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SONIC CORP

FORM 10-Q
(Quarterly Report)

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Address	300 JOHNNY BENCH DRIVE OKLAHOMA CITY, OK 73104
Telephone	4052255000
CIK	0000868611
Symbol	SONC
SIC Code	5812 - Eating Places
Industry	Restaurants
Sector	Services
Fiscal Year	08/31

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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 May 31, 2012

OR

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

For the transition period from to

Commission File Number 0-18859

SONIC CORP.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**73-1371046** (I.R.S. Employer Identification No.)
300 Johnny Bench Drive **Oklahoma City, Oklahoma** (Address of principal executive offices)	**73104** (Zip Code)

(405) 225-5000
(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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	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 ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

As of July 2, 2012, approximately 58,058,345 shares of the registrant’s common stock, par value $0.01 per share, were outstanding.

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SONIC CORP.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

SONIC CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)
(Unaudited)

	May 31, 2012	August 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 41,672**	$ 29,509
Restricted cash	**10,351**	12,850
Accounts and notes receivable, net	**24,411**	24,558
Income taxes receivable	**10,707**	12,776
Prepaid expenses and other current assets	**10,805**	13,764
Total current assets	**97,946**	93,457
Noncurrent restricted cash	**7,963**	8,108
Notes receivable, net	**14,606**	11,086
Property, equipment and capital leases	**759,271**	760,778
Less accumulated depreciation and amortization	**(314,327)**	(295,903)
Property, equipment and capital leases, net	**444,944**	464,875
Goodwill	**76,996**	81,625
Debt origination costs, net	**11,202**	13,124
Other assets, net	**13,057**	7,467
Total assets	**$ 666,714**	$ 679,742
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 11,755**	$ 11,135
Deposits from franchisees	**3,519**	2,897
Accrued liabilities	**32,344**	33,532
Income taxes payable	**4,333**	4,775
Current maturities of long-term debt and capital leases	**19,450**	18,940
Total current liabilities	**71,401**	71,279
Obligations under capital leases due after one year	**28,735**	30,302
Long-term debt due after one year	**470,562**	481,835
Deferred income taxes	**30,253**	27,228
Other noncurrent liabilities	**16,878**	17,402
Total non-current liabilities	**546,428**	556,767
Stockholders' equity:		
Preferred stock, par value $.01; 1,000 shares authorized; none outstanding	**—**	—
Common stock, par value $.01; 245,000 shares authorized; 118,309 shares issued (118,309 shares issued at August 31, 2011)	**1,183**	1,183
Paid-in capital	**229,692**	229,399
Retained earnings	**708,295**	687,431
	939,170	918,013
Treasury stock, at cost; 59,753 common shares (56,316 shares at August 31, 2011)	**(890,285)**	(866,317)
Total stockholders' equity	**48,885**	51,696
Total liabilities and stockholders' equity	**$ 666,714**	$ 679,742

The accompanying notes are an integral part of the consolidated financial statements.

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SONIC CORP.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	2012	2011
Revenues:				
Company Drive-In sales	**$110,070**	$113,745	**$294,037**	$297,454
Franchise Drive-Ins:				
Franchise royalties	**35,599**	34,825	**89,980**	88,650
Franchise fees	**202**	385	**851**	1,271
Lease revenue	**2,056**	1,828	**4,605**	4,347
Other	**1,500**	1,315	**3,317**	3,045
	149,427	152,098	**392,790**	394,767
Costs and expenses:				
Company Drive-Ins:				
Food and packaging	**30,600**	31,996	**83,011**	83,559
Payroll and other employee benefits	**38,539**	40,466	**106,363**	108,741
Other operating expenses, exclusive of depreciation and amortization included below	**22,261**	23,549	**65,899**	66,765
	91,400	96,011	**255,273**	259,065
Selling, general and administrative	**16,951**	17,212	**48,452**	48,778
Depreciation and amortization	**10,288**	10,139	**31,264**	30,806
Provision for impairment of long-lived assets	**203**	49	**376**	313
	118,842	123,411	**335,365**	338,962
Other operating income (expense), net	**151**	(20)	**613**	255
Income from operations	**30,736**	28,667	**58,038**	56,060
Interest expense	**7,836**	7,991	**23,807**	24,414
Interest income	**(174)**	(161)	**(477)**	(513)
Net loss from early extinguishment of debt	**—**	28,230	**—**	23,025
Net interest expense	**7,662**	36,060	**23,330**	46,926
Income (loss) before income taxes	**23,074**	(7,393)	**34,708**	9,134
Provision (benefit) for income taxes	**8,667**	(2,742)	**13,125**	2,195
Net income (loss)	**$ 14,407**	$ (4,651)	**$ 21,583**	$ 6,939
Basic income (loss) per share	**$ 0.24**	$ (0.08)	**$ 0.36**	$ 0.11
Diluted income (loss) per share	**$ 0.24**	$ (0.08)	**$ 0.36**	$ 0.11

The accompanying notes are an integral part of the consolidated financial statements.

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SONIC CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended May 31, 2012	Nine months ended May 31, 2011
Cash flows from operating activities:		
Net income	**$ 21,583**	$ 6,939
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**31,264**	30,806
Stock-based compensation expense	**3,204**	4,474
Net loss from early extinguishment of debt	**—**	23,025
Other	**(1,162)**	1,938
(Increase) decrease in operating assets:		
Restricted cash	**2,455**	(4,816)
Accounts receivable and other assets	**(611)**	(7,269)
Increase (decrease) in operating liabilities:		
Accounts payable	**834**	1,488
Accrued and other liabilities	**(1,286)**	(1,832)
Income taxes	**7,665**	(6,517)
Total adjustments	**42,363**	41,297
Net cash provided by operating activities	**63,946**	48,236
Cash flows from investing activities:		
Purchases of property and equipment	**(12,938)**	(14,739)
Proceeds from sale of assets	**8,562**	2,710
Other	**(7,806)**	1,373
Net cash used in investing activities	**(12,182)**	(10,656)
Cash flows from financing activities:		
Payments on and purchases of debt	**(11,271)**	(585,235)
Proceeds from borrowings	**—**	535,000
Restricted cash for securitization obligations	**190**	6,245
Debt issuance and extinguishment costs	**—**	(39,883)
Purchases of treasury stock	**(25,534)**	—
Other	**(2,986)**	(878)
Net cash used in financing activities	**(39,601)**	(84,751)
Net increase (decrease) in cash and cash equivalents	**12,163**	(47,171)
Cash and cash equivalents at beginning of period	**29,509**	86,036
Cash and cash equivalents at end of period	**$ 41,672**	$ 38,865
Supplemental cash flow information:		
Additions to capital lease obligations	**$ 2,036**	$ 886

The accompanying notes are an integral part of the consolidated financial statements.

SONIC CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") and with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements of Sonic Corp. (the "Company"). In the opinion of management, these financial statements reflect all adjustments of a normal recurring nature, including recurring accruals, necessary for the fair presentation of the Company's financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. In certain situations, recurring accruals, including franchise royalties, are based on more limited information at interim reporting dates than at the Company's fiscal year end due to the abbreviated reporting period. Actual results may differ from these estimates. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended August 31, 2011 included in the Company's Annual Report on Form 10-K. Interim results are not necessarily indicative of the results that may be expected for a full year or any other interim period.

Principles of Consolidation

The accompanying financial statements include the accounts of the Company, its wholly owned subsidiaries and its Company Drive-Ins. All significant intercompany accounts and transactions have been eliminated.

Reclassifications

Certain amounts reported in previous years, which are not material, have been combined and reclassified to conform to the current year presentation. Effective April 1, 2010, the Company revised its compensation program at the Company Drive-In level. As a result of these changes, noncontrolling interests are immaterial for the periods presented and have been included in "payroll and other employee benefits" on the Condensed Consolidated Statements of Income and in "other noncurrent liabilities" on the Condensed Consolidated Balance Sheets.

2. Earnings (Loss) Per Share

The following table presents the calculation of basic and diluted earnings (loss) per share:

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	2012	2011
Numerator:				
Net income (loss)	**$14,407**	$ (4,651)	**$21,583**	$ 6,939
Denominator:				
Weighted average common shares outstanding – basic	**59,936**	61,842	**60,736**	61,723
Effect of dilutive employee stock options and unvested restricted stock units	**25**	158	**31**	150
Weighted average common shares – diluted	**59,961**	62,000	**60,767**	61,873
Net income (loss) per common share – basic	**$ 0.24**	$ (0.08)	**$ 0.36**	$ 0.11
Net income (loss) per common share – diluted	**$ 0.24**	$ (0.08)	**$ 0.36**	$ 0.11
Anti-dilutive securities excluded (1)	**7,382**	6,457	**7,269**	6,621

(1) Anti-dilutive securities consist of stock options and unvested restricted stock units that were not included in the computation of diluted earnings per share because either the exercise price of the options was greater than the average market price of the common stock or the total assumed proceeds under the treasury stock method resulted in negative incremental shares and thus the inclusion would have been anti-dilutive.

SONIC CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(continued)
(In thousands, except per share data)
(Unaudited)

3. Stock Repurchase Program

On October 13, 2011, the Company's Board of Directors approved a stock repurchase program. Under the stock repurchase program, the Company was authorized to purchase up to $30.0 million of its outstanding shares of common stock through August 31, 2012. During the first nine months of fiscal year 2012, approximately 3.5 million shares were acquired pursuant to this program for a total cost of $25.5 million. As of May 31, 2012, the total remaining amount authorized for repurchase was $4.5 million. Subsequent to the end of the third quarter of fiscal year 2012, the Company purchased the remaining amount authorized and completed its stock repurchase program.

4. Income Taxes

The following table presents the Company's provision for income taxes and effective income tax rate for the periods below:

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	2012	2011
Provision (benefit) for income taxes	**$ 8,667**	$(2,742)	**$13,125**	$ 2,195
Effective income tax rate	**37.6%**	37.1%	**37.8%**	24.0%

The increase in the Company's effective income tax rate during the first nine months of fiscal year 2012 was primarily attributable to a $1.1 million decrease in the Company's liability for unrecognized tax benefits resulting from the settlement of state tax audits during the first quarter of fiscal year 2011 and the expiration of tax credit programs during the second quarter of fiscal year 2012.

5. Impairment of Long-Lived Assets and Goodwill

Long-Lived Assets

The Company assesses long-lived assets used in operations for possible impairment when events and circumstances indicate that such assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amount. No material impairment charges for long-lived assets were recorded during the first nine months of fiscal year 2012 or in the same period last year. Projecting the cash flows for the impairment analysis involves significant estimates with regard to the performance of each drive-in, and it is reasonably possible that the estimates of cash flows may change in the near term resulting in the need to write down operating assets to fair value.

Goodwill

The Company evaluated goodwill for impairment in conjunction with the sale of 34 Company Drive-Ins to franchisees during the second quarter of fiscal year 2012. As of the date of the evaluation, the fair value of the Company's reporting units exceeded their carrying value. The Company is required to test goodwill for impairment on an annual basis and between annual tests as a result of allocating goodwill to Company Drive-Ins that are sold or whenever indications of impairment arise including, but not limited to, a significant decline in cash flows from store operations. Such tests could result in impairment charges. As of May 31, 2012, the Company had $77.0 million of goodwill, of which $71.0 million was attributable to the Company Drive-Ins segment and $6.0 million was attributable to the Franchise Operations segment. The decrease in goodwill since August 31, 2011, was a result of allocating goodwill to Company Drive-Ins sold during the first nine months of fiscal year 2012. For more information regarding the Company's goodwill and other intangible assets information, see note 1—Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended August 31, 2011.

6. Contingencies

The Company is involved in various legal proceedings and has certain unresolved claims pending. Based on the information currently available, management believes that all claims currently pending are either covered by insurance or would not have a material adverse effect on the Company's business, operating results or financial condition.

SONIC CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(continued)
(In thousands, except per share data)
(Unaudited)

The Company has obligations under various lease agreements with third-party lessors related to the real estate for certain Company Drive-In operations that were sold to franchisees. Under these agreements, which expire through 2024, the Company remains secondarily liable for the lease payments for which it was responsible as the original lessee. As of May 31, 2012, the amount remaining under these guaranteed lease obligations totaled $8.5 million. At this time, the Company does not anticipate any material defaults under the foregoing leases; therefore, no liability has been provided. In addition, capital lease obligations totaling $1.2 million are still reflected as liabilities as of May 31, 2012, for properties sold to franchisees and for which the Company remains secondarily liable through 2021. At this time, the Company also does not anticipate any material defaults under these capital leases.

7. Debt

In connection with the Company's May 2011 refinancing of its Series 2006-1 Senior Secured Variable Funding Notes, Class A-1 (the "2006 Variable Funding Notes") and Series 2006-1 Senior Secured Fixed Rate Notes, Class A-2, the Company recognized a $28.2 million loss from the early extinguishment of debt during the third quarter of fiscal year 2011, which primarily consisted of a $25.3 million prepayment premium and the write-off of unamortized deferred loan fees remaining from the refinanced debt. In addition, the Company's deferred hedging loss was reclassified from accumulated other comprehensive income into earnings during the third quarter of fiscal year 2011. Prior to the refinancing, during the second quarter of fiscal year 2011, the Company repurchased $62.5 million of its 2006 Variable Funding Notes in a privately negotiated transaction. The Company recognized a gain of $5.2 million on the extinguishment of the notes during the second fiscal quarter of 2011. These transactions are reflected within "net loss from early extinguishment of debt" in the accompanying Condensed Consolidated Statements of Income.

8. Fair Value of Financial Instruments

The fair value of financial instruments is the amount at which the instrument could be exchanged in a current transaction between willing parties. The Company has no financial liabilities that are required to be measured at fair value on a recurring basis.

The Company categorizes its assets and liabilities recorded at fair value based upon the following fair value hierarchy established by the Financial Accounting Standards Board:

- Level 1 valuations use quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 valuations use inputs other than actively quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in markets that are not active, (c) inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves observable at commonly quoted intervals and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 valuations use unobservable inputs for the asset or liability. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

SONIC CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(continued)
(In thousands, except per share data)
(Unaudited)

The table below sets forth our fair value hierarchy for financial assets measured at fair value on a recurring basis as of May 31, 2012, (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash equivalents	**$ 10,669**	**$ —**	**$ —**	**$10,669**
Restricted cash (current)	**10,351**	**—**	**—**	**10,351**
Restricted cash (noncurrent)	**7,963**	**—**	**—**	**7,963**
Total	**$ 28,983**	**$ —**	**$ —**	**$28,983**

The table below sets forth our fair value hierarchy for financial assets measured at fair value on a recurring basis as of August 31, 2011, (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash equivalents	$ 11,338	$ —	$ —	$11,338
Restricted cash (current)	12,850	—	—	12,850
Restricted cash (noncurrent)	8,108	—	—	8,108
Total	$ 32,296	$ —	$ —	$32,296

At May 31, 2012, the fair value of the Company's Series 2011-1 Senior Secured Fixed Rate Notes, Class A-2 (the "2011 Fixed Rate Notes") was estimated at $510.0 million versus a carrying value of $485.7 million, including accrued interest. At August 31, 2011, the fair value of the 2011 Fixed Rate Notes approximated the carrying value of $497.0 million, including accrued interest. The fair value of the 2011 Fixed Rate Notes is estimated using Level 2 inputs from market information available for public debt transactions for companies with ratings that are similar to the Company's ratings and from information gathered from brokers who trade in the Company's notes.

9. Segment Information

Operating segments are generally defined as components of an enterprise for which separate discrete financial information is available as the basis for management to allocate resources and assess performance.

Based on internal reporting and management structure, the Company has two reportable segments: Company Drive-Ins and Franchise Operations. The Company Drive-Ins segment consists of the drive-in operations in which the Company owns a controlling ownership interest and derives its revenues from operating drive-in restaurants. The Franchise Operations segment consists of franchising activities and derives its revenues from royalties, initial franchise fees and lease revenues received from franchisees. The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies in our most recent Annual Report on Form 10-K. Segment information for total assets and capital expenditures is not presented as such information is not used in measuring segment performance or allocating resources between segments.

SONIC CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(continued)
(In thousands, except per share data)
(Unaudited)

The following table presents the revenues and income from operations for each reportable segment, along with reconciliation to reported revenue and income from operations:

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	2012	2011
Revenues:				
Company Drive-Ins	**$110,070**	$113,745	**$294,037**	$297,454
Franchise Operations	**37,857**	37,038	**95,436**	94,268
Unallocated revenues	**1,500**	1,315	**3,317**	3,045
	$149,427	$152,098	**$392,790**	$394,767
Income from Operations:				
Company Drive-Ins	**$ 18,670**	$ 17,734	**$ 38,764**	$ 38,389
Franchise Operations	**37,857**	37,038	**95,436**	94,268
Unallocated income	**1,651**	1,295	**3,930**	3,300
Unallocated expenses:				
Selling, general and administrative	**(16,951)**	(17,212)	**(48,452)**	(48,778)
Depreciation and amortization	**(10,288)**	(10,139)	**(31,264)**	(30,806)
Provision for impairment of long-lived assets	**(203)**	(49)	**(376)**	(313)
Income from Operations	**$ 30,736**	$ 28,667	**$ 58,038**	$ 56,060

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

In the Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms "Sonic Corp.," "the Company," "we," "us," and "our" refer to Sonic Corp. and its subsidiaries.

Overview

Sales momentum for the third quarter and first nine months of fiscal year 2012 continued to improve, particularly considering the strong prior-year same-store sales results. System-wide same-store sales increased 2.8% during the third quarter and 2.2% during the first nine months of fiscal year 2012, as compared to increases of 3.9% and 0.9%, respectively, for the same periods last year. Same-store sales at Company Drive-Ins increased by 3.7% for the third quarter and 2.3% for the first nine months of fiscal year 2012 as compared to increases of 6.5% and 2.4%, respectively, for the same periods last year. We believe the initiatives we have implemented over the last few years, including product quality improvements and a greater emphasis on personalized service, have set a solid foundation for growth which is reflected in our operating results.

Revenues decreased to $149.4 million for the third quarter of fiscal year 2012 from $152.1 million for the same period last year and decreased to $392.8 million for the first nine months of fiscal year 2012 from $394.8 million for the same period last year. The decrease in revenues was primarily related to a decline in sales resulting from the refranchising of 34 Company Drive-Ins during the second fiscal quarter of 2012, partially offset by an increase in same-store sales. Restaurant margins at Company Drive-Ins improved by 140 basis points during the third quarter of fiscal year 2012 and improved by 30 basis points during the first nine months of fiscal year 2012, reflecting the leverage of positive same-store sales as well as moderating commodity cost inflation.

Third quarter results for fiscal year 2012 reflected net income of $14.4 million or $0.24 per diluted share as compared to a net loss of $4.7 million or $0.08 per diluted share for the same period last year, which included a $17.8 million after-tax loss or $0.29 per diluted share from early extinguishment of debt. Net income and diluted earnings per share for the first nine months of fiscal year 2012 were $21.6 million and $0.36, respectively, as compared to net income of $6.9 million and $0.11 per diluted share for the same period last year. Excluding a $1.1 million tax benefit recognized during the first quarter of fiscal year 2011 relating to the favorable settlement of state tax matters and a $14.4 million after-tax net loss on the early extinguishment of debt recognized during the first nine months of fiscal year 2011, net income and diluted earnings per share for the first nine months of fiscal year 2011 were $20.3 million and $0.33, respectively.

The following non-GAAP adjustments are intended to supplement the presentation of the Company's financial results in accordance with GAAP. We believe the exclusion of these items in evaluating the change in net income (loss) and diluted earnings per share for the periods below provides useful information to investors and management regarding the underlying business trends and the performance of our ongoing operations and is helpful for period-to-period and company-to-company comparisons, which management believes will assist investors in analyzing the financial results for the Company and predicting future performance.

	Three Months Ended May 31, 2012		Three Months Ended May 31, 2011	
	Net Income	Diluted EPS	Net Income (Loss)	Diluted EPS
Reported – GAAP	**$ 14,407**	**$ 0.24**	$ (4,651)	$(0.08)
After-tax loss from early extinguishment of debt	—	—	17,760	0.29
Adjusted - Non-GAAP	**$ 14,407**	**$ 0.24**	$13,109	$ 0.21

	Nine Months Ended May 31, 2012		Nine Months Ended May 31, 2011	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Reported – GAAP	**$21,583**	**$ 0.36**	$ 6,939	$ 0.11
After-tax net loss from early extinguishment of debt	—	—	14,439	0.24
Tax benefit from favorable tax settlement	—	—	(1,073)	(0.02)
Adjusted – Non-GAAP	**$21,583**	**$ 0.36**	$20,305	$ 0.33

The following table provides information regarding the number of Company Drive-Ins and Franchise Drive-Ins operating as of the end of the periods indicated as well as the system-wide change in sales and average unit volume. System-wide information includes both Company Drive-In and Franchise Drive-In information, which we believe is useful in analyzing the growth of the brand as well as the Company's revenues, since franchisees pay royalties based on a percentage of sales.

System-wide Performance
($ in thousands)

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	2012	2011
Percentage increase in sales	**2.4%**	4.7%	**2.9%**	1.3%
System-wide drive-ins in operation [1]:				
Total at beginning of period	**3,550**	3,555	**3,561**	3,572
Opened	**7**	12	**19**	26
Closed (net of re-openings)	**(7)**	(8)	**(30)**	(39)
Total at end of period	**3,550**	3,559	**3,550**	3,559
Average sales per drive-in:	**$ 294**	$ 287	**$ 768**	$ 747
Change in same-store sales [2]:	**2.8%**	3.9%	**2.2%**	0.9%

(1) Drive-ins that are temporarily closed for various reasons (repairs, remodeling, relocations, etc.) are not considered closed unless the Company determines that they are unlikely to reopen within a reasonable time.
(2) Represents percentage change for drive-ins open for a minimum of 15 months.

The following table provides information regarding drive-in development across the system.

	Three months ended May 31,		Nine months ended May 31,	
	2012	2011	2012	2011
New drive-ins:				
Company	—	—	—	—
Franchise	**7**	12	**19**	26
System-wide	**7**	12	**19**	26
Rebuilds/relocations:				
Company	**1**	—	**1**	2
Franchise	**5**	4	**14**	11
System-wide	**6**	4	**15**	13

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Results of Operations

Revenues . The following table sets forth the components of revenue for the reported periods and the relative change between the comparable periods.

Revenues
($ in thousands)

	Three months ended May 31, 2012	Three months ended May 31, 2011	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Company Drive-In sales	**$110,070**	$113,745	$ (3,675)	(3.2%)
Franchise Drive-Ins:				
Franchise royalties	**35,599**	34,825	774	2.2
Franchise fees	**202**	385	(183)	(47.5)
Lease revenue	**2,056**	1,828	228	12.5
Other	**1,500**	1,315	185	14.1
Total revenues	**$149,427**	$152,098	$ (2,671)	(1.8%)

	Nine months ended May 31, 2012	Nine months ended May 31, 2011	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Company Drive-In sales	**$294,037**	$297,454	$ (3,417)	(1.1%)
Franchise Drive-Ins:				
Franchise royalties	**89,980**	88,650	1,330	1.5
Franchise fees	**851**	1,271	(420)	(33.0)
Lease revenue	**4,605**	4,347	258	5.9
Other	**3,317**	3,045	272	8.9
Total revenues	**$392,790**	$394,767	$ (1,977)	(0.5%)

The following table reflects the changes in sales and same-store sales at Company Drive-Ins. It also presents information about average unit volumes and the number of Company Drive-Ins, which is useful in analyzing the growth of Company Drive-In sales.

Company Drive-In Sales
($ in thousands)

	Three months ended May 31, 2012	Three months ended May 31, 2011	Nine months ended May 31, 2012	Nine months ended May 31, 2011
Company Drive-In sales	**$110,070**	$113,745	**$294,037**	$297,454
Percentage (decrease) increase	**(3.2%)**	4.6%	**(1.1%)**	(0.5%)
Company Drive-Ins in operation [1] :				
Total at beginning of period	**412**	451	**446**	455
Sold to franchisees	**(1)**	(4)	**(35)**	(6)
Closed (net of re-openings)	**(2)**	(2)	**(2)**	(4)
Total at end of period	**409**	445	**409**	445
Average sales per Company Drive-in	**$ 268**	$ 256	**$ 688**	$ 665
Percentage increase	**4.7%**	7.6%	**3.5%**	3.6%
Change in same-store sales [2]	**3.7%**	6.5%	**2.3%**	2.4%

(1) Drive-ins that are temporarily closed for various reasons (repairs, remodeling, relocations, etc.) are not considered closed unless the Company determines that they are unlikely to reopen within a reasonable time.
(2) Represents percentage change for drive-ins open for a minimum of 15 months.

Same-store sales for Company Drive-Ins increased 3.7% for the third quarter of fiscal year 2012 and 2.3% for the first nine months of fiscal year 2012, as compared to increases of 6.5% and 2.4%, respectively, for the same periods last year. Company Drive-In sales decreased $3.7 million and $3.4 million during the third quarter and first nine months of fiscal year 2012, respectively, as compared to the same periods last year. The quarter-to-date decrease was primarily driven by a $7.8 million decrease in sales caused by the refranchising of drive-ins during the second quarter of fiscal year 2012 and during fiscal year 2011 partially offset by a $3.7 million improvement in same-store sales. The year-to-date decrease was primarily attributable to a $10.7 million decrease in sales caused by the refranchising of drive-ins discussed earlier and a $2.0 million decrease related to drive-ins that were closed during or subsequent to the first nine months of fiscal year 2011 partially offset by a $6.5 million improvement in same-store sales and $2.9 million of incremental sales from new drive-in openings during fiscal year 2011.

The following table reflects the change in franchising revenues (franchise royalties, franchise fees and lease revenues) as well as franchise sales, average unit volumes and the number of Franchise Drive-Ins. While we do not record Franchise Drive-In sales as revenues, we believe this information is important in understanding our financial performance since these sales are the basis on which we calculate and record franchise royalties. This information is also indicative of the financial health of our franchisees.

Franchise Information
($ in thousands)

	Three months ended May 31,		Nine months ended May 31,	
	2012	**2011**	**2012**	**2011**
Franchising revenues [1]	**$ 37,857**	$ 37,038	**$ 95,436**	$ 94,268
Percentage increase	**2.2%**	3.1%	**1.2%**	0.7%
Franchise Drive-Ins in operation [2] :				
Total at beginning of period	**3,138**	3,104	**3,115**	3,117
Opened	**7**	12	**19**	26
Acquired from company	**1**	4	**35**	6
Closed (net of re-openings)	**(5)**	(6)	**(28)**	(35)
Total at end of period	**3,141**	3,114	**3,141**	3,114
Franchise Drive-In sales	**$934,449**	$906,401	**$2,431,649**	$2,352,065
Percentage change	**3.1%**	4.7%	**3.4%**	1.6%
Effective royalty rate	**3.81%**	3.84%	**3.70%**	3.77%
Average sales per Franchise Drive-In	**$ 298**	$ 292	**$ 779**	$ 760
Change in same-store sales [3]	**2.7%**	3.6%	**2.2%**	0.8%

(1) Consists of revenues derived from franchising activities, including royalties, franchise fees and lease revenues. See *Revenue Recognition Related to Franchise Fees and Royalties* in the *Critical Accounting Policies and Estimates* section of Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended August 31, 2011.

(2) Drive-ins that are temporarily closed for various reasons (repairs, remodeling, relocations, etc.) are not considered closed unless the Company determines that they are unlikely to reopen within a reasonable time.

(3) Represents percentage change for drive-ins open for a minimum of 15 months.

Same-store sales for Franchise Drive-Ins increased 2.7% for the third quarter of fiscal year 2012 and 2.2% for the first nine months of fiscal year 2012, as compared to increases of 3.6% and 0.8%, respectively, for the same periods last year. Franchising revenues increased $0.8 million, or 2.2%, for the third quarter of fiscal year 2012 and $1.2 million, or 1.2%, for the first nine months of fiscal year 2012 as compared to the same periods last year. The increase in franchising revenues was primarily driven by an increase in franchise royalties, partially offset by a decrease in franchise fees. The increase in franchise royalties was primarily attributable to an increase in same-store sales, and incremental royalties from newly constructed and refranchised drive-ins, partially offset by a lower effective royalty rate stemming from a temporary reduction in royalty rates from various development incentives and certain franchisee restructuring efforts.

Operating Expenses . The following table presents the overall costs of drive-in operations as a percentage of Company Drive-In sales. Other operating expenses include direct operating costs such as marketing, telephone and utilities, repair and maintenance, rent, property tax and other controllable expenses.

Company Drive-In Margins

	Three months ended May 31, 2012	Three months ended May 31, 2011	Percentage points (Decrease)
Costs and expenses [1]:			
Company Drive-Ins:			
Food and packaging	**27.8%**	28.1%	(0.3)
Payroll and other employee benefits [2]	**35.0**	35.6	(0.6)
Other operating expenses	**20.2**	20.7	(0.5)
Cost of sales	**83.0%**	84.4%	(1.4)

	Nine months ended May 31, 2012	Nine months ended May 31, 2011	Percentage points Increase (Decrease)
Costs and expenses [1]:			
Company Drive-Ins:			
Food and packaging	**28.2%**	28.1%	0.1
Payroll and other employee benefits [2]	**36.2**	36.5	(0.3)
Other operating expenses	**22.4**	22.5	(0.1)
Cost of sales	**86.8%**	87.1%	(0.3)

(1) Calculated as a percentage of Company Drive-In Sales.
(2) Effective April 1, 2010, we revised our compensation program at the Company Drive-In level. As a result of these changes, noncontrolling interests are immaterial for the periods presented and have been included in payroll and other employee benefits.

Restaurant-level margins improved by 140 basis points during the third quarter of fiscal year 2012 and by 30 basis points during the first nine months of fiscal year 2012, reflecting leverage from improved same-store sales. Food and packaging costs improved by 30 basis points during the quarter and remained relatively flat during the first nine months of fiscal year 2012, which was a combination of moderating commodity cost inflation, effective inventory management and moderate price increases taken over the preceding twelve months. Payroll and other employee benefits as well as other operating expenses improved by a combined 110 basis points during the third quarter of fiscal year 2012 and improved by a combined 40 basis points during the first nine months of fiscal year 2012, primarily as a result of leverage from improved sales.

Selling, General and Administrative ("SG&A") . SG&A expenses decreased by $0.3 million for both the third quarter and first nine months of fiscal year 2012, as compared to the same periods last year, which was largely attributable to declines in bad debt expense due to improved sales and profitability at Franchise Drive-Ins.

Depreciation and Amortization . Depreciation and amortization expense remained relatively flat for the third quarter of fiscal year 2012 increasing by $0.1 million to $10.3 million and increased by $0.5 million to $31.3 million for the first nine months of fiscal year 2012 as compared to the same periods last year. Of the $0.5 million year-to-date increase, approximately $0.3 million was attributable to the amortization of intellectual property acquired during the second quarter of fiscal year 2012 relating to a point-of-sale system that is used by a majority of the Sonic system.

Net Interest Expense . Net interest expense decreased in the third quarter and first nine months of fiscal year 2012 as compared to the same periods last year primarily as a result of a $28.2 million loss from the early extinguishment of debt related to the refinancing of our previously outstanding debt in May 2011. In addition, net interest expense for the first nine months of fiscal year 2011 includes a $5.2 million gain from the early extinguishment of debt in the second quarter of fiscal year 2011. Excluding the early extinguishments of debt, net interest expense decreased $0.2 million for the third quarter of fiscal year 2012 and $0.6 million for the first nine months of fiscal year 2012. The decrease in net interest expense relates to a decline in debt partially offset by a higher weighted average interest rate. See “Liquidity and Sources of Capital” and “Item 3. Quantitative and Qualitative Disclosures About Market Risk” below for additional information on factors that could impact interest expense.

Income Taxes. The provision for income taxes reflects an effective tax rate of 37.6% for the third quarter of fiscal year 2012 as compared to 37.1% for the same period in 2011. Our effective income tax rate increased to 37.8% for the first nine months of fiscal year 2012 from 24.0% for the first nine months of fiscal year 2011. The higher effective income tax rate for the first nine months of fiscal year 2012 was primarily attributable to a $1.1 million decrease in our liability for unrecognized tax benefits resulting from the settlement of state tax audits during the first quarter of fiscal year 2011 and the expiration of tax credit programs during the second quarter of fiscal year 2012. Our tax rate may continue to vary significantly from quarter to quarter depending on the timing of stock option exercises and dispositions by option-holders, changes in tax credit legislation, changes to uncertain tax positions, and as circumstances on other tax matters change.

Financial Position

Total assets decreased $13.0 million, or 1.9%, to $666.7 million during the first nine months of fiscal year 2012 from $679.7 million at the end of fiscal year 2011. This decrease was primarily attributable to a $19.9 million decrease in net property, equipment and capital leases resulting primarily from depreciation during the year partially offset by capital additions. The $4.5 million increase in current assets during the first nine months of fiscal year 2012 was primarily related to an increase in cash as a result of improved sales.

Total liabilities decreased $10.2 million, or 1.6%, to $617.8 million during the first nine months of fiscal year 2012 from $628.0 million at the end of fiscal year 2011. This decrease was primarily attributable to scheduled debt principal repayments of $11.3 million during the first nine months of fiscal year 2012.

Total stockholders’ equity decreased $2.8 million, or 5.4%, to $48.9 million during the first nine months of fiscal year 2012 from $51.7 million at the end of fiscal year 2011. This decrease was attributable to $25.5 million in purchases of common stock under our stock repurchase program during the first nine months of fiscal year 2012. These purchases were partially offset by current year earnings of $21.6 million.

Liquidity and Sources of Capital

Operating Cash Flows . Net cash provided by operating activities increased $15.7 million to $63.9 million for the first nine months of fiscal year 2012 as compared to $48.2 million for the same period in fiscal year 2011. This increase primarily relates to an improvement in same-store sales and profitability as well as changes in restricted cash.

Investing Cash Flows . Cash used in investing activities during the first nine months of fiscal year 2012 increased slightly to $12.2 million compared to $10.7 million for the same period in fiscal year 2011. During the first nine months of fiscal year 2012, we used $12.9 million of cash for purchases of property and equipment as outlined in the table below as well as $3.4 million of cash to purchase intellectual property related to a point-of-sale system that is used by a majority of the Sonic system. These cash outflows were partially offset by $8.6 million in proceeds primarily related to the sale of operations and a portion of the real estate for 34 Company Drive-Ins. The balance of the change relates to an increase in notes receivable and other investments. The following table sets forth the components of our investments in capital additions for the first nine months of fiscal year 2012 (in millions):

Replacement equipment and technology for existing drive-ins and other	$ 6.5
Corporate technology investments	3.7
Rebuilds, relocations and remodels of existing drive-ins	2.5
New Company Drive-Ins, including drive-ins under construction	0.2
Total investing cash flows for capital additions	$12.9

Financing Cash Flows . Net cash used in financing activities decreased $45.2 million to $39.6 million for the first nine months of fiscal year 2012 from $84.8 million for the same period in fiscal year 2011. Approximately $39.9 million of the change relates to a decrease in debt extinguishment costs incurred in connection with the refinancing of our previously outstanding debt during the third quarter of fiscal year 2011. In addition, approximately $39.0 million of the decrease relates to a reduction in debt payments during the first nine months of fiscal year 2012 as compared to the same period last year, primarily due to lower mandatory principal payments under our new financing. These decreases were partially offset by the use of $25.5 million of cash during the first nine months of fiscal year 2012 to purchase outstanding common stock under our stock repurchase program as discussed below, and by changes in restricted cash related to our new debt obligations.

On October 13, 2011, our Board of Directors approved a stock repurchase program. Under the stock repurchase program, we were authorized to purchase up to $30.0 million of our outstanding shares of common stock through August 31, 2012. During the first nine months of fiscal year 2012, approximately 3.5 million shares were acquired pursuant to this program for a total cost of $25.5 million. As of May 31, 2012, the total remaining amount authorized for repurchase was $4.5 million. Subsequent to the end of the third quarter of fiscal year 2012, we purchased the remaining amount authorized and completed our stock repurchase program.

As of May 31, 2012, our total cash balance of $60.0 million ($41.7 million of unrestricted and $18.3 million of restricted cash balances) reflected the impact of the cash generated from operating activities, cash used for stock repurchases and capital expenditures mentioned above. In addition, we expect refunds from amended tax returns of approximately $10 million to be received during fiscal year 2013. We believe that existing cash, funds generated from operations and the $100 million available under our Series 2011-1 Senior Secured Variable Funding Notes, Class A-1, will meet our needs for the foreseeable future.

Critical Accounting Policies and Estimates

Critical accounting policies are those the Company believes are most important to portraying its financial conditions and results of operations and also require the greatest amount of subjective or complex judgments by management. Judgments and uncertainties regarding the application of these policies may result in materially different amounts being reported under various conditions or using different assumptions. There have been no material changes to the critical accounting policies previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Sonic's use of debt directly exposes the Company to interest rate risk. Fixed rate debt, where the interest rate is fixed over the life of the instrument, exposes the Company to changes in market interest rates reflected in the fair value of the debt and to the risk that the Company may need to refinance maturing debt with new debt at a higher rate. Sonic manages its debt portfolio to achieve an overall desired position of fixed and floating rates. Sonic is also exposed to market risk from changes in commodity prices. Sonic does not utilize financial instruments for trading purposes.

Interest Rate Risk. Our exposure to interest rate risk at May 31, 2012, is primarily based on the Series 2011-1 Senior Secured Fixed Rate Notes, Class A-2 (the "2011 Fixed Rate Notes") with an effective rate of 5.4%, before amortization of debt-related costs. At May 31, 2012, the fair value of the 2011 Fixed Rate Notes was estimated at $510.0 million versus a carrying value of $485.7 million, including accrued interest. To derive the fair value, management used market information available for public debt transactions for companies with ratings that are similar to our ratings and information gathered from brokers who trade in our notes. Management believes this fair value is a reasonable estimate. Should interest rates and/or credit spreads increase or decrease by one percentage point, the estimated fair value of the 2011 Fixed Rate Notes would decrease or increase by approximately $25 million, respectively. The fair value estimate required significant assumptions by management as there are few restaurant securitized loan transactions occurring in the current market.

For further discussion of our exposure to market risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended August 31, 2011.

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Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14 under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were designed at the reasonable assurance level. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various legal proceedings and has certain unresolved claims pending. Based on the information currently available, management believes that all claims currently pending are either covered by insurance or would not have a material adverse effect on the Company's business, operating results or financial condition.

Item 1A. Risk Factors

There has been no material change in the risk factors set forth in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended August 31, 2011.

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

(c) Issuer Purchases of Equity Securities

Shares repurchased during the third quarter of fiscal 2012 are as follows (in thousands, except per share amounts):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Program [1]
March 1, 2012 through March 31, 2012	—	$ —	—	$ 19,549
April 1, 2012 through April 30, 2012	1,036	7.11	1,036	12,183
May 1, 2012 through May 31, 2012	1,031	7.48	1,031	$ 4,466
Total	2,067	$ 7.30	2,067	

(1) On October 13, 2011, the Company's Board of Directors authorized a stock repurchase program. Under the stock repurchase program, the Company was authorized to purchase up to $30.0 million of its outstanding shares of common stock through August 31, 2012. Subsequent to the end of the third quarter of fiscal year 2012, the Company purchased the remaining amount authorized and completed its stock repurchase program.

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Item 6. Exhibits

Exhibits	
10.01	Employment Agreement with James P. O'Reilly dated April 11, 2012
31.01	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14
31.02	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14
32.01	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.02	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document (1)
101.SCH	XBRL Taxonomy Extension Schema Document (1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (1)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)

(1) XBRL (Extensible Business Reporting Language) information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SONIC CORP.

By: /s/ Stephen C. Vaughan
Stephen C. Vaughan, Executive Vice President
and Chief Financial Officer

Date: July 6, 2012

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EXHIBIT INDEX

Exhibit Number and Description

10.01	Employment Agreement with James P. O'Reilly dated April 11, 2012
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101.DEF	XBRL Taxonomy Extension Definition Linkbase Document [(1)]
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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document [(1)]

[(1)] XBRL (Extensible Business Reporting Language) information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Exhibit 10.01

EMPLOYMENT AGREEMENT

This Agreement is entered into effective as of the 11th day of April, 2012, by and between Sonic Corp. (the "Corporation"), a Delaware corporation, and James P. O'Reilly (the "Employee").

RECITALS

Whereas, the Employee is currently serving as the Senior Vice President and Chief Marketing Officer of the Corporation and is an integral part of its management; and

Whereas, the Corporation's Board of Directors (the "Board") has determined that it is appropriate to support and encourage the attention and dedication of certain key members of the Corporation's management, including Employee, to their assigned duties without distraction and potentially disturbing circumstances arising from the possibility of a Change in Control (herein defined) of the Corporation; and

Whereas, the Corporation desires to continue the services of Employee, whose experience, knowledge and abilities with respect to the business and affairs of the Corporation will be extremely valuable to the Corporation; and

Whereas, the parties hereto desire to enter into this Agreement setting forth the terms and conditions of the employment relationship of the Corporation and Employee.

Now, therefore, it is agreed as follows:

ARTICLE I
Term of Employment

1.1 Term of Employment . The Corporation shall employ Employee for a period of one year from the date hereof (the "Initial Term").

1.2 Extension of Initial Term . Upon each annual anniversary date of this Agreement, this Agreement shall be extended automatically for successive terms of one year each, unless either the Corporation or the Employee gives contrary written notice to the other not later than the annual anniversary date. As used herein, "Term" shall mean the Initial Term together with any renewal term(s) pursuant to this Section 1.2.

1.3 Termination of Agreement and Employment . The Corporation may terminate this Agreement and the Employee's employment at any time effective upon written notice to the Employee. The Employee may terminate this Agreement and the Employee's employment only after at least 30 days' written notice to the Corporation, unless otherwise agreed by the Corporation.

ARTICLE II
Duties of the Employee

Employee shall serve as the Senior Vice President and Chief Marketing Officer of the Corporation. Employee shall do and perform all services, acts, or things necessary or advisable to

manage and conduct the business of the Corporation consistent with such position subject to such policies and procedures as may be established by the Board.

ARTICLE III
Compensation

3.1 Salary . For Employee's services to the Corporation as the Senior Vice President and Chief Marketing Officer, Employee shall be paid a salary at the annual rate of $325,000 (herein referred to as "Salary"), payable in twenty-four equal installments on the first and fifteenth day of each month. On the first day of each calendar year during the term of this Agreement with the Corporation, Employee shall be eligible for an increase in Salary based on an evaluation of Employee's performance during the past year with the Corporation. During the term of this Agreement, the Salary of the Employee shall not be decreased at any time from the Salary then in effect unless agreed to in writing by the Employee.

3.2 Bonus . The Employee shall be entitled to participate in an equitable manner with other officers of the Corporation in discretionary cash bonuses as authorized by the Board. Such bonuses shall be paid not later than the 15th day of the third month following the later of the end of the Corporation's tax year or the Employee's tax year in which the bonuses are no longer subject to a substantial risk of forfeiture (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code")).

ARTICLE IV
Employee Benefits

4.1 Use of Automobile . The Corporation shall provide Employee with either the use of an automobile for business and personal use or a cash car allowance in accordance with the established company car policy of the Corporation. The Corporation shall pay all expenses of operating, maintaining and repairing the automobile provided by the Corporation and shall procure and maintain automobile liability insurance in respect thereof, with such coverage insuring each Employee for bodily injury and property damage. Reimbursement of automobile-related expenses shall be made as soon as practicable after the request for reimbursement is submitted, but in no event later than the last day of the calendar year next following the calendar year in which such expense was incurred. Additionally, neither the provision of in-kind benefits nor the reimbursement of expenses in any one calendar year shall affect the level or amount of in-kind benefits to be provided, or the expenses eligible for reimbursement, in any other calendar year. The Employee's right to reimbursement or in-kind benefits under this Section 4.1 is not subject to liquidation or exchange for another benefit.

4.2 Medical, Life and Disability Insurance Benefits . The Corporation shall provide Employee with medical, life and disability insurance benefits in accordance with the established benefit policies of the Corporation.

4.3 Working Facilities . Employee shall be provided adequate office space, secretarial assistance, and such other facilities and services suitable to Employee's position and adequate for the performance of Employee's duties.

4.4 Business Expenses . Employee shall be authorized to incur reasonable expenses for promoting the business of the Corporation, including expenses for entertainment, travel, and similar

items. The Corporation shall reimburse Employee for all such expenses upon the presentation by Employee, from time to time, of an itemized account of such expenditures. Reimbursement shall be made as soon as practicable after the request for reimbursement is submitted, but in no event later than the last day of the calendar year next following the calendar year in which such expense was incurred. Additionally, the reimbursement of expenses in any one calendar year shall not affect the expenses eligible for reimbursement in any other calendar year. The Employee's right to reimbursement under this Section 4.4 is not subject to liquidation or exchange for another benefit.

4.5 Vacations . Employee shall be entitled to an annual paid vacation commensurate with the Corporation's established vacation policy for officers. The timing of paid vacations shall be scheduled in a reasonable manner by the Employee.

4.6 Disability Benefit . Upon disability (as defined herein) of the Employee, the Employee shall be entitled to receive up to six months' of Employee's Salary (less any deductions required by law) payable in twelve equal installments of 1/24 of the Salary, with the first installment occurring on the first regularly scheduled payroll date following the determination of disability and the remaining installments occurring on a semi-monthly basis thereafter, provided that such disability payments shall continue only so long as the disability continues, and provided further that each such disability payment shall be reduced by any benefit payment the Employee is entitled to receive under the Corporation's group disability insurance plans during the corresponding payroll period.

4.7 Term Life Insurance . The Corporation shall purchase term life insurance on the life of the Employee having a face value of four times the Employee's Salary (to be changed as salary adjustments are made) or the face value of life insurance that can be purchased based upon the Employee's health history with the Corporation paying the standard premium rate for term insurance under its then current insurance program at the Employee's age and assuming good health, whichever amount is lesser, provided that such insurance can be obtained by the Corporation in a manner which meets the requirements for deductibility by the Corporation under Section 79 of the Code.

4.8 Compensation Defined . Compensation shall be defined as all monetary compensation and all benefits described in Articles III and IV hereunder (as adjusted during the term hereof).

ARTICLE V
Termination

5.1 Separation from Service . For purposes of this Agreement, the terms "terminate," "terminated" and "termination" with respect to the Employee's employment mean a termination of the Employee's employment that constitutes a "separation from service" within the meaning of the default rules of Section 409A of the Code.

5.2 Death . Employee's employment hereunder shall be terminated upon the Employee's death.

5.3 Disability . The Corporation may terminate Employee's employment hereunder in the event Employee is disabled and such disability continues for more than 180 days. "Disability" shall be defined as the inability of Employee to render the services required of him under this Agreement, with or without a reasonable accommodation, as a result of physical or mental incapacity.

5.4 Cause .

(a) The Corporation may terminate Employee's employment hereunder for Cause. For the purpose of this Agreement, "Cause" shall mean (i) the willful and intentional failure by Employee to substantially perform Employee's duties hereunder, other than any failure resulting from Employee's incapacity due to physical or mental incapacity, or (ii) commission by Employee, in connection with Employee's employment by the Corporation, of an illegal act or any act (though not illegal) which is not in the ordinary course of the Employee's responsibilities and exposes the Corporation to a significant level of undue liability. For purposes of this paragraph, no act or failure to act on Employee's part shall be considered to have met either of the preceding tests unless done or omitted to be done by Employee without a reasonable belief that Employee's action or omission was in the best interest of the Corporation.

(b) Notwithstanding the foregoing, Employee shall not be deemed to have been terminated for cause unless such action is ratified by the affirmative vote of not less than two-thirds of the entire membership of the Board at a meeting held within 30 days of such termination (after reasonable notice to Employee and an opportunity for Employee to be heard by members of the Board) confirming that Employee was guilty of the conduct set forth in this Section 5.4. Ratification by the Board will be effective as of the original date of termination of Employee.

5.5 Compensation Upon Termination for Cause or Upon Resignation By Employee . Except as otherwise set forth in Section 5.8 hereof, if Employee's employment shall be terminated for Cause or if Employee shall resign Employee's position with the Corporation, the Corporation shall pay Employee's Compensation only through the last day of Employee's employment by the Corporation. The Corporation shall then have no further obligation to Employee under this Agreement. If the Board, pursuant to Section 5.4(b), votes to classify Employee's termination as "not for cause," then Employee shall be compensated pursuant to Section 5.6 below.

5.6 Compensation Upon Termination Other Than For Cause Or Disability . Except as otherwise set forth in Section 5.8 hereof, if the Corporation shall terminate Employee's employment other than for Cause or Disability, the Corporation shall continue to be obligated to pay 12 months' of Employee's Salary (payable in 24 equal installments, with the first installment occurring on the first regularly scheduled payroll date following the date of termination, and the remaining installments occurring on a semi-monthly basis thereafter), but shall not be obligated to provide any other benefits described in Articles III and IV hereof, except to the extent required by law.

5.7 Compensation Upon Non-Renewal of Agreement . Except as otherwise set forth in Section 5.8 hereof, if the Corporation shall give notice to Employee in accordance with Section 1.2 hereof that this Agreement will not be renewed but Employee's employment is not terminated, the Corporation shall continue to be obligated to pay Employee's Salary for a period of 12 months beginning on the date notice of non-renewal is given, on regularly scheduled payroll dates, but shall not be obligated to provide any other benefits described in Articles III and IV hereof, except to the extent required by law.

5.8 Termination of Employee or Resignation by Employee for Good Reason Following a Change in Control . If at any time within the first twelve months subsequent to a Change in Control, the Employee's employment with the Corporation is terminated other than as provided for in Section 5.2, 5.3 or 5.4 hereof, or the Corporation violates any provision of this Agreement or Employee shall resign

Employee's employment for Good Reason (as defined herein), the Corporation shall be obligated to pay to Employee a severance payment in an amount equal to two times the Employee's compensation payable under paragraph 5.6 above, but in no event to exceed an amount equal to $1.00 less than three (3) times the mean average annual compensation paid to Employee by the Corporation and any of its subsidiaries during the five calendar years ending before the date on which the Change in Control occurred (or if Employee was not employed for that entire five year period, then the mean average annual compensation paid to employee during such shorter period, with the Employee's compensation annualized for any calendar year during which the employee was not employed for the entire calendar year); provided, however, that if the severance payment under this Section 5.8, either alone or together with any other payments or compensation which Employee has a right to receive from the Corporation, would constitute a "parachute payment" (as defined in Section 280G (or any equivalent term defined in any successor or equivalent provision) of the Code), then such severance payment shall be reduced to the largest amount as will result in no portion of the severance payment under this Section 5.8 being subject to the excise tax imposed by Section 4999 (or any successor or equivalent provision) of the Code. For the purpose of this Section 5.8, the Employee's annual compensation from the Corporation and its subsidiaries for a given year shall equal Employee's compensation as reflected on Employee's Form W-2 for that year (unless the Employee was not employed for the entire calendar year, in which case Employee's Form W-2 compensation for such year shall be annualized). The determination of any reduction in severance payment under this Section 5.8 pursuant to the foregoing provision shall be conclusive and binding on the Corporation.

If the Change in Control implicated by this Section 5.8 is also a "change in control event" within the meaning of the default rules of the final regulations promulgated under Section 409A(a)(2)(A)(v) of the Code, then the severance payment due under this Section 5.8 shall be made in a lump sum, payable no later than the 15th day of the third month following the later of the end of the Corporation's tax year or the Employee's tax year in which occurs the Employee's effective date of termination under this Section 5.8. If the Change in Control is not a "change in control event" within the meaning of the default rules of the final regulations promulgated under Section 409A(a)(2)(A)(v) of the Code, the severance payment contemplated by this Section 5.8 shall be made in twelve semi-monthly installment payments, beginning on the first regularly scheduled payroll date following the Employee's effective date of termination under this Section 5.8. For purposes of this Section 5.8, the Employee's effective date of termination shall mean, as applicable, (x) the effective date of such termination of employment by the Corporation or (y) the effective date of the Employee's resignation for Good Reason, which date shall be stated in the Employee's written notice to the Corporation of his resignation for Good Reason and shall be no later than 60 days following the date of such notice.

"Good Reason" shall mean any of the following which occur during the term of this Agreement without Employee's express written consent:

In the Event of a Change in Control:

(a) the assignment to Employee of duties inconsistent with Employee's position, office, duties, responsibilities and status with the Corporation immediately prior to a Change in Control; or, a change in Employee's titles or offices as in effect immediately prior to a Change in Control; or, any removal of Employee from or any failure to reelect Employee to any such position or office, except in connection with the termination of Employee's employment by the Corporation for Disability or Cause or as a result of Employee's death or by Employee other than for Good Reason as set forth in this Section 5.8(a); or

(b) a reduction by the Corporation in Employee's Salary as in effect as of the date of this Agreement or as the same may be increased from time-to-time during the term of this Agreement or the Corporation's failure to increase (within twelve months of the Employee's last increase in Salary) Employee's Salary after a Change in Control in an amount which at least equals, on a percentage basis, the highest percentage increase in salary for all officers of the Corporation or any parent or affiliated company effected in the preceding twelve months; or

(c) the failure of the Corporation to provide Employee with the same fringe benefits (including, without limitation, life insurance plans, medical or disability plans, retirement plans, incentive plans, stock option plans, stock purchase plans, stock ownership plans, or bonus plans) that were provided to Employee immediately prior to the Change in Control, or with a package of fringe benefits that, if one or more of such benefits varies from those in effect immediately prior to such Change in Control, is in Employee's sole judgment substantially comparable in all material respects to such fringe benefits taken as a whole; or

(d) relocation of the Corporation's principal executive offices to a location outside of Oklahoma City, Oklahoma, or Employee's relocation to any place other than the location at which Employee performed Employee's duties prior to a Change in Control, except for required travel by Employee on the Corporation's business to an extent substantially consistent with Employee's business travel obligations at the time of the Change in Control; or

(e) any failure by the Corporation to provide Employee with the same number of paid vacation days to which Employee is entitled at the time of the Change in Control; or

(f) the failure of a successor to the Corporation to assume the obligation of this Agreement as set forth in Section 7.1 herein.

5.9 Change in Control . For the purposes of this Agreement, the phrase "change in control" shall mean any of the following events:

(a) Any consolidation or merger of the Corporation in which the Corporation is not the continuing or surviving corporation or pursuant to which shares of the Corporation's capital stock would convert into cash, securities or other property, other than a merger of the Corporation in which the holders of the Corporation's capital stock immediately prior to the merger have the same proportionate ownership of capital stock of the surviving corporation immediately after the merger;

(b) Any sale, lease, exchange or other transfer (whether in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation;

(c) The stockholders of the Corporation approve any plan or proposal for the liquidation or dissolution of the Corporation;

(d) Any person (as used in Section 13(d) and 14(d)(2) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act")) becomes the beneficial owner (within the meaning of Rule 13D-3 under the Exchange Act) of 50% or more of the Corporation's outstanding capital stock;

(e) During any period of two consecutive years, individuals who at the beginning of that period constitute the entire Board of Directors of the Corporation cease for any reason to constitute a majority of the Board of Directors unless the election or the nomination for election by the Corporation's stockholders of each new director received the approval of the Board of Directors by a vote of at least two-thirds of the directors then and still in office and who served as directors at the beginning of the period; or

(f) The Corporation becomes a subsidiary of any other corporation.

5.10 Agreement and Release . Notwithstanding any provision of this Agreement to the contrary, the obligation of the Corporation to pay any compensation upon separation from service or severance benefits to the Employee in accordance with this Article V is expressly conditioned upon the Employee's timely execution of an agreement by the Employee to (a) comply with the terms and conditions of Article VIII below and (b) be bound by a release of any and all claims arising out of or relating to the Employee's employment and termination of employment (a "Release"), that is or becomes irrevocable not later than the date the first (or only) payment is due pursuant to this Article V (the "Payment Date"). The Corporation shall have no obligation to pay any compensation upon separation from service or severance benefits to the Employee if the Employee fails to execute a Release that is or becomes irrevocable after the Payment Date. Such Release shall be made in a form satisfactory to the Corporation, substantially in the form set forth in Annex A hereto, and shall be for the benefit of the Corporation, its respective affiliates, and their respective officers, employees, directors, shareholders, agents, successors and assigns.

ARTICLE VI
Obligation to Mitigate Damages; No Effect on Other Contractual Rights

6.1 Mitigation . The Employee shall not have any obligation to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise. However, all payments required under the terms of this Agreement shall cease 30 days after the acceptance by the Employee of employment by another employer; provided that, this limitation shall not apply to payments due under paragraph 5.8, above.

6.2 Other Contractual Rights . The provisions of this Agreement, and any payment provided for hereunder shall not reduce any amount otherwise payable, or in any way diminish Employee's existing rights, or rights which would accrue solely as a result of passage of time under any employee benefit plan or other contract, plan or arrangement of which Employee is a beneficiary or in which Employee participates.

ARTICLE VII
Successors to the Corporation

7.1 Assumption . The Corporation will require any successor or assignee (whether direct or indirect, by purchase, merger, consolidation or otherwise) of all or substantially all of the business and/or assets of the Corporation, by agreement in form and substance reasonably satisfactory to Employee, to expressly, absolutely and unconditionally assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no

such succession or assignment had taken place. Any failure by the Corporation to obtain such agreement prior to the effectiveness of any such succession or assignment shall be a material breach of this Agreement.

7.2 Employee's Successors and Assigns . This Agreement shall inure to the benefit of and be enforceable by Employee's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Employee should die while any amounts are still payable to Employee hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's devisee, legatee or other designee or, if there is no such designee, to Employee's estate.

ARTICLE VIII
Restrictions on Employee

8.1 Confidential Information . During the term of the Employee's employment and for a period of twelve months thereafter, the Employee shall not divulge or make accessible to any party any Confidential Information, as defined below, of the Corporation or any of its subsidiaries, except to the extent authorized in writing by the Corporation or otherwise required by law. The phrase "Confidential Information" shall mean the unique, proprietary and confidential information of the Corporation and its subsidiaries, consisting of: (1) confidential financial information regarding the Corporation or its subsidiaries, (2) confidential recipes for food products; (3) confidential and copyrighted plans and specifications for interior and exterior signs, designs, layouts and color schemes; (4) confidential methods, techniques, formats, systems, specifications, procedures, information, trade secrets, sales and marketing programs; (5) knowledge and experience regarding the operation and franchising of Sonic drive-in restaurants; (6) the identities and locations of Sonic's franchisees, Sonic drive-in restaurants, and suppliers to Sonic's franchisees and drive-in restaurants; (7) knowledge, financial information, and other information regarding the development of franchised and company-store restaurants; (8) knowledge, financial information, and other information regarding potential acquisitions and dispositions; and (9) any other confidential business information of the Corporation or any of its subsidiaries. The Employee shall give the Corporation written notice of any circumstances in which Employee has actual notice of any access, possession or use of the Confidential Information not authorized by this Agreement.

8.2 Restrictive Covenant . During the term of Employee's employment, the Employee shall not retain in or have any interest, directly or indirectly, in any business competing with the business being conducted by the Corporation or any of its subsidiaries, without the Corporation's prior written consent. For the six month period immediately following the termination of Employee's employment, the Employee shall not engage in or have any interest, directly or indirectly, in any fast food restaurant business that has a menu similar to that of a Sonic drive-in restaurant (such as hamburgers, hot dogs, onion rings and similar items customarily sold by Sonic drive-in restaurants), or which has an appearance similar to that of a Sonic drive-in restaurant (such as color pattern, use of canopies, use of speakers and menu housings for ordering food, or other items that are customarily used by a Sonic drive-in restaurant), and which operates such restaurants within a three mile radius of any Sonic drive-in restaurant.

ARTICLE IX
Miscellaneous

9.1 Indemnification . To the full extent permitted by law, the Board shall authorize the payment of expenses incurred by or shall satisfy judgments or fines rendered or levied against Employee in any action brought by a third-party against Employee (whether or not the Corporation is joined as a party defendant) to impose any liability or penalty on Employee for any act alleged to have been committed by Employee while employed by the Corporation unless Employee was acting with gross negligence or willful misconduct. Payments authorized hereunder shall include amounts paid and expenses incurred in settling any such action or threatened action.

9.2 Resolution of Disputes . The following provisions shall apply to any controversy between the Employee and the Corporation and its subsidiaries and the Employee (including any director, officer, employee, agent or affiliate of the Corporation and its subsidiaries) whether or not relating to this Agreement.

(a) Arbitration . The parties shall resolve all controversies by final and binding arbitration in accordance with the Rules for Commercial Arbitration (the "Rules") of the American Arbitration Association in effect at the time of the execution of this Agreement and pursuant to the following additional provisions:

(1) Applicable Law . The Federal Arbitration Act (the "Federal Act"), as supplemented by the Oklahoma Arbitration Act (to the extent not inconsistent with the Federal Act), shall apply to the arbitration and all procedural matters relating to the arbitration.

(2) Selection of Arbitrators . The parties shall select one arbitrator within 10 days after the filing of a demand and submission in accordance with the Rules. If the parties fail to agree on an arbitrator within that 10-day period or fail to agree to an extension of that period, the arbitration shall take place before an arbitrator selected in accordance with the Rules.

(3) Location of Arbitration . The arbitration shall take place in Oklahoma City, Oklahoma, and the arbitrator shall issue any award at the place of arbitration. The arbitrator may conduct hearings and meetings at any other place agreeable to the parties or, upon the motion of a party, determined by the arbitrator as necessary to obtain significant testimony or evidence.

(4) E nforcement of Award . The prevailing party shall have the right to enter the award of the arbitrator in any court having jurisdiction over one or more of the parties or their assets. The parties specifically waive any right they may have to apply to any court for relief from the provisions of this Agreement or from any decision of the arbitrator made prior to the award.

(b) Attorneys' Fees and Costs . The prevailing party to the arbitration shall have the right to an award of its reasonable attorneys' fees and costs (including the cost of the arbitrator) incurred after the filing of the demand and submission. If the Corporation or any of its subsidiaries prevails, the award shall include an amount for that portion of the administrative

overhead reasonably allocable to the time devoted by the in-house legal staff of the Corporation or any subsidiary.

(c) Excluded Controversies . At the election of the Corporation or its subsidiaries, the provisions of this Section 9.2 shall not apply to any controversies relating to the enforcement of the covenant not to compete or the use and protection of the trademarks, service marks, trade names, copyrights, patents, confidential information and trade secrets of the Corporation or its subsidiaries, including (without limitation) the right of the Corporation or its subsidiaries to apply to any court of competent jurisdiction for appropriate injunctive relief for the infringement of the rights of the Corporation or its subsidiaries.

(d) Other Rights . The provisions of this Section 9.2 shall not prevent the Corporation, its subsidiaries, or the Employee from exercising any of their rights under this agreement, any other agreement, or under the common law, including (without limitation) the right to terminate any agreement between the parties or to end or change the party's legal relationship.

9.3 Entire Agreement . This Agreement constitutes the entire agreement of the parties with regard to the subject matter of this Agreement and replaces and supersedes all other written and oral agreements and statements of the parties relating to the subject matter of this Agreement.

9.4 Notices . Any notices required or permitted to be given under this Agreement shall be sufficient if in writing and sent by mail to Employee's residence, in the case of Employee, or to its principal office, in the case of the Corporation.

9.5 Waiver of Breach . The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by any party.

9.6 Amendment . No amendment or modification of this Agreement shall be deemed effective unless or until executed in writing by the parties hereto.

9.7 Validity . This Agreement, having been executed and delivered in the State of Oklahoma, its validity, interpretation, performance and enforcement will be governed by the laws of that state.

9.8 Section Headings . Section and other headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

9.9 Counterpart Execution . This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

9.10 Exclusivity . Specific arrangements referred to in this Agreement are not intended to exclude Employee's participation in any other benefits available to executive personnel generally or to preclude other compensation or benefits as may be authorized by the Board from time to time.

9.11 Partial Invalidity . If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

9.12 Section 409A of the Code .

(a) Notwithstanding anything herein to the contrary, if, at the time of the Employee's termination of employment with the Corporation, the Employee is a "specified employee" within the meaning of Section 409A of the Code, as determined under the Corporation's established methodology for determining specified employees, then, solely to the extent necessary to avoid the imposition of additional taxes, penalties or interest under Section 409A of the Code, any payments to the Employee hereunder which provide for the deferral of compensation, within the meaning of Section 409A of the Code (which shall not include any compensation that is exempt from Section 409A of the Code), and which are scheduled to be made as a result of the Employee's termination of employment during the period beginning on the date of the Employee's date of termination and ending on the six-month anniversary of such date shall be delayed and not paid to the Participant until the first business day following such sixth month anniversary date, at which time such delayed amounts will be paid to the Employee in a cash lump sum. If the Employee dies on or after the date of the Employee's date of termination and prior to the payment of the delayed amounts pursuant to this Section 9.12, any amount delayed pursuant to this Section 9.12 shall be paid to the Employee's estate within 30 days following the Employee's death.

(b) To the extent this Agreement is subject to Section 409A of the Code, the Corporation and Employee intend all payments under this Agreement to comply with the requirements of such section, and this Agreement shall, to the extent reasonably practicable, be operated and administered to effectuate such intent.

In witness whereof, the Corporation has caused this Agreement to be executed and its seal affixed hereto by its officers thereunto duly authorized; and the Employee has executed this Agreement, as of the day and year first above written.

The Corporation: Sonic Corp.

By: /s/ W. Scott McLain
Name: W. Scott McLain
Title: President

The Employee: /s/ James P. O'Reilly
Name: James P. O'Reilly

ANNEX A

FORM OF RELEASE

In connection with my separation from service with Sonic Corp. (" *Sonic* "), I provide the following Release of Claims (the " *Release* ").

I. General Release.

I, and each of my respective heirs, executors, administrators, representatives, agents, successors and assigns (collectively, the " *Releasors* ") hereby irrevocably and unconditionally release and forever discharge Sonic, its subsidiaries and affiliates (the " *Company Group* ") and each of their respective officers, employees, directors, shareholders, agents, successors and assigns from any and all claims, actions, causes of action, rights, judgments, obligations, damages, demands, accountings or liabilities of whatever kind or character (collectively, " *Claims* "), including, without limitation, any Claims under any federal, state, local or foreign law, that the Releasors may have, or in the future may possess, arising out of (i) my employment relationship with and service as an employee or officer of the Company Group, and the termination of such relationship or service, or (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date hereof; provided , however , that this Release shall not apply to any claims by me for benefits to which I am entitled as of the date of this Release under Sonic's compensation and benefit plans, subject, in each case, to the applicable terms and conditions of each such plan. Without limiting the scope of the foregoing provision in any way, I hereby release all claims relating to or arising out of any aspect of my employment with the Company Group, including but not limited to, all claims under Title VII of the Civil Rights Act, the Civil Rights Act of 1991 and the laws amended thereby; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act of 1990; the Americans with Disabilities Act; the Family and Medical Leave Act of 1993; the Fair Labor Standards Act of 1963; any contract of employment, express or implied; any provision of the Constitution of the United States or of any particular State; and any other law, common or statutory, of the United States, or any particular State; any claim for the negligent and/or intentional infliction of emotional distress or specific intent to harm; any claims for attorneys fees, costs and/or expenses; any claims for unpaid or withheld wages, severance pay, benefits, bonuses, commissions and/or other compensation of any kind; and/or any other federal, state or local human rights, civil rights, wage and hour, wage payment, pension or labor laws, rules and/or regulations; all claims growing out of any legal restrictions on the Company Group's right to hire and/or terminate its employees, including all claims that were asserted and/or that could have been asserted by me and all claims for breach of promise, public policy, negligence, retaliation, defamation, impairment of economic opportunity, loss of business opportunity, fraud, misrepresentation, etc. The Releasors further agree that the payments and benefits described in the Employee's Employment Agreement dated _____, 20 ____(the "Employment Agreement"), shall be in full satisfaction of any and all Claims for payments or benefits, whether express or implied, that the Releasors may have against the Company Group arising out of my employment relationship or my service as an employee or officer of the Company Group and the termination thereof.

II. Specific Release of ADEA Claims. [IF APPLICABLE]

In consideration for, among other things, certain actions by Sonic in support of my separation from service, the Releasors hereby unconditionally release and forever discharge the Company Group from any and all Claims arising under the Federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder (" *ADEA* ")

that I may have as of the date of my signature to this Release. By signing this Release, I hereby acknowledge and confirm the following:

(i) I was advised by Sonic in connection with my termination to consult with an attorney of my choice prior to signing this Release and to have such attorney explain to me the terms of this Release, including, without limitation, the terms relating to my release of claims arising under ADEA;

(ii) I was given a period of not fewer than [21] / [45] [1] days to consider the terms of this Release and to consult with an attorney of my choosing with respect thereto, and was given the option to sign the Release in fewer than [21] / [45] days if I desired;

(iii) I am providing the release and discharge set forth in this Release only in exchange for consideration in addition to anything of value to which I am already entitled; and

(iv) I knowingly and voluntarily accept the terms of this Release.

I acknowledge that I understand that I may revoke this specific ADEA release contained in this Section II of this Release within seven days following the date on which I sign this Release (the " *Revocation Period* ") by providing to the General Counsel of Sonic written notice of my revocation of the release and waiver contained in this Section II of this Release prior to the expiration of the Revocation Period. This right of revocation relates only to the ADEA release set forth in this Section II of this Release and does not act as a revocation of any other term of this Release. Any payments or benefits provided to me under the Employment Agreement shall not commence unless the Revocation Period has expired.

III. Restrictive Covenants . I acknowledge that I am subject to Article VIII of the Employment Agreement, and I shall comply with the provisions thereof.

IV. Representations and Warranties .

I agree that I have not instituted, assisted or otherwise participated in connection with, any action, complaint, claim, charge, grievance, arbitration, lawsuit, or administrative agency proceeding, or action at law or otherwise against any member of the Company Group or any of their respective officers, employees, directors, shareholders or agents. I represent and warrant that I have not assigned any of the Claims being released under this Release.

I acknowledge that, except as expressly set forth herein, no representations of any kind or character have been made to me by Sonic or by any of its agents, representatives, or attorneys to induce the execution of this Release. I understand and acknowledge the significance and consequences of this Release, that it is voluntary, that it has not been entered into as a result of any coercion, duress or undue influence, and expressly confirm that it is to be given full force and effect according to all of its terms, including those relating to unknown Claims. I acknowledge that I had full opportunity to discuss any and all aspects of this Release with legal counsel, and have availed myself of that opportunity to the extent desired. I acknowledge that I have carefully read and fully understand all of the provisions of this Release and have signed below only after full reflection and analysis.

[1] A 45-day review period is offered only in the event of a reduction in force (within the meaning of ADEA).

V. Miscellaneous

This Release sets forth the entire understanding between Sonic and me in connection with its subject matter and supersedes and replaces any express or implied, written or oral, prior agreement of plans or arrangement with respect to the terms of my employment and the termination thereof which I may have had with the Company Group. I acknowledge that in signing this Release, I have not relied upon any representation or statement not set forth in this Release made by Sonic or any of its representatives.

By signing this Release, I acknowledge that: (a) I have read this Release; (b) I understand this Release and know that I am giving up important rights; (c) [Section II of this Release shall not become effective or enforceable for a period of seven (7) days following its execution]; (d) I was advised by Sonic, and I am aware, of my right to consult with an attorney before signing this Release; and (e) I have signed this Release knowingly and voluntarily and without any duress or undue influence on the part or behalf of Sonic.

_____
James P. O'Reilly

_____
Date

EXHIBIT 31.01

CERTIFICATION PURSUANT TO
SEC RULE 13a-14

I, J. Clifford Hudson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sonic Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 6, 2012

/s/ J. Clifford Hudson
J. Clifford Hudson
Chief Executive Officer

EXHIBIT 31.02

CERTIFICATION PURSUANT TO
SEC RULE 13a-14

I, Stephen C. Vaughan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sonic Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 6, 2012

/s/ Stephen C. Vaughan
Stephen C. Vaughan
Chief Financial Officer

EXHIBIT 32.01

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

The undersigned hereby certifies that to his knowledge the quarterly report of Sonic Corp. (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: July 6, 2012

/s/ J. Clifford Hudson
J. Clifford Hudson
Chief Executive Officer

EXHIBIT 32.02

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

The undersigned hereby certifies that to his knowledge the quarterly report of Sonic Corp. (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: July 6, 2012

/s/ Stephen C. Vaughan
Stephen C. Vaughan
Chief Financial Officer