-	-	1,773	-	-	-	1,773	-
Net income	-	-	-	-	-	25,575	-	-	25,575	25,575
Other	356	3	-	-	(3)	1	-	-	1	-
BALANCE AT SEPTEMBER 30, 2010	55,635	556	12,029	\$ 121	\$ 666,401	\$ (9,604)	\$ (237,648)	\$ (23,703)	\$ 396,123	\$ 24,222

See notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2009	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 17,298	\$ 25,575
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, plant and equipment	24,905	25,938
Provision for bad debt expense	1,255	756
Other amortization	1,242	1,242
Debt issuance cost amortization	9,909	2,702
Debt discount amortization, net of premium amortization	9,957	3,872
Stock - based compensation expense	437	419
Amortization of restricted stock	1,802	1,773
Restricted stock forfeiture	(182)	-
Deferred income taxes	(2,390)	(656)
Equity interest in earnings of investees	(501)	(585)
Asset impairment charges	9,116	132
Loss (gain) on disposal of franchises and property and equipment	(226)	(978)
Loss on exit of leased dealerships	7,511	2,321
Loss (gain) on retirement of debt	(2,095)	7,665
Derivative fair value adjustments	(11,300)	-
Changes in assets and liabilities that relate to operations:		
Receivables	68,535	65,667
Inventories	383,205	(82,768)
Other assets	(24,362)	(14,706)
Notes payable - floor plan - trade	(92,597)	221,573
Trade accounts payable and other liabilities	41,207	(21,886)
Total adjustments	425,428	212,481
Net cash provided by operating activities	442,726	238,056
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(36,048)	(44,039)
Proceeds from sales of property and equipment	1,797	979
Proceeds from sale of franchises	22,839	24,644
Distributions from equity investees	300	600
Net cash used in investing activities	(11,112)	(17,816)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayments) borrowings on notes payable floor plan - non-trade	(369,726)	(212,722)
Borrowings on revolving credit facilities	534,585	40,000
Repayments on revolving credit facilities	(584,854)	(40,000)

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Proceeds from long-term debt	167,039	209,977
Principal payments on long-term debt	(162,948)	(4,673)
Increase in restricted cash	(106,913)	-
Settlement of cash flow swaps	(16,454)	-
Repurchase of debt securities	-	(233,190)
Purchase of treasury stock	(61)	(1,073)
Income tax benefit associated with stock compensation plans	-	636
Income tax benefit associated with convertible hedge	4,442	205
Issuance of shares under stock compensation plans	-	1,188
Issuance of common stock related to private placement	101,812	-
Dividends paid	(4,893)	-
Net cash used in financing activities	(437,971)	(239,652)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,357)	(19,412)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,971	30,035
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 614	\$ 10,623

SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:

Change in fair value of cash flow hedging instruments (net of tax expense of \$5,859 and tax benefit of \$830 for the nine-month period ended September 30, 2009 and 2010, respectively)

\$ 9,728	\$ (1,353)
\$ 3,947	\$ -

Issuance of shares related to debt refinance

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid (received) during the year for:

Interest, net of amount capitalized	\$ 90,116	\$ 74,778
Income taxes	\$ (21,229)	

Other Benefits and Perquisites

All CSB employees, including the named executive officers are eligible to participate in a comprehensive benefits program, which includes health and welfare, disability, and vacation benefits that are not required to be reported in the tables that follow. Additionally, certain consumer and primary residence mortgage loans granted by Commercial & Savings Bank to directors, officers and all employees receive a 1% reduction to the standard loan interest rate during the period of service to CSB or Commercial & Savings Bank. There were no interest rate reductions received by the named executive officers in 2014.

Employment Contracts and Other Arrangements

An employment agreement dated August 9, 2004, was entered into with Paula J. Meiler providing, among other things, for employment of Ms. Meiler as Senior Vice President and Chief Financial Officer of CSB and Commercial & Savings Bank pursuant to the terms of the agreement. The agreement is for a two-year term with annual renewals commencing at the second anniversary, and provides for compensation to Ms. Meiler consisting of an annual base salary of \$100,000, a bonus to be paid at the discretion of the Board of Directors, vacation, benefits and certain stock options. On August 9, 2007, an amendment to the agreement provided that the agreement be for a two-year term with annual renewals commencing August 9, 2008. In the event that Ms. Meiler's employment is terminated without cause (as defined in the agreement), the agreement entitles her to a severance payment equal to the unpaid amount otherwise due under the agreement plus six months of the base salary in effect on the date of termination and limited continued benefits for a six month period. The agreement also contains a non-compete provision, prohibiting Ms. Meiler from competing under terms defined by the agreement for a period of one year following the date of termination of the agreement, as well as a change in control provision, which provides Ms. Meiler with certain benefits, including continuation of compensation, stock options, and certain health benefits for stated periods following a change in control as defined therein and termination of employment within a 90-day period before or after such change in control. Such change in control benefits are subject to being reduced so that no excess parachute payment (as defined in Section 280G (b)(1) of the Internal Revenue Code of 1986, as amended) is received by Ms. Meiler.

Potential Payments upon Termination or Change in Control

The following sets forth the benefits that could be paid to Ms. Meiler upon various termination events, which would only be known at the time that the benefits become payable.

If Ms. Meiler's employment was terminated following a change in control as of December 31, 2014, Ms. Meiler would be entitled to a cash severance of \$275,000 (2x base salary) and medical benefits of \$11,084 (1 year). If Ms. Meiler's employment was terminated without cause as of December 31, 2014, Ms. Meiler would be entitled to a cash severance of \$290,488 (base salary unpaid under the agreement plus 6 months) and medical benefits of \$5,542 (6 months).

Ms. Meiler's employment agreement does not provide for any additional payments or benefits for death, disability, voluntary termination of employment by the executive or involuntary termination by the Company for cause. Under those scenarios, Ms. Meiler is only entitled to her accrued and unpaid obligations, such as salary and unused vacation.

Oversight and Risk Management of Compensation Programs

The Compensation Committee oversees the implementation and enforcement of the policies, procedures and practices related to the various compensation programs as part of its duties. The Compensation Committee monitors the compensation policies to ensure that the compensation packages offered to its employees and executive officers do not present such individuals with the potential to engage in excessive or inappropriate risk taking activities.

The Compensation Committee believes that the current compensation structure for employees and executive officers does not encourage unnecessary or excessive risk taking to the extent that it would reasonably be likely to lead to a material adverse effect. It is the opinion of the Compensation Committee that the current compensation program appropriately balances risk and the desire to focus on the short-term and the long-term goals of CSB and does not encourage unnecessary or excessive risk taking.

THE COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the foregoing Executive Compensation Programs with CSB's management. Based on this review and discussion, the Compensation Committee has recommended to the Board of Directors that the Executive Compensation Program be included in CSB's proxy statement and Annual Report on Form 10-K.

THE COMPENSATION COMMITTEE

Robert K. Baker, Chairman

Ronald E. Holtman

J. Thomas Lang

EXECUTIVE COMPENSATION AND OTHER INFORMATION

The following table provides certain summary information concerning the compensation paid or accrued by CSB and its subsidiaries to or on behalf of its named executive officers. The table shows the compensation attributable to CSB's named executive officers during 2014 and 2013.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	All Other Compensation	Total
Eddie L. Steiner, President and CEO; Chairman, CEO and President of Commercial & Savings Bank	2014	\$ 225,000	\$ 45,000	\$ 13,245 ⁽¹⁾	\$ 283,245
	2013	225,000	45,000	13,245 ⁽¹⁾	283,245
Paula J. Meiler, Senior VP and CFO	2014	137,404	40,000	8,803 ⁽²⁾	186,207
	2013	134,748	39,150	8,649 ⁽²⁾	182,547
Steven R. Bailey, Executive VP, COO and CIO	2014	141,096	40,000	8,932 ⁽³⁾	190,028
	2013	129,462	38,100	12,635 ⁽³⁾	180,197

(1) Includes \$12,825 and \$12,825 of qualified plan matching and profit sharing contributions and \$420 and \$420 of Group Term Life Insurance for 2014 and 2013, respectively.

(2) Includes \$8,383 and \$8,229 of qualified plan matching and profit sharing contributions and \$420 and \$420 of Group Term Life Insurance for 2014 and 2013, respectively.

(3) Includes \$8,512 and \$5,103 of qualified plan matching and profit sharing contributions and \$420 and \$420 Group Term Life Insurance for 2014 and 2013, respectively and \$7,112 relocation expenses for 2013.

The following table provides information concerning the outstanding equity awards held by named executive officers at the end of 2014.

Outstanding Equity Awards at Fiscal Year-End

Name	Grant Date	Option Awards		Equity Incentive Plan Awards:		Option Exercise Price (\$)	Option Expiration Date
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Unearned Options (#)		
Paula J. Meiler	11/29/2006	11,904				\$ 18.00	3/31/2016

REPORT OF THE AUDIT COMMITTEE

The following Audit Committee Report is provided in accordance with the rules and regulations of the Commission. The Audit Committee has reviewed and discussed the audited consolidated financial statements with management and the Board of Directors of CSB. Management of CSB is responsible for CSB's reporting process, including its system of internal control, and for the preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles. CSB's auditors are responsible for auditing those financial statements. The Audit Committee's responsibility is to monitor and review these processes.

The Audit Committee has reviewed and discussed with S.R.Snodgrass, P.C. (Snodgrass), CSB's independent registered public accounting firm for the year ended December 31, 2014, the matters required to be discussed by Statement of Accounting Standards No. 61, as may be modified or supplemented. The Audit Committee also has received the written disclosures and the letter from the independent accountants, as required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with Snodgrass its independence. Based on the foregoing discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in CSB's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the Commission.

THE AUDIT COMMITTEE

Ronald E. Holtman, Chairman

Robert K. Baker

Jeffery A. Robb, Sr.

PROPOSAL TWO RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected Snodgrass to act as the independent registered public accounting firm to examine the books, records and accounts of CSB and its subsidiaries for the fiscal year ending December 31, 2015. This appointment is being presented to shareholders for ratification or rejection at the Annual Meeting.

Snodgrass was CSB's independent registered public accounting firm for the fiscal year ended December 31, 2014, and is considered by the Audit Committee and the Board of Directors to be well qualified. By NASDAQ and Commission rules and regulations, selection of the Company's independent registered public accounting firm is the direct responsibility of the Audit Committee. The Board of Directors has determined, however, to seek shareholder ratification of this selection as both a good corporate practice and to provide shareholders an avenue to express their views on this important matter.

The proposal to ratify the appointment of CSB's independent registered public accounting firm requires the affirmative vote of the holders of a majority of the common shares present, represented and entitled to vote at the Annual Meeting. Shareholders may vote For, Against or Abstain from voting on Proposal Two. Broker non-votes will not be counted for the purpose of determining whether Proposal Two has been approved. Abstentions will be counted as present and entitled to vote for purposes of Proposal Two and thus, will have the same effect as a vote against Proposal Two. If shareholders fail to ratify the appointment, the Audit Committee will seek to understand the reasons for such failure and will take those views into account in this and future appointments of CSB's independent registered public accounting firm. Even if the current selection is ratified by shareholders, the Audit Committee reserves the right to terminate the engagement of Snodgrass and appoint a different independent accounting firm at any time during the year if the Audit Committee determines that such change would be in the best interests of CSB and its shareholders.

Representatives of Snodgrass are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Audit Committee and the Board of Directors each recommend a vote FOR ratification of the selection of S.R. Snodgrass, P.C. as the independent registered public accounting firm of CSB for the current year.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

Fees for professional services rendered by Snodgrass for fiscal 2014 and 2013 were as follows

	2014	2013
Audit Fees ⁽¹⁾	\$ 93,747	\$ 87,487
Audit-Related Fees ⁽²⁾	\$ 11,303	\$ 11,102
Tax Fees ⁽³⁾	\$ 10,224	\$ 10,915
All Other Fees		

- (1) Audit fees are fees for professional services rendered for the audit of the Company's annual financial statements, the review of financial statements included in Form 10-Q filings and for services normally provided by the independent auditor in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees generally include fees for the audit of the Company's employee benefit plan.

(3) Tax service fees consist of compliance fees for the preparation of original tax returns.

All of the above-mentioned services and fees were pre-approved by the Audit Committee. During CSB's most recent fiscal year ended December 31, 2014, there were no disagreements with Snodgrass on any matter of accounting principles or practices, financial disclosure, or auditing scope or procedure.

Audit Committee Procedures for Pre-Approval of Services by the Independent Public Accounting Firm

The Audit Committee will annually approve the scope of, and fees payable for, the year-end audit to be performed by CSB's independent accountants for the next fiscal year.

Management may not engage the independent accountants for any services unless the service contracts are approved by the Audit Committee in advance of the engagement.

If management wishes to engage the independent accountants for any services, management will define and present to the Audit Committee specific projects and categories of service, and fee estimates, for which the advance approval of the Audit Committee is required. The Audit Committee will review these requests and determine whether to approve the engagement of the independent accountants for the specific projects and categories of service.

Management will report to the Audit Committee regarding the actual spending for these projects and services, compared to the approved amounts on a quarterly basis.

The Audit Committee chairperson will report to the Committee at each regularly scheduled meeting the nature and amount of any non-audit services that the Chairperson has approved.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

CSB has engaged, and intends to continue to engage, in the lending of money through Commercial & Savings Bank to various directors and officers of CSB and Commercial & Savings Bank and their related interests. These loans were made in accordance with applicable law and regulation and in the ordinary course of business on substantially the same terms, including interest rates and collateral, as prevailing at the time for comparable transactions with persons not related to Commercial & Savings Bank and did not involve more than a normal risk of collectability or present other unfavorable features.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2014, none of CSB's named executive officers or directors was a member of the Board of Directors of any other company where the relationship would be construed to constitute a committee interlock within the meaning of the rules of the Commission.

PROPOSALS BY SHAREHOLDERS FOR 2016 ANNUAL MEETING

In order to be eligible for inclusion in CSB's proxy materials for the 2016 Annual Meeting of Shareholders, any shareholder's proposal to take action at such meeting must be received at CSB's main office at 91 North Clay Street, Millersburg, Ohio 44654, no later than November 24, 2015. Any such proposal shall be subject to the requirements of the proxy rules adopted under the Securities Exchange Act of 1934, as amended.

If a shareholder intends to present a proposal at the 2016 Annual Meeting of Shareholders without including the proposal in the proxy solicitation materials relating to that meeting, and the proposal is not received by CSB prior to February 7, 2016, then the proxies designated by the Board of Directors for the 2016 Annual Meeting of Shareholders

may vote the proxies in their discretion on any such proposal without mention of such matter in the proxy solicitation materials or on the proxy card for such meeting.

SHAREHOLDER COMMUNICATION WITH BOARD OF DIRECTORS

Shareholders interested in communicating directly with the Board of Directors may do so by writing to Ms. Peggy L. Conn, Secretary, CSB Bancorp, Inc., 91 North Clay Street, Millersburg, Ohio 44654. The mailing envelope and letter must contain a clear notation indicating that the enclosed letter is a Shareholder-Board of Directors Communication.

The Corporate Secretary will review all such correspondence and regularly forward to the Board of Directors a log and summary of all such correspondence and copies of all correspondence that, in the opinion of the Secretary, deals with the functions of the Board or committees of the Board or that the Corporate Secretary otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by CSB that is addressed to members of the Board of Directors and request copies of any such correspondence. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of CSB's internal audit department and handled in accordance with procedures established by the Audit Committee for such matters.

OTHER BUSINESS

The Board of Directors is not aware of any business to be addressed at the Annual Meeting other than those matters described in this proxy statement. However, if any business other than that set forth in the Notice of Annual Meeting should be properly presented at the Annual Meeting, it is intended that the common shares represented by proxies will be voted with respect thereto in accordance with the judgment of the person voting them.

By order of the Board of Directors,

/s/ Eddie L. Steiner
Eddie L. Steiner
President and Chief Executive Officer

March 23, 2015

Millersburg, Ohio

Electronic Voting Instructions

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 3:00 a.m., Eastern Daylight Time, on April 22, 2015.

Vote by Internet

Go to www.investorvote.com/CSBB

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. **X**

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

Proposals The Board of Directors Recommends a Vote FOR Items 1 and 2.

A

1. Election of directors for a three-year term expiring in 2018:

For	Withhold	For	Withhold	For	Withhold
01 - Julian L. Coblentz	02 - Ronald E. Holtman	03 - Eddie L. Steiner

+

2. To ratify the appointment of S.R. Snodgrass, P.C. as the independent registered public accounting firm for CSB for the fiscal year ending December 31, 2015.

For	Against	Abstain
..

Non-Voting Items

B

Change of Address Please print new address below.

Comments Please print your comments below.

Edgar Filing: SONIC AUTOMOTIVE INC - Form 10-Q

C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as your name(s) appears on the proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy.

Date (mm/dd/yyyy) Please print date below.

/ /

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

Annual Meeting Materials are available at:

www.investorvote.com/CSBB

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

REVOCABLE PROXY CSB BANCORP, INC.

ANNUAL MEETING OF SHAREHOLDERS Wednesday, April 22, 2015, 7:00 p.m.

This proxy is solicited by the Board of Directors for use at the Annual Meeting of Shareholders to be held on April 22, 2015.

The common shares of CSB Bancorp, Inc. (CSB) as to which you have voting authority will be voted as you specify on the reverse side of this proxy card.

If no choice is specified, the common shares of CSB represented by this proxy card will be voted FOR the election of the director nominees listed in Item No.1, and FOR the proposal in Item No. 2.

By signing the proxy card, you revoke all prior proxies to vote the common shares of CSB Bancorp, Inc. you are entitled to vote at the Annual Meeting of Shareholders and appoint Robert K. Baker and Jeffery A. Robb, Sr. and each of them with full power of substitution, as your proxies to attend the Annual Meeting of Shareholders of CSB scheduled to be held on April 22, 2015 at 7:00 p.m. local time at the Carlisle Inn, Walnut Creek, Ohio, and vote your common shares of CSB on the matters shown on the reverse side and in their discretion, to the extent permitted by applicable law, on any matters (none known at the time of solicitation of this proxy) which may properly come before the Annual Meeting of Shareholders and all adjournments thereof.

THE COMMON SHARES REPRESENTED BY THIS PROXY CARD, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR THE ELECTION OF ALL DIRECTOR NOMINEES LISTED IN ITEM NO.1, AND FOR THE PROPOSAL IN ITEM NO. 2. IF ANY OTHER MATTERS ARE PROPERLY BROUGHT BEFORE THE ANNUAL MEETING OF SHAREHOLDERS OR IF A NOMINEE FOR ELECTION AS A DIRECTOR NAMED IN THE PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS IS UNABLE TO SERVE OR FOR GOOD CAUSE WILL NOT SERVE, THE COMMON SHARES REPRESENTED BY THIS PROXY CARD WILL BE VOTED IN THE DISCRETION OF THE INDIVIDUALS DESIGNATED TO VOTE THIS PROXY, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON SUCH MATTERS OR FOR SUCH SUBSTITUTE NOMINEE(S) AS THE DIRECTORS MAY RECOMMEND.

Please note that the last vote received from a shareholder, whether by telephone, by Internet or by mail, will be the vote counted.

PLEASE PROVIDE YOUR INSTRUCTIONS TO VOTE BY TELEPHONE OR THE INTERNET OR

COMPLETE, DATE, SIGN, AND MAIL THIS PROXY CARD PROMPTLY

IN THE ENCLOSED POSTAGE-PAID ENVELOPE.