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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, 2011

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)**

(Registrant's telephone number, including area code) (405) 225-5000

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 ☐

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 1, 2011, approximately 61,935,129 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, 2011	August 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 38,865**	$ 86,036
Restricted cash	**12,645**	12,546
Accounts and notes receivable, net	**34,539**	25,463
Prepaid expenses and other current assets	**10,314**	9,883
Total current assets	**96,363**	133,928
Noncurrent restricted cash	**8,157**	9,685
Notes receivable and other noncurrent assets, net	**13,401**	11,468
Property, equipment and capital leases	**760,329**	756,478
Less accumulated depreciation and amortization	**(288,668)**	(267,214)
Property, equipment and capital leases, net	**471,661**	489,264
Goodwill	**81,198**	82,089
Other intangibles, net	**4,157**	4,710
Debt origination costs, net	**16,342**	6,176
Total assets	**$ 691,279**	$ 737,320
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 12,636**	$ 11,772
Deposits from franchisees	**3,022**	3,299
Accrued liabilities	**37,358**	38,404
Current maturities of long-term debt and capital leases	**17,681**	65,133
Total current liabilities	**70,697**	118,608
Obligations under capital leases due after one year	**31,213**	32,872
Long-term debt due after one year	**521,606**	529,872
Deferred income taxes	**11,823**	14,981
Other noncurrent liabilities	**18,009**	18,421
Total non-current liabilities	**582,651**	596,146
Stockholders' equity:		
Preferred stock, par value $.01; 1,000 shares authorized; none outstanding	**—**	—
Common stock, par value $.01; 245,000 shares authorized; 118,309 shares issued (118,313 shares issued at August 31, 2010)	**1,183**	1,183
Paid-in capital	**228,561**	224,453
Retained earnings	**675,327**	670,488
Accumulated other comprehensive loss	**—**	(843)
	905,071	895,281
Treasury stock, at cost; 56,382 common shares (56,676 shares at August 31, 2010)	**(867,332)**	(872,937)
Total Sonic Corp. stockholders' equity	**37,739**	22,344
Noncontrolling interests	**192**	222
Total stockholders' equity	**37,931**	22,566
Total liabilities and stockholders' equity	**$ 691,279**	$ 737,320

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,	
	2011	2010	2011	2010
Revenues:				
Company-owned Drive-In sales	**$113,745**	$108,752	**$297,454**	$298,963
Franchise Drive-Ins:				
Franchise royalties	**34,825**	32,807	**88,650**	86,621
Franchise fees	**385**	854	**1,271**	1,936
Lease revenue	**1,828**	2,264	**4,347**	5,085
Other	**1,315**	1,368	**3,045**	3,250
	152,098	146,045	**394,767**	395,855
Costs and expenses:				
Company-owned Drive-Ins:				
Food and packaging	**31,996**	30,031	**83,559**	82,393
Payroll and other employee benefits	**40,169**	39,427	**108,068**	105,140
Other operating expenses, exclusive of depreciation and amortization included below	**23,549**	23,820	**66,765**	69,541
	95,714	93,278	**258,392**	257,074
Selling, general and administrative	**17,212**	17,096	**48,778**	50,552
Depreciation and amortization	**10,139**	10,645	**30,806**	31,958
Provision for impairment of long-lived assets	**49**	188	**313**	188
	123,114	121,207	**338,289**	339,772
Other operating income (expense), net	**(20)**	(184)	**255**	(706)
Income from operations	**28,964**	24,654	**56,733**	55,377
Interest expense	**7,991**	9,036	**24,414**	28,426
Interest income	**(161)**	(251)	**(513)**	(744)
Net loss from early extinguishment of debt	**28,230**	314	**23,025**	314
Net interest expense	**36,060**	9,099	**46,926**	27,996
Income (loss) before income taxes	**(7,096)**	15,555	**9,807**	27,381
Provision (benefit) for income taxes	**(2,742)**	3,450	**2,195**	6,538
Net income (loss) - including noncontrolling interests	**(4,354)**	12,105	**7,612**	20,843
Net income - noncontrolling interests	**297**	1,139	**673**	4,289
Net income (loss) - attributable to Sonic Corp.	**$ (4,651)**	$ 10,966	**$ 6,939**	$ 16,554
Basic income (loss) per share	**$ (0.08)**	$ 0.18	**$ 0.11**	$ 0.27
Diluted income (loss) per share	**$ (0.08)**	$ 0.18	**$ 0.11**	$ 0.27

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, 2011	Nine months ended May 31, 2010
Cash flows from operating activities:		
Net income - including noncontrolling interests	**$ 7,612**	$ 20,843
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**30,806**	31,958
Stock-based compensation expense	**4,474**	5,823
Net loss from early extinguishment of debt	**23,025**	314
Noncontrolling interests	**(673)**	(4,289)
Other	**1,938**	294
(Increase) decrease in operating assets:		
Restricted cash	**(4,816)**	6,458
Accounts receivable and other assets	**(7,269)**	(5,578)
Increase (decrease) in operating liabilities:		
Accounts payable	**1,488**	352
Accrued and other liabilities	**(1,832)**	(1,442)
Income taxes	**(6,517)**	(12,819)
Total adjustments	**40,624**	21,071
Net cash provided by operating activities	**48,236**	41,914
Cash flows from investing activities:		
Purchases of property and equipment	**(14,739)**	(19,192)
Proceeds from disposition of assets	**2,710**	12,957
Other	**1,373**	562
Net cash used in investing activities	**(10,656)**	(5,673)
Cash flows from financing activities:		
Payments on and purchases of debt	**(585,235)**	(90,851)
Proceeds from borrowings	**535,000**	—
Restricted cash for securitization obligations	**6,245**	(762)
Proceeds from exercise of stock options	**1,666**	3,336
Proceeds from sale of noncontrolling interests	**40**	521
Purchases of noncontrolling interests	**(160)**	(8,862)
Debt issuance and extinguishment costs	**(39,883)**	—
Other	**(2,424)**	(7,054)
Net cash used in financing activities	**(84,751)**	(103,672)
Net decrease in cash and cash equivalents	**(47,171)**	(67,431)
Cash and cash equivalents at beginning of period	**86,036**	137,597
Cash and cash equivalents at end of period	**$ 38,865**	$ 70,166

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

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SONIC CORP.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock				Accumulated Other		Noncontrolling	Total Stockholders'
	Shares	Amount	Paid-in Capital	Retained Earnings	Comprehensive Loss	Treasury Stock	Interests	Equity
				(Amounts in thousands)				
Balance at August 31, 2010	118,313	$1,183	$224,453	$670,488	$ (843)	$(872,937)	$ 222	$ 22,566
Comprehensive income:								
Net income	—	—	—	6,939	—	—	673	7,612
Net change in deferred hedging losses, net of tax of $522	—	—	—	—	843	—	—	843
Total comprehensive income, net of income taxes								8,455
Changes to noncontrolling interests	—	—	1,781	—	—	—	(703)	1,078
Stock-based compensation expense	—	—	4,474	—	—	—	—	4,474
Exercise of stock options and issuance of restricted stock	(4)	—	(1,968)	(2,044)	—	5,678	—	1,666
Other	—	—	(179)	(56)	—	(73)	—	(308)
Balance at May 31, 2011	118,309	$1,183	$228,561	$675,327	$ —	$(867,332)	$ 192	$ 37,931

The accompanying notes are an integral part of these 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 ("U.S.") generally accepted accounting principles ("GAAP") and with the rules and regulations of the Securities and Exchange Commission (the "SEC"). 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, 2010 included in the Company's Annual Report on Form 10-K, and the Company's Quarterly Reports on Form 10-Q for the periods ended November 30, 2010, and February 28, 2011. 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-owned 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.

The Company buys and sells Company-owned Drive-Ins as a part of its ongoing business operations. Gains and losses derived from these transactions have historically been reported net in other revenues on the Condensed Consolidated Statements of Income. Beginning in the third quarter of fiscal year 2010, the Company reported these net gains and losses in other operating income. The Company has reclassified amounts previously reported in prior fiscal periods to conform to the current year presentation.

The Company has historically classified bonuses related to management at Company-owned Drive-Ins as a component of other operating expenses within costs and expenses for Company-owned Drive-Ins on the Condensed Consolidated Statements of Income. Beginning in the fourth quarter of fiscal year 2010, the Company reported these amounts in payroll and other employee benefits. The Company has reclassified amounts previously reported in prior fiscal periods to conform to the current year presentation.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS")." This pronouncement was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This pronouncement is effective for reporting periods beginning on or after December 15, 2011, with early adoption prohibited. The new guidance will require prospective application. The Company is currently evaluating the effect that the provisions of this pronouncement will have on its financial statements.

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

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income" which was issued to enhance comparability between entities that report under U.S. GAAP and IFRS, and to provide a more consistent method of presenting non-owner transactions that affect an entity's equity. ASU 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in stockholders' equity and requires an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. This pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption of the new guidance is permitted and full retrospective application is required. The Company is currently evaluating the effect that the provisions of this pronouncement will have on its financial statements.

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,	
	2011	**2010**	**2011**	**2010**
Numerator:				
Net income (loss) – attributable to Sonic Corp.	**$ (4,651)**	$10,966	**$ 6,939**	$16,554
Denominator:				
Weighted average common shares outstanding – basic	**61,842**	61,434	**61,723**	61,215
Effect of dilutive employee stock options and unvested restricted stock units	**158**	263	**150**	317
Weighted average common shares – diluted	**62,000**	61,697	**61,873**	61,532
Net income (loss) per common share – basic	**$ (0.08)**	$ 0.18	**$ 0.11**	$ 0.27
Net income (loss) per common share – diluted	**$ (0.08)**	$ 0.18	**$ 0.11**	$ 0.27

For the three months ended May 31, 2011 and 2010, there were approximately 6,500 and 5,100 anti-dilutive securities, respectively. 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 were 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. For the nine months ended May 31, 2011 and 2010, there were approximately 6,600 and 6,400 anti-dilutive securities, respectively.

3. Income Taxes

As of May 31, 2011, the Company had $4,954 of unrecognized tax benefits, including $837 of interest and penalties. During the first nine months of fiscal year 2011, the liability for unrecognized tax benefits decreased by $675. The majority of the change was due to the settlement of a state tax audit in the first quarter of fiscal year 2011, which resulted in a decrease to state unrecognized tax positions from prior years. The Company recognizes estimated interest and penalties as a component of its income tax expense, net of federal benefit. If recognized, $3,217 of unrecognized tax benefits would favorably impact the effective tax rate.

The Company or one of its subsidiaries is subject to U.S. federal income tax and income tax in multiple U.S. state jurisdictions. The Company is currently undergoing examinations or appeals by various state and federal authorities. The Company anticipates that the finalization of these examinations or appeals, combined with the expiration of applicable statutes of limitations and the additional accrual of interest related to unrecognized benefits on various return positions taken in years still open for examination, could result in a change to the liability for unrecognized tax benefits during the next 12 months ranging from a decrease of $120 to a decrease of $3,635 depending on the timing and terms of the examination resolutions.

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

After the adoption of FASB Accounting Standards Codification ("ASC") Topic 810 – "Consolidation," noncontrolling interests are presented pre-tax as "net income-noncontrolling interests" on the Condensed Consolidated Statements of Income and no longer as a component of operating income. As a result, the Company's effective tax rate appears lower than its actual tax rate. The following table reconciles the difference in the effective tax rate as a result of this presentation:

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	2011	2010
Effective tax rate (including income attributable to noncontrolling interests) (1)	**38.6%**	22.2%	**22.4%**	23.9%
Book income attributable to noncontrolling interests (1)	**(1.5)**	1.7	**1.6**	4.4
Effective tax rate (excluding income attributable to noncontrolling interests) (1)	**37.1%**	23.9%	**24.0%**	28.3%

(1) See Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for an explanation of the changes in noncontrolling interests and the Company's effective tax rate.

4. 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. The Company assesses the recoverability of its Company-owned Drive-Ins by estimating the undiscounted net cash flows expected to be generated over the remaining life of the Company-owned Drive-Ins. This involves estimating same-store sales and margins for the cash flows period. The amount of impairment, if any, is measured based on projected discounted future net cash flows. When impairment exists, the carrying value of the asset is written down to fair value. 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

Goodwill represents the excess of the cost of an acquired business over the net of the amounts assigned to assets acquired and liabilities assumed. Under the provisions of ASC Topic 350 – "Intangibles – Goodwill and Other," goodwill is required to be tested for impairment on an annual basis and between annual tests whenever indications of impairment arise. In assessing the recoverability of goodwill, the Company estimates the fair value of its reporting units, Company-owned Drive-Ins and Franchise Operations, using a discounted cash flow analysis and a market multiple approach. These valuation methods incorporate significant management assumptions such as revenue growth rates, operating margins, weighted average cost of capital, and future economic and market conditions. In addition, the market multiple approach includes significant assumptions such as the use of recent historical market multiples to estimate future market pricing. These assumptions are significant factors in calculating the value of the reporting units and can be affected by changes in consumer demand, commodity pricing, labor and other operating costs, the Company's cost of capital and its ability to identify buyers in the market. There are inherent uncertainties related to these factors and management's judgment in applying them. As of May 31, 2011, the Company had $81.2 million of goodwill, of which $75.2 million was attributable to the Company-owned Drive-Ins segment and $6.0 million was attributable to the Franchise Operations segment. 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, 2010.

5. 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

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

insurance or would not have a material adverse effect on the Company's business or financial condition.

The Company initiated an agreement with First Franchise Capital Corporation ("FFCC") in September 2006, pursuant to which existing Sonic franchisees may qualify with FFCC to finance drive-in retrofit projects. The agreement provides that Sonic will guarantee at least $0.3 million of such financing, limited to 5% of the aggregate amount of loans, not to exceed $3.8 million. As of May 31, 2011, the total amount guaranteed under the FFCC agreement was $0.4 million. The agreement provides for release of Sonic's guarantee on individual loans under the program that meet certain payment history criteria at the mid-point of each loan's term. Existing loans under the program have terms through 2016. In the event of default by a franchisee, the Company is obligated to pay FFCC the outstanding balances plus limited interest and charges up to Sonic's guarantee limitation. FFCC is obligated to pursue collections as if Sonic's guarantee were not in place, therefore, providing recourse with the franchisee under the notes. At this time, the Company does not anticipate making any material guarantee payments under this program. The Company's liability for this guarantee, which is based on fair value, was $0.1 million as of May 31, 2011.

The Company has an agreement with GE Capital Franchise Finance Corporation ("GEC"), pursuant to which GEC made loans to existing Sonic franchisees who met certain underwriting criteria set by GEC. Under the terms of the agreement with GEC, the Company provided a guarantee of 10% of the outstanding balance of loans from GEC to the Sonic franchisees, limited to a maximum amount of $5.0 million. As of May 31, 2011, the total amount guaranteed under the GEC agreement was $0.7 million. The Company ceased guaranteeing new loans under the program during fiscal year 2002 and has not recorded a liability for guarantees under the program. Existing loans under guarantee will expire through 2013. In the event of default by a franchisee, the Company has the option to fulfill the franchisee's obligations under the note or to become the note holder, which would provide an avenue of recourse with the franchisee under the notes. At this time, the Company does not anticipate making any material guarantee payments under this program.

The Company has obligations under various lease agreements with third-party lessors related to the real estate for Company-owned Drive-In operations that were sold to franchisees. Under these agreements, the Company remains secondarily liable for the lease payments for which it was responsible as the original lessee. As of May 31, 2011, the amount remaining under the guaranteed lease obligations for which no liability has been provided totaled $9.7 million. At this time, the Company does not anticipate any material defaults under the foregoing leases; therefore, no liability has been provided as of May 31, 2011. In addition, capital lease obligations totaling $0.9 million are still reflected as liabilities as of May 31, 2011 for operations sold to franchisees. At this time, the Company also does not anticipate any material defaults under these leases.

6. Debt

On May 20, 2011, various subsidiaries of the Company (the "Co-Issuers") issued $500 million of Series 2011-1 Senior Secured Fixed Rate Notes, Class A-2 (the "2011 Fixed Rate Notes") in a private transaction which bears interest at 5.4% per annum. The 2011 Fixed Rate Notes have an expected life of seven years with an anticipated repayment date in May 2018 based on the terms of the debt agreement. At May 31, 2011, the balance outstanding under the 2011 Fixed Rate Notes including accrued interest totaled $500.8 million and carried a weighted-average interest cost of 5.8%, including the effect of the loan origination costs described below.

In connection with the issuance of the 2011 Fixed Rate Notes, the Co-Issuers also entered into a securitized financing facility of Series 2011-1 Senior Secured Variable Funding Notes, Class A-1 (the "2011 Variable Funding Notes"). This revolving credit facility allows for the issuance of up to $100 million of 2011 Variable Funding Notes and certain other credit instruments, including letters of credit. The 2011 Variable Funding Notes have an expected life of five years with an anticipated repayment date in May 2016 based on the terms of the debt agreement. Interest on the 2011 Variable Funding Notes is payable monthly at rates equal to the one-month London Interbank Offered Rate or Commercial Paper, depending on the funding source, plus 3.75% per annum. There is a 0.5% annual commitment fee payable monthly on the unused portion of the 2011 Variable Funding Notes facility. The Company borrowed $35 million under the 2011 Variable Funding Notes facility at closing, and has the ability to draw additional amounts under the facility from time to time as needed. At May 31, 2011, the balance outstanding under the 2011 Variable Funding Notes including accrued interest totaled $35.0 million with an effective borrowing rate of 3.9% before the amortization of loan origination costs described below. Subsequent to the end of the third quarter of fiscal year 2011, the Company repaid the outstanding balance under its 2011 Variable Funding Notes.

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

Sonic used the $535 million of net proceeds from the issuance of the 2011 Fixed Rate Notes and 2011 Variable Funding Notes (collectively, the "2011 Notes") to repay its existing 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 "2006 Fixed Rate Notes" and, together with the 2006 Variable Funding Notes, the "2006 Notes") in full and to pay the costs associated with the securitized financing transaction, including the existing noteholder and insurer make-whole premiums.

Loan origination costs associated with the Company's May 20, 2011 refinancing totaled $16.4 million and were allocated between the 2011 Notes. Loan costs are being amortized over each note's expected life and the unamortized balance is categorized as "debt origination costs, net" on the Condensed Consolidated Balance Sheets.

While the 2011 Fixed Rate Notes and the 2011 Variable Funding Notes are structured to provide for seven-year and five-year lives, respectively, they have a legal final maturity date of May 2041. The Company intends to repay or refinance the 2011 Notes on or before the end of their respective expected lives. In the event the 2011 Notes are not paid in full by the end of their expected lives, the Notes are subject to an upward adjustment in the interest rate of at least 5% per annum. In addition, principal payments will accelerate by applying all of the royalties, lease revenues and other fees securing the debt, after deducting certain expenses, until the debt is paid in full. Also, any unfunded amount under the 2011 Variable Funding Notes will become unavailable.

The Co-Issuers and Sonic Franchising LLC (the "Guarantor") are existing special purpose, bankruptcy remote, indirect subsidiaries of Sonic Corp. that hold substantially all of Sonic's franchising assets and real estate. As of May 31, 2011, assets for these combined indirect subsidiaries totaled $393 million, including receivables for royalties, certain Company-owned and Franchise Drive-In real estate, intangible assets and restricted cash balances of $20.8 million. The 2011 Notes are secured by franchise fees, royalty payments and lease payments, and the repayment of the 2011 Notes is expected to be made solely from the income derived from the Co-Issuer's assets. In addition, the Guarantor, a Sonic Corp. subsidiary that acts as a franchisor, has guaranteed the obligations of the Co-Issuers under the 2011 Notes and pledged substantially all of its assets to secure those obligations.

Neither Sonic Corp., the ultimate parent of the Co-Issuers and the Guarantor, nor any other subsidiary of Sonic, guarantee or in any way are liable for the obligations of the Co-Issuers under the 2011 Notes. The Company has, however, agreed to cause the performance of certain obligations of its subsidiaries, principally related to managing the assets included as collateral for the 2011 Notes and certain indemnity obligations relating to the transfer of the collateral assets to the Co-Issuers.

The 2011 Notes are subject to a series of covenants and restrictions similar to the Company's 2006 Notes and customary for transactions of this type. If certain covenants or restrictions are not met, the 2011 Notes are subject to customary accelerated repayment events and events of default. Although management does not anticipate an event of default or any other event of noncompliance with the provisions of the debt, if such event occurred, the unpaid amounts outstanding could become immediately due and payable.

In connection with this transaction, 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.

As a result of the May 2011 refinancing discussed above, the Company's arrangement with the third-party insurance company that guaranteed its debt payments under the Company's 2006 Notes was terminated.

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

7. Comprehensive Income (Loss)

The components of comprehensive income (loss), net of income tax, are as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	2011	2010
Net income (loss) - attributable to Sonic Corp.	**$(4,651)**	$10,966	**$6,939**	$16,554
Net income - noncontrolling interests (1)	**297**	1,139	**673**	4,289
Change in deferred hedging loss, net of tax (2)	**626**	265	**843**	543
Total comprehensive income (loss)	**$(3,728)**	$12,370	**$8,455**	$21,386

(1) See Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for an explanation of the decline in net income – noncontrolling interests.

(2) Change in deferred hedging loss is recorded net of tax of $0.4 million for the three months ending May 31, 2011 and $0.2 million for the same period in fiscal year 2010. For the nine months ending May 31, 2011 and 2010, the change is recorded net of tax of $0.5 million and $0.3 million, respectively.

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 FASB:

- 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.

The table below sets forth our fair value hierarchy for financial assets measured at fair value on a recurring basis as of May 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	**$ 11,377**	**$ —**	**$ —**	**$11,377**
Restricted cash (current)	**12,645**	**—**	**—**	**12,645**
Restricted cash (noncurrent)	**8,157**	**—**	**—**	**8,157**
Total	**$ 32,179**	**$ —**	**$ —**	**$32,179**

At May 31, 2011 the fair value of the Company's 2011 Fixed Rate Notes and 2011 Variable Funding Notes approximated the carrying value of $500.8 million (including accrued interest) and $35.0 million (including accrued interest), respectively.

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 August 31, 2010 (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	$ 74,132	$ —	$ —	$74,132
Restricted cash (current)	12,546	—	—	12,546
Restricted cash (noncurrent)	9,685	—	—	9,685
Total	$ 96,363	$ —	$ —	$96,363

At August 31, 2010 the fair value of the Company's 2006 Fixed Rate Notes was estimated at $388.1 million versus a carrying value of $404.0 million (including accrued interest). The fair value of the Company's 2006 Variable Funding Notes at August 31, 2010 was estimated at $163.6 million versus a carrying value of $187.3 million (including accrued interest).

9. Segment Information

ASC Topic 280 – "Segment Reporting" establishes annual and interim reporting standards for an enterprise's operating segments. Operating segments are generally defined as components of an enterprise about 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-owned Drive-Ins and Franchise Operations. The Company-owned 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 and initial franchise fees 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,	
	2011	2010	2011	2010
Revenues:				
Company-owned Drive-Ins	**$113,745**	$108,752	**$297,454**	$298,963
Franchise Operations	**35,210**	33,661	**89,921**	88,557
Unallocated revenues	**3,143**	3,632	**7,392**	8,335
	$152,098	$146,045	**$394,767**	$395,855
Income from Operations:				
Company-owned Drive-Ins	**$ 18,031**	$ 15,474	**$ 39,062**	$ 41,889
Franchise Operations	**35,210**	33,661	**89,921**	88,557
Unallocated income	**3,123**	3,448	**7,647**	7,629
Unallocated expenses:				
Selling, general and administrative	**(17,212)**	(17,096)	**(48,778)**	(50,552)
Depreciation and amortization	**(10,139)**	(10,645)	**(30,806)**	(31,958)
Provision for impairment of long-lived assets	**(49)**	(188)	**(313)**	(188)
Income from Operations	**$ 28,964**	$ 24,654	**$ 56,733**	$ 55,377

10. Subsequent Event

Subsequent to the end of the third quarter of fiscal year 2011, the Company repaid the outstanding balance under its 2011 Variable Funding Notes.

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 of fiscal year 2011 continued to show signs of improvement, highlighted by positive same-store sales. System-wide same-store sales increased 3.9% during the third quarter and 0.9% during the first nine months of fiscal year 2011, an improving trend as compared to declines of 6.0% and 8.3%, respectively, for the same periods last year. Same-store sales at Company-owned Drive-Ins increased by 6.5% for the third quarter and 2.4% for the first nine months of fiscal year 2011 as compared to declines of 6.3% and 9.9%, respectively, for the same periods in fiscal 2010. We believe these results reflect the positive impact of the initiatives implemented in fiscal year 2010, including a greater emphasis on personalized service with skating Carhops and the product quality improvements made over the past two years. We also believe these results reflect a modestly strengthening economy. Positive system-wide same-store sales drive other aspects of our multi-layered growth strategy, such as our ascending royalty rate and increased operating cash flows.

Revenues increased to $152.1 million for the third quarter of fiscal year 2011 from $146.0 million for the same period last year, which was largely driven by an improvement in system-wide same-store sales, particularly at our Company-owned Drive-Ins. Revenues decreased slightly to $394.8 million for the first nine months of fiscal year 2011 from $395.9 million for the same period last year. The decrease in revenues for the first nine months of 2011 was primarily attributable to the impact of refranchising 16 Company-owned Drive-Ins in the second quarter of fiscal year 2010 and, to a lesser extent, drive-ins that were closed during or subsequent to the third quarter of fiscal year 2010. Margins at Company-owned Drive-Ins, adjusted for noncontrolling interests, improved by 240 basis points during the third quarter of fiscal year 2011 and remained relatively flat for the first nine months of fiscal year 2011 reflecting the leverage of positive same-store sales. Net interest expense increased $27.0 million for the third quarter of fiscal year 2011 as compared to the same period last year 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. Third quarter results for fiscal year 2011 reflected a net loss of $4.7 million or $0.08 per diluted share versus net income of $11.0 million or $0.18 per diluted share for the same period last year. Net income and diluted earnings per share for the first nine months of fiscal year 2011 were $6.9 million and $0.11, respectively, as compared to net income of $16.6 million or $0.27 per diluted share for the same period last year. Excluding an after-tax loss of $17.8 million from the early extinguishment of debt during the third quarter of fiscal year 2011, net income and diluted earnings per share for the third quarter of fiscal year 2011 were $13.1 million and $0.21, 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 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, 2011		Three Months Ended May 31, 2010	
	Net Income (Loss)	Diluted EPS	Net Income	Diluted EPS
Reported – GAAP	$ (4,651)	$(0.08)	$10,966	$ 0.18
After-tax loss from early extinguishment of debt	17,760	0.29	239	—
Tax benefit of stock option exchange program	—	—	(1,751)	(0.03)
Adjusted – Non-GAAP	$ 13,109	$ 0.21	$ 9,454	$ 0.15

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The following table provides information regarding the number of Company-owned 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-owned 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,	
	2011	2010	2011	2010
Percentage increase (decrease) in sales	**4.7%**	(3.1%)	**1.3%**	(5.0%)
System-wide drive-ins in operation [1]:				
Total at beginning of period	**3,555**	3,560	**3,572**	3,544
Opened	**12**	19	**26**	61
Closed (net of re-openings)	**(8)**	(9)	**(39)**	(35)
Total at end of period	**3,559**	3,570	**3,559**	3,570
Average sales per drive-in:	**$ 287**	$ 272	**$ 747**	$ 733
Change in same-store sales [2]:	**3.9%**	(6.0%)	**0.9%**	(8.3%)

(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.

System-wide same-store sales continued to improve during the third quarter and first nine months of fiscal year 2011 primarily due to an increase in traffic (number of transactions per drive-in) which we believe is largely attributable to the ongoing positive impact of our strategic initiatives as well as a modestly strengthening economy. The Company implemented a number of initiatives in fiscal year 2010 designed to provide a unique and high quality customer service experience with the goal of improving same-store sales by driving both traffic and average check. These initiatives include focusing on customer service and improving the quality of the Company's differentiated food and drink products. System-wide same-store sales increased 3.9% during the third quarter of fiscal year 2011 and 0.9% during the first nine months of fiscal year 2011, an improving trend as compared to declines of 6.0% and 8.3%, respectively, for the same periods last year. During the first nine months of fiscal year 2011, 39 lower-volume stores, including 35 Franchise Drive-Ins, were closed. We believe these closures combined with financial restructuring activities will put the affected franchisees in a stronger financial position and allow them to focus on improving same-store sales for existing stores. As part of our ongoing operations we will continue to evaluate our lower performing stores.

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

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	2011	2010
New drive-ins:				
Company-owned	**—**	1	**—**	4
Franchise	**12**	18	**26**	57
System-wide	**12**	19	**26**	61
Rebuilds/relocations:				
Company-owned	**—**	—	**2**	11
Franchise	**4**	5	**11**	21
System-wide	**4**	5	**13**	32

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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, 2011	Three months ended May 31, 2010	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Company-owned Drive-In sales	**$113,745**	$108,752	$ 4,993	4.6%
Franchise Drive-Ins:				
Franchise royalties	**34,825**	32,807	2,018	6.2%
Franchise fees	**385**	854	(469)	(54.9%)
Lease revenue	**1,828**	2,264	(436)	(19.3%)
Other	**1,315**	1,368	(53)	(3.9%)
Total revenues	**$152,098**	$146,045	$ 6,053	4.1%

Revenues
($ in thousands)

	Nine months ended May 31, 2011	Nine months ended May 31, 2010	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Company-owned Drive-In sales	**$297,454**	$298,963	$ (1,509)	(0.5%)
Franchise Drive-Ins:				
Franchise royalties	**88,650**	86,621	2,029	2.3%
Franchise fees	**1,271**	1,936	(665)	(34.3%)
Lease revenue	**4,347**	5,085	(738)	(14.5%)
Other	**3,045**	3,250	(205)	(6.3%)
Total revenues	**$394,767**	$395,855	$ (1,088)	(0.3%)

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

Company-owned Drive-In Sales
($ in thousands)

	Three months ended May 31,		Nine months ended May 31,	
	2011	2010	2011	2010
Company-owned Drive-In sales	**$113,745**	$108,752	**$297,454**	$298,963
Percentage increase (decrease)	**4.6%**	(24.6%)	**(0.5%)**	(31.9%)
Company-owned Drive-Ins in operation [1]:				
Total at beginning of period	**451**	457	**455**	475
Opened	**—**	1	**—**	4
Acquired from (sold to) franchisees, net	**(4)**	—	**(6)**	(16)
Closed (net of re-openings)	**(2)**	—	**(4)**	(5)
Total at end of period	**445**	458	**445**	458
Average sales per drive-in	**$ 256**	$ 238	**$ 665**	$ 642
Percentage increase (decrease)	**7.6%**	(4.4%)	**3.6%**	(6.8%)
Change in same-store sales [2]	**6.5%**	(6.3%)	**2.4%**	(9.9%)

(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.

Same-store sales for Company-owned Drive-Ins increased 6.5% for the third quarter of fiscal year 2011 and increased 2.4% for the first nine months of fiscal year 2011, as compared to declines of 6.3% and 9.9%, respectively, for the same periods last year, which represents an improving trend that we attribute to the initiatives we have implemented and a modestly strengthening economy. In addition to the implementation of system-wide initiatives in fiscal year 2010, we have implemented a number of initiatives at Company-owned Drive-Ins which have contributed to same-store sales outperforming Franchise Drive-Ins during the third quarter and first nine months of fiscal year 2011. These initiatives included restructuring management of our Company-owned Drive-In operations to reduce excess management layers, revising the compensation program at the drive-in level, and implementing a customer service initiative to improve sales and profits. These efforts were focused on narrowing the average unit volume gap with Franchise Drive-Ins and improving restaurant-level margins. Company-owned Drive-In sales increased $5.0 million, or 4.6% for the third quarter of fiscal year 2011 and decreased $1.5 million, or 0.5% for the first nine months of fiscal year 2011 as compared to the same periods last year. The increase in sales for the third quarter of fiscal year 2011 was largely driven by an increase in same-store sales for existing stores. The decrease in sales for the first nine months of fiscal year 2011 was primarily driven by the refranchising of 16 Company-owned Drive-Ins in the second quarter of fiscal year 2010 and, to a lesser extent, drive-ins that were closed during or subsequent to the third quarter of fiscal year 2010. We had thirteen fewer Company-owned Drive-Ins at the end of our third fiscal quarter 2011 as compared to the same period last year.

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The following table reflects the change in franchise income (franchise royalties and franchise fees) 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,	
	2011	**2010**	**2011**	**2010**
Franchise fees and royalties [1]	**$ 35,210**	$ 33,661	**$ 89,921**	$ 88,557
Percentage increases (decrease)	**4.6%**	(3.1%)	**1.5%**	(4.0%)
Franchise Drive-Ins in operation: [2]				
Total at beginning of period	**3,104**	3,103	**3,117**	3,069
Opened	**12**	18	**26**	57
Acquired from (sold to) company, net	**4**	—	**6**	16
Closed (net of re-openings)	**(6)**	(9)	**(35)**	(30)
Total at end of period	**3,114**	3,112	**3,114**	3,112
Franchise Drive-In sales	**$906,401**	$865,676	**$2,352,065**	$2,315,851
Percentage change	**4.7%**	0.5%	**1.6%**	0.1%
Effective royalty rate	**3.84%**	3.79%	**3.77%**	3.74%
Average sales per Franchise Drive-In	**$ 292**	$ 279	**$ 760**	$ 749
Change in same-store sales [3]	**3.6%**	(6.0%)	**0.8%**	(8.1%)

(1) 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, 2010.

(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 3.6% for the third quarter of fiscal year 2011 and 0.8% for the first nine months of fiscal year 2011, as compared to declines of 6.0% and 8.1%, respectively, for the same periods last year, which represents an improving trend that we attribute to the initiatives we have implemented and a modestly strengthening economy. Franchise royalties increased $2.0 million for both the third quarter of fiscal year 2011 and the first nine months of fiscal year 2011. The increase in franchise royalties was primarily driven by an increase in same-store sales combined with a higher effective royalty rate. Franchise Drive-In openings were 12 and 26 for the third quarter and first nine months of fiscal year 2011, respectively, as compared to 18 and 57 for the same periods in the previous year, respectively. The decline in openings is primarily a result of the prior softer sales environment.

Operating Expenses . The following table presents the overall costs of drive-in operations as a percentage of Company-owned 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. Noncontrolling interests of Company-owned Drive-Ins are no longer included as part of cost of sales in the Condensed Consolidated Statements of Income. We have included noncontrolling interests for comparative purposes in the table below because we believe it is helpful in understanding the impact our new compensation program, which was implemented in the third quarter of fiscal year 2010, had on Company-owned Drive-In margins.

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Restaurant-Level Margins

	Three months ended May 31, 2011	Three months ended May 31, 2010	Percentage points Increase (Decrease)
Costs and expenses [1]:			
Company-owned Drive-Ins:			
Food and packaging	**28.1%**	27.6%	**0.5**
Payroll and other employee benefits	**35.3**	36.3	**(1.0)**
Other operating expenses	**20.7**	21.9	**(1.2)**
Cost of sales, as reported	**84.1%**	85.8%	**(1.7)**
Noncontrolling interests	**0.3%**	1.0%	**(0.7)**
Pro forma cost of sales, including noncontrolling interests	**84.4%**	86.8%	**(2.4)**

	Nine months ended May 31, 2011	Nine months ended May 31, 2010	Percentage points Increase (Decrease)
Costs and expenses [1]:			
Company-owned Drive-Ins:			
Food and packaging	**28.1%**	27.6%	**0.5**
Payroll and other employee benefits	**36.3**	35.2	**1.1**
Other operating expenses	**22.5**	23.2	**(0.7)**
Cost of sales, as reported	**86.9%**	86.0%	**0.9**
Noncontrolling interests	**0.2%**	1.4%	**(1.2)**
Pro forma cost of sales, including noncontrolling interests	**87.1%**	87.4%	**(0.3)**

(1) Calculated as a percentage of Company-owned Drive-In Sales.

Restaurant-level operating costs improved by 240 basis points during the third quarter of fiscal year 2011 and remained relatively flat for the first nine months of fiscal year 2011 as compared to the same periods last year. Our overall restaurant-level operating costs reflect the effect of strong same-store sales momentum for Company-owned Drive-Ins. Food and packaging cost increases during the third quarter and first nine months of fiscal year 2011 were driven by investments in product quality improvements and higher commodity costs. Beginning in the fourth quarter of fiscal year 2010 manager and supervisor bonuses were reclassified from other operating expenses to payroll and other employee benefits. Prior fiscal periods have been reclassified to conform to the current presentation.

Selling, General and Administrative ("SG&A"). SG&A expenses increased slightly to $17.2 million for the third quarter of fiscal year 2011 from $17.1 million and decreased $1.8 million, or 3.5%, to $48.8 million for the first nine months of fiscal year 2011 as compared to the same periods last year. The decrease in SG&A expense for the first nine months of fiscal year 2011 was largely attributable to declines in bad debt expense which was primarily related to our provision for bad debt in the prior year which has moderated in fiscal year 2011 due to an improvement in sales trends.

Depreciation and Amortization. Depreciation and amortization expense decreased $0.5 million, or 4.8%, to $10.1 million for the third quarter of fiscal year 2011 and decreased $1.2 million, or 3.6%, to $30.8 million for the first nine months of fiscal year 2011 as compared to the same periods last year. This decrease was primarily attributable to the refranchising of 16 Company-owned Drive-Ins in fiscal year 2010. Capital expenditures during the first nine months of fiscal year 2011 were $14.7 million.

Interest Expense, Net . The increase in net interest expense for the third quarter and first nine months of fiscal year 2011 as compared to the same periods last year is primarily the 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 that resulted from purchasing a portion of our Series 2006-1 Senior Secured Variable Funding Notes, Class A-1 (the "2006 Variable Funding Notes") at a discount in the second quarter of fiscal year 2011. Excluding the early extinguishments of debt, net interest expense decreased $1.0 million for the third quarter of fiscal year 2011 and $3.8 million for the first nine months of fiscal year 2011 as compared to the same periods in 2010. This decrease was primarily attributable to lower levels of borrowings stemming from $120.4 million in debt buy-backs of our 2006 Variable Funding Notes and Series 2006-1 Senior Secured Fixed Rate Notes, Class A-2 (the "2006 Fixed Rate Notes" and, together with the 2006 Variable Funding Notes, the "2006 Notes") and scheduled principal payments of $56.9 million since the third quarter of fiscal year 2010. See "Liquidity and Sources of Capital" and "Item 3. Quantitative and Qualitative Disclosures About Market Risk" below for additional information on our May 2011 refinancing and factors that could impact interest expense.

Income Taxes. The provision for income taxes, excluding income attributable to noncontrolling interests, reflects an effective tax rate of 37.1% for the third quarter of fiscal year 2011 as compared to 23.9% for the same period in 2010. This increase was primarily attributable to a $1.8 million tax benefit associated with the stock option exchange program that was implemented during the third quarter of fiscal year 2010. Our effective income tax rate, excluding income attributable to noncontrolling interests, decreased to 24.0% for the first nine months of fiscal year 2011 from 28.3% for the first nine months of fiscal year 2010. The lower effective income tax rate for the first nine months of fiscal year 2011 was primarily attributable to a decrease in our liability for unrecognized tax benefits resulting from the settlement of state tax audits during the first quarter of fiscal year 2011. Our tax rate may continue to vary significantly from quarter to quarter depending on the timing of option exercises and dispositions by option-holders and as circumstances on individual tax matters change.

Net Income - Noncontrolling Interests. As a result of the change to our new compensation program for Company-owned Drive-Ins, compensation costs that were formerly reflected as noncontrolling interests relating to store-level managers are now included in payroll and other employee benefits. Primarily due to this change, net income - noncontrolling interests decreased $0.8 million, or 73.9%, to $0.3 million for the third quarter of fiscal year 2011 and decreased $3.6 million, or 84.3%, to $0.7 million for the first nine months of fiscal year 2011 as compared to the same periods in fiscal year 2010.

Financial Position

Total assets decreased $46.0 million, or 6.2%, to $691.3 million during the first nine months of fiscal year 2011 from $737.3 million at the end of fiscal year 2010. This decrease was primarily attributable to a $47.1 million decrease in current restricted and unrestricted cash resulting from scheduled principal payments on our debt in addition to the repurchase of a portion of our 2006 Variable Funding Notes in December 2010. Additionally, net property, equipment and capital leases decreased by $17.6 million resulting primarily from depreciation during the year. These decreases were offset by a $10.2 million net increase in debt origination costs related to our May 2011 refinancing and an increase in income taxes receivable.

Total liabilities decreased $61.4 million, or 8.6%, to $653.3 million during the first nine months of fiscal year 2011 from $714.8 million at the end of fiscal year 2010. This decrease was primarily the result of the repurchase of our 2006 Variable Funding Notes discussed above and scheduled principal repayments of $41.6 million during the first nine months of fiscal year 2011.

Total stockholders' equity increased $15.4 million, or 68.1%, to $37.9 million during the first nine months of fiscal year 2011 from $22.6 million at the end of fiscal year 2010. This increase was largely attributable to current year earnings and a $4.5 million increase in paid-in capital relating to stock-based compensation.

Liquidity and Sources of Capital

Operating Cash Flows . Net cash provided by operating activities increased $6.3 million to $48.2 million for the first nine months of fiscal year 2011 as compared to $41.9 million for the same period in fiscal year 2010. This increase primarily relates to an improvement in same-store sales and a reduction in income tax payments in the first nine months of fiscal year 2011 as compared to the same period in the prior year. These increases were partially offset by changes in restricted cash.

Investing Cash Flows . Cash used in investing activities increased $5.0 million to $10.7 million for the first nine months of fiscal year 2011 as compared to $5.7 million for the same period in fiscal year 2010. The increase in cash used in investing activities during the first nine months of fiscal year 2011 primarily relates to a $8.9 million decrease of proceeds from the disposition of assets that were sold in fiscal year 2009 and became unrestricted in the first quarter of fiscal year 2010. The following table sets forth the components of our investments in capital additions for the first nine months of fiscal year 2011 (in millions):

Replacement equipment for existing drive-ins and other	$10.3
Rebuilds, relocations and remodels of existing drive-ins	2.6
New Company-owned Drive-Ins, including drive-ins under construction	1.2
Retrofits, drive thru additions and LED signs	0.6
Total investing cash flows for capital additions	$14.7

Financing Cash Flows . Net cash used in financing activities decreased $18.9 million to $84.8 million for the first nine months of fiscal year 2011 from $103.7 million for the same period in fiscal year 2010. During the third quarter of fiscal year 2011 we refinanced our previously outstanding debt as described below. The decrease in cash used in financing activities primarily relates to the decrease in restricted cash related to our new debt obligations and purchases of noncontrolling interests as our new compensation program was completed April 1, 2010.

On May 20, 2011, various subsidiaries of ours (the “Co-Issuers”) issued $500 million of Series 2011-1 Senior Secured Fixed Rate Notes, Class A-2 (the “2011 Fixed Rate Notes”) in a private transaction which bears interest at 5.4% per annum. The 2011 Fixed Rate Notes have an expected life of seven years with an anticipated repayment date in May 2018 based on the terms of the debt agreement. At May 31, 2011, the balance outstanding under the 2011 Fixed Rate Notes including accrued interest totaled $500.8 million and carried a weighted-average interest cost of 5.8%, including the effect of the loan origination costs described below.

In connection with the issuance of the 2011 Fixed Rate Notes, the Co-Issuers also entered into a securitized financing facility of Series 2011-1 Senior Secured Variable Funding Notes, Class A-1 (the “2011 Variable Funding Notes”). This revolving credit facility allows for the issuance of up to $100 million of 2011 Variable Funding Notes and certain other credit instruments, including letters of credit. The 2011 Variable Funding Notes have an expected life of five years with an anticipated repayment date in May 2016 based on the terms of the debt agreement. Interest on the 2011 Variable Funding Notes is payable monthly at rates equal to the one-month London Interbank Offered Rate or Commercial Paper, depending on the funding source, plus 3.75% per annum. There is a 0.5% annual commitment fee payable monthly on the unused portion of the 2011 Variable Funding Notes facility. We borrowed $35 million under the 2011 Variable Funding Notes facility at closing, and have the ability to draw additional amounts under the facility from time to time as needed. At May 31, 2011, the balance outstanding under the 2011 Variable Funding Notes including accrued interest totaled $35.0 million with an effective borrowing rate of 3.9% before the amortization of loan origination costs described below. Subsequent to the end of our third quarter of fiscal year 2011, we repaid the outstanding balance under our 2011 Variable Funding Notes.

We used the $535 million of net proceeds from the issuance of the 2011 Fixed Rate Notes and 2011 Variable Funding Notes (collectively, the “2011 Notes”) to repay our existing 2006 Notes in full and to pay the costs associated with the securitized financing transaction, including the existing noteholder and insurer make-whole premiums.

Loan origination costs associated with our May 20, 2011 refinancing totaled $16.4 million and were allocated between the 2011 Notes. Loan costs are being amortized over each note’s expected life and the unamortized balance is categorized as “debt origination costs, net” on the Condensed Consolidated Balance Sheets.

While the 2011 Fixed Rate Notes and the 2011 Variable Funding Notes are structured to provide for seven-year and five-year lives, respectively, they have a legal final maturity date of May 2041. We intend to repay or refinance the 2011 Notes on or before the end of their respective expected lives. In the event the 2011 Notes are not paid in full by the end of their expected lives, the Notes are subject to an upward adjustment in the interest rate of at least 5% per annum. In addition, principal payments will accelerate by applying all of the royalties, lease revenues and other fees securing the debt, after deducting certain expenses, until the debt is paid in full. Also, any unfunded amount under the 2011 Variable Funding Notes will become unavailable.

We anticipate fiscal year 2012 interest expense on our 2011 Fixed Rate Notes, including the amortization of loan origination costs, to be approximately $30 million annually, as a result of our refinancing and are scheduled to make principal payments on our 2011 Fixed Rate Notes of approximately $3.8 million over the remainder of fiscal year 2011. Mandatory principal payments of $15 million annually under the new financing versus mandatory principal payments paid in fiscal year 2010 of approximately $50 million under our retired debt will significantly increase the amount of our available free cash flow. For additional information on our May 2011 refinancing see note 6 – debt, included in Part I, Item 1, "Financial Statements" in this Quarterly Report on Form 10-Q.

Prior to the refinancing, during the second quarter of fiscal year 2011, we repurchased $62.5 million of our 2006 Variable Funding Notes in a privately negotiated transaction. We recognized a gain of $5.2 million on the extinguishment of these notes during the second fiscal quarter of 2011.

See note 10 – Long-Term Debt in the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2010 for additional information regarding our long-term debt.

We plan capital expenditures of approximately $20 to $25 million in fiscal year 2011. These capital expenditures primarily relate to drive-in level expenditures, technology infrastructure expenditures and the development of additional Company-owned Drive-Ins. We expect to fund these capital expenditures through cash flow from operations as well as cash on hand.

As of May 31, 2011, our total cash balance of $59.7 million ($38.9 million of unrestricted and $20.8 million of restricted cash balances) reflected the impact of the cash generated from operating activities, borrowing activity, refranchising and capital expenditures mentioned above. Subsequent to the end of our third quarter of fiscal year 2011, we used $35 million of this cash to repay the outstanding balance of our 2011 Variable Funding Notes. We believe that existing cash and funds generated from operations 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, 2010.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Sonic's use of debt directly exposes the Company to interest rate risk. Floating rate debt, where the interest rate fluctuates periodically, exposes the Company to short-term changes in market interest rates. 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 is also exposed to market risk from changes in commodity prices. Sonic does not utilize financial instruments for trading purposes. Sonic manages its debt portfolio to achieve an overall desired position of fixed and floating rates and may employ interest rate swaps as a tool to achieve that goal in the future.

Interest Rate Risk. Our exposure to interest rate risk at May 31, 2011 is primarily based on the 2011 Fixed Rate Notes with an effective rate of 5.4%, before amortization of debt-related costs. At May 31, 2011, the fair value of the 2011 Fixed Rate Notes approximated the carrying value of $500.8 million (including accrued interest). Management used market information available for public debt transactions for companies with ratings that are at or below our ratings. Management believes this fair value is a reasonable estimate with the information that is available. 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 $27 million, respectively. The fair value estimate required significant assumptions by management as there are few, if any, securitized loan transactions occurring in the current market.

The 2011 Variable Funding Notes outstanding at May 31, 2011 totaled $35.0 million, with a variable rate of 3.9%, before the amortization of debt-related costs. At May 31, 2011, the fair value of the 2011 Variable Funding Notes approximated the carrying value. Should credit spreads increase or decrease by one percentage

point, the estimated fair value of the 2011 Variable Funding Notes would decrease or increase by approximately $2 million, respectively. The Company used similar assumptions to value the 2011 Variable Funding Notes as were used for the 2011 Fixed Rate Notes.

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, 2010.

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 effective. 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 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 or financial condition.

Item 1A. Risk Factors

On May 20, 2011, the Company completed the refinancing of its securitization debt, as disclosed in the Company’s Form 8-K filed May 26, 2011. As a result, the discussion included under Part I, Item IA, “Risk Factors” in our Annual Report on Form 10-K for the year ended August 31, 2010, regarding the potential effects of the declining financial condition of the third-party insurance company that guaranteed our debt payments under our 2006 Notes is no longer applicable.

Except as disclosed above, 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, 2010.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibits.

10.01	Nonqualified Deferred Compensation Plan
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
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101	The following financial information from our Quarterly Report on Form 10-Q for the third quarter of fiscal 2011, filed with the SEC on July 8, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) the condensed consolidated balance sheets at May 31, 2011 and August 31, 2010, (ii) the condensed consolidated statements of income for the three and nine months ended May 31, 2011 and 2010, (iii) the condensed consolidated statements of cash flows for the nine months ended May 31, 2011 and 2010, (iv) the consolidated statement of stockholders' equity at May 31, 2011, and (v) the notes to condensed consolidated financial statements. [1]

[1] The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q 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 Act of 1934, the Company has caused the undersigned, duly authorized, to sign this report on behalf of the Company.

SONIC CORP.

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

Date: July 8, 2011

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EXHIBIT INDEX

Exhibit Number and Description

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SONIC CORP. NONQUALIFIED DEFERRED COMPENSATION PLAN

PREAMBLE

A. Establishment . Sonic Corp., a Delaware corporation ("Company"), hereby establishes the Sonic Corp. Nonqualified Deferred Compensation Plan effective June 1, 2011 ("Plan").

B. Purpose . The Plan shall provide participating Employees the ability to defer payment of Compensation. The Plan is also intended to provide the amount of benefit which could otherwise be earned under the Sonic Corp. Savings and Profit Sharing Plan, or any successor plan (the "401 (k) Plan"), but which cannot be contributed to the 401(k) Plan due to the limitations imposed by the Code which limit benefits that may be contributed by such Employee as a "salary deferral contribution" under Code Section 401(k) and benefits that may be contributed by the Company as a "matching contribution" under Code Section 401(m) (collectively referred to as the "IRS Limitations").

C. ERISA Status . The Plan is intended to qualify for the exemptions provided under Title I of ERISA for plans that are not tax-qualified and that are maintained primarily to provide deferred compensation for a select group of management or highly compensated employees as defined in Section 201(2) of ERISA.

ARTICLE I

DEFINITIONS

1.1 "Account" shall mean the individual bookkeeping record established by the Committee showing the monetary value of the interest in this Plan of each Participant or Beneficiary. Such Account shall not constitute a separate fund of assets apart from the Company's general assets. The Participant's Account will be divided into a series of "Subaccounts." Each Plan Year a separate Subaccount shall be established for each Participant to reflect all amounts contributed on the Participant's behalf for such Plan Year and such Subaccount shall be further divided to reflect Deferral amounts and all Company Contributions contributed on the Participant's behalf for the Plan Year. For purposes of this Plan, the term "Account(s)" shall include the term "Subaccount(s)" if the context so requires, and the term "Subaccount(s)" shall include the term "Account(s)" if the context so requires.

1.2 "Affiliate" shall mean a member of a controlled group of corporations as defined in Code Section 414(b), a group of trades or businesses (whether or not incorporated) which are under common control as defined in Code Section 414(c), or an affiliated service group as defined in Code Section 414(m) of which the Company is a member; and any entity otherwise required to be aggregated with the Company pursuant to Code Section 414(o) or the regulations issued thereunder; and any other entity in which the Company has an ownership interest and to which the Company elects to make participation in this Plan available.

1.3 "Annual Bonus" shall mean the bonus that may be earned by the Participant for each fiscal year of the Company and which shall be paid immediately following the close of the fiscal year in which such Annual Bonus is earned. Such amounts shall be reported on the payroll records of the Participant's Employer and designated as the Participant's Annual Bonus. The Annual Bonus shall qualify as "fiscal year compensation" under Treasury Regulation Section 1.409A-2(a)(6).

For illustration purposes only, a Participant may earn an Annual Bonus for the Company's fiscal year beginning September 1, 2010 through August 31, 2011. Such Annual Bonus is expected to be paid within two months after the end of the fiscal year, but in no event shall the Annual Bonus be paid before August 31, 2011.

1.4 “Compensation” shall, except as otherwise described in this Section 1.4, mean the “compensation” (as defined under Section 1.10 of the 401(k) Plan, as amended) payable to an eligible Employee by the Company. Compensation in excess of Two Hundred Forty Five Thousand Dollars ($245,000), as adjusted for increases in the cost of living in accordance with Code Section 401(a)(17), shall be disregarded, except that any dollar increase in effect on January 1 of any calendar year shall be effective for the fiscal year beginning with or within such calendar year. In no event shall any amounts paid under the Company’s long term cash incentive award program which is earned over a three year performance period be considered “Compensation” for purposes of this Plan and no Deferral may be made with respect to such amounts.

1.5 “Beneficiary” shall mean the Beneficiary designated by each Participant in accordance with Section 11.2.

1.6 “Board” shall mean the Board of Directors of the Company.

1.7 “Code” shall mean the Internal Revenue Code of 1986, as it may be amended from time to time, and the rules and regulations promulgated thereunder.

1.8 “Committee” shall mean the Compensation Committee of the Board.

1.9 “Company” shall mean Sonic Corp. or its successor or successors.

1.10 “Company Contributions” shall mean, collectively, the Matching Contributions and Profit Sharing Contributions, if any, made to a Participant’s Company Contribution Account by the Company each Plan Year.

1.11 “Company Contribution Account” shall mean the Subaccount of each Participant’s Account showing the monetary value of the Participant’s interest in this Plan which is attributable to Matching Contributions and/or Profit Sharing Contributions credited pursuant to Sections 3.2 and 3.3, if any. A separate Company Contribution Subaccount shall be maintained for each Plan Year.

1.12 “Deferral” shall mean the amount deferred by a Participant each Plan Year from Salary and/or Annual Bonus pursuant to the Deferral Election filed by the Participant in such Plan Year.

1.13 “Deferral Election” shall mean the irrevocable election filed by a Participant under Article II of this Plan pursuant to which a portion of his or her Salary and/or Annual Bonus for this Plan Year is to be deferred in accordance with the provisions of this Plan. Notwithstanding the preceding, the Deferral Election shall only be applied to the first Two Hundred Forty Five Thousand Dollars ($245,000), as adjusted for increases in the cost of living in accordance with Code Section 401(a)(17), of Compensation, including amounts attributable to both Salary and Annual Bonus.

1.14 “Disability” shall mean the Participant either (a) as determined by the Committee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under a Company or Affiliate accident and health plan covering employees of the Participant’s Employer.

1.15 “Distribution Election” means the election made by the Participant in connection with his or her Deferral Election, indicating the chosen form of payment for benefits payable at Separation from Service, as determined by the Participant. As described in Article V, this Plan allows a Participant to elect to take a distribution of benefits under this Plan in either a single lump sum payment or annual installment payments over a period not to exceed either five (5) or ten (10) years.

1.16 “Earnings” means the increase or decrease in the Participant’s Account balance, determined on each Valuation Date, which shall be determined based on the Investment Funds in which the Participant’s Account balance is deemed to be invested, as chosen by the Participant.

1.17 “Effective Date” shall generally mean the original effective date of this Plan, June 1, 2011.

1.18 “Employee” shall mean an individual employed by a member of the Employer Group.

1.19 “Employer” shall mean the Company or the Affiliate employing the Participant.

1.20 “Employer Group” shall mean the (i) Company and (ii) any other member of the group of commonly controlled corporations or other businesses that include the Company, as determined in accordance with Code Sections 414(b) and (c) and the Treasury Regulations thereunder, except that in applying Sections 1563(a)(1), (2) and (3) for purposes of determining the controlled group of corporations under Section 414(b), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in such sections and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in Section 1.414(c)-2 of the Treasury Regulations.

1.21 “401(k) Plan” shall mean the Sonic Corp. Savings and Profit Sharing Plan.

1.22 “Investment Funds” means one or more of the established funds or indices that are identified by the Committee as options into which a Participant can elect to invest such Participant’s Account. These Investment Funds are used solely to calculate the Earnings that are added (or subtracted, as the case may be) to each Participant’s Account balance based on the Investment Funds chosen by the Participant for purposes of investing such Participant’s Account. All investment of a Participant’s Account shall be a “deemed” investment for bookkeeping purposes, and it may be that no actual cash amounts are invested in any Investment Funds. The Committee shall select the various Investment Funds available to the Participants with respect to this Plan which may include (or be identical to) the investment options offered under he 401 (k) Plan. Investment Funds may be replaced, new funds may be added, or both, from time to time in the discretion of the Committee.

1.23 “Matching Contributions” shall mean the amount contributed to the Participant’s Account as a Matching Contribution pursuant to Section 3.2 hereof.

1.24 “Participant” shall mean an Employee who has been designated by the Committee as being eligible to participate in this Plan.

1.25 “Plan” shall mean the Sonic Corp. Nonqualified Deferred Compensation Plan set forth in this document, as it may be amended from time to time.

1.26 “Plan Year” shall mean the twelve-month period beginning each January 1 and ending each December 31, provided, that the first Plan Year shall begin June 1, 2011 and end December 31, 2011.

1.27 “Profit Sharing Contributions” shall mean the amount contributed to the Participant’s Account as a profit sharing contribution pursuant to Section 3.3 hereof.

1.28 “Salary” shall mean the portion of a Participant’s Compensation that is not attributable to any amounts paid as an Annual Bonus.

1.29 “Separation from Service” shall mean a Participant’s cessation of Employee status by reason of his or her retirement, death or termination of employment. A Participant shall be deemed to have terminated employment for such purpose at such time as the level of his or her bona fide services to be performed as an Employee (or non-employee consultant) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services he or she rendered as an Employee during the immediately preceding thirty-six (36) months (or such shorter period for which he or she may have rendered such Service). Any such determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Code Section 409A. In addition to the foregoing, a Separation from Service will not be deemed to have occurred while the Participant is on military leave, sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months or any longer period for which such Participant’s right to reemployment with one or more members of the Employer Group is provided either by statute or contract.

1.30 “Specified Employee” shall, for any Plan Year in which any stock of the Company is publicly traded on an established securities market, mean a “key employee” (within the meaning of that term under Code Section 416(i)), as determined by the Committee in accordance with the applicable standards of Code Section 409A and the Treasury Regulations thereunder and applied on a consistent basis for all non-qualified deferred compensation plans of the Employer Group subject to Code Section 409A. The Specified Employees shall be identified on December 31 of each calendar year and shall have that status for the twelve (12)-month period beginning on April 1 of the following calendar year. Determinations by the Committee regarding Specified Employees shall be final and binding on all affected parties.

1.31 “Termination Date” shall mean the date on which a Participant has a Separation from Service.

1.32 “Valuation Date” shall mean each business day on which the financial markets are open for trading activity or such other dates as may be established by the Committee.

1.33 “Year of Service” shall have the meaning given to such term in the 401(k) Plan.

ARTICLE II

ELIGIBILITY

2.1 *Eligibility to Participate in the Plan.* Participation in this Plan shall be made available to a select group of Employees who are providing services to the Company or an Affiliate in key positions of management and responsibility, as determined by the Committee. The determination as to the eligibility of any Employee to participate in this Plan shall be in the sole and absolute discretion of the Committee, whose decision in that regard shall be conclusive and binding for all purposes hereunder. Even if an Employee has, for prior Plan Years, been permitted to defer amounts into the Plan, the Committee shall have complete discretion to exclude one or more individuals from Participant status for one or more Plan Years as the Committee deems appropriate. However, no such exclusion shall become effective until the first day of the first Plan Year coincident with or next following the date of the Committee resolution authorizing such exclusion. If any individual is excluded from Participant status for one or more Plan Years, then such individual shall not be entitled to defer any part of his or her Salary and/or Annual Bonus, as applicable, for those Plan Years.

2.2 *Deferral Election; Investment Funds; Distribution Elections.* An Employee's participation in this Plan shall be effective upon the notification to the Employee by the Committee of eligibility to participate. Upon notification by the Committee, the Participant may (i) make a Deferral Election with respect to the Participant's Salary and/or Annual Bonus, (ii) select the Investment Fund(s) in which the Participant's Account shall deemed to be invested, and (iii) make a Distribution Election for amounts to be contributed to this Plan for the Participant for the Plan Year to which the Deferral Election shall apply. Each Deferral Election shall be made in compliance with all of the following requirements and shall not be effective unless such requirements are met:

A. The Deferral Election must be exercised by means of a written notice on the form provided by the Committee for such purpose and such Deferral Election must be filed timely with the Committee (or its designee). A Deferral Election may be made with respect to Salary and/or Annual Bonus, as follows:

(i) For purposes of deferring Salary amounts, the Deferral Election must be filed on or before the last day of the calendar year immediately preceding the start of this Plan Year for which the Salary amounts subject to that election are to be earned.

(ii) For purposes of deferring the Annual Bonus, or any portion thereof, the Deferral Election must be filed on or before the last day of the fiscal year immediately preceding the start of the fiscal year for which the Annual Bonus amounts subject to that election are to be earned, regardless of when such Annual Bonus amounts may be paid. Notwithstanding anything to the contrary herein, the first Annual Bonus that may be subject to a Deferral Election shall be the Annual Bonus that may be earned by a Participant during any fiscal year beginning on or after September 1, 2011. No amounts to be paid in October, 2011 as an Annual Bonus relating to the fiscal year beginning September 1, 2010 and ending August 31, 2011 shall be available for Deferral.

For illustration purposes only, if the Participant is eligible to earn an Annual Bonus for the taxable year beginning September 1, 2012 and ending August 31, 2013 and such Annual Bonus will be paid in October, 2013, the Deferral Election made with respect to such Annual Bonus must be completed on or before September 1, 2012.

(iii) Notwithstanding anything to the contrary herein, to the extent consistent with Code Section 409A (including the plan aggregation rules under Treasury Regulation section 1.409A-1(c) or any successor provision), when an Employee first becomes eligible to participate in this Plan during a Plan Year, a Deferral Election with respect to such Plan Year may be submitted to the Committee (or its designee) within thirty (30) days after the Committee notifies the Employee of eligibility to participate. Such Deferral Election will be effective only with regard to Salary and/or Annual Bonus earned and payable for such Plan Year following submission of the Deferral Election to the Committee (or its designee).

(iv) For purposes of the first Plan Year (June 1, 2011 through December 31, 2011), each Employee who (1) is designated as a Participant in this Plan, and (2) wishes to make Deferrals from Salary into this Plan for such Plan Year, may become a Participant on July 1, 2011 and, therefore, must file a Deferral Election on or before July 1, 2011. Such Deferral Election shall be applicable to Salary (as designated by the Participant) earned on or after July 1, 2011.

B. Each Deferral Election shall separately specify the percent or dollar amount of Salary and Annual Bonus to be deferred. The percent of Salary and Annual Bonus which a Participant may elect to defer must be at least 1% and no more than 100%. These minimums and maximums apply separately to Salary and Annual Bonus and may be changed at any time by the Committee without the formality of a Plan amendment.

C. The Participant shall specify in the Deferral Election his or her Distribution Election by indicating that the payment of all Deferral amounts for the relevant Plan Year shall be made in either:

(i) a single lump sum payment,

(ii) substantially equal annual installments over five (5) years; or

(iii) substantially equal annual installments over ten (10) years.

In a Plan Year the Participant shall make a Distribution Election in connection with his or her Deferral Election applicable to Salary and a separate Distribution Election in connection with his or her Deferral Election applicable to Annual Bonus. The Participant does not have to make the same Distribution Election for Deferrals of Salary and/or Annual Bonus. The Distribution Election made in connection with a Participant's Deferral Election (Salary and/or Annual Bonus) shall apply to all amounts contributed by the Participant as a Deferral (Salary and/or Annual Bonus, as applicable). All amounts contributed on the Participant's behalf as a Company Contribution in the Plan Year shall be distributed pursuant to the Distribution Election made by the Participant pursuant to the Participant's Deferral Election applicable to Salary , or if no Deferral Election is made with respect to Salary, such Company Contributions shall be distributed pursuant to the Distribution Election made by the Participant pursuant to the Participant's Deferral Election applicable to Annual Bonus that is made in August of the Plan Year in which such Company Contribution is made. Any Distribution Election made by the Participant shall not apply to amounts contributed to the Participant's Account in a prior or subsequent Plan Year. Different Distribution Elections can be made for different Plan Years.

D. The Participant shall specify allocation of such Participant's Election Deferral among the various available Investment Funds. These allocations can be changed at anytime

throughout the year without a limit on the number of times the investment allocations can be changed.

E. Any Deferral Election made by a Participant shall only be effective if the Participant is still an employee of the Company or an Affiliate as of the date that the Salary and/or Annual Bonus, as applicable, would have been paid but for the Deferral Election.

F. A Participant's Deferral Election for a particular Plan Year shall become irrevocable as of the first day of that Plan Year (or any later day the Deferral Election for such Plan Year may be filed under Section 2.2(A)(iii) by a new Participant) unless the Participant (i) terminates employment, (ii) dies, (iii) receives a hardship distribution under this Plan, or (iv) receives a hardship distribution under the 401(k) Plan. If a Participant receives a distribution in accordance with Treas. Reg. §1.401(k)-1 (d)(3) from a tax-qualified 401(k) Plan of the Company on or after the date on which the 401(k) Plan relies upon the distribution being deemed necessary to satisfy an immediate and heavy financial need of the Participant, (i) the Participant's Deferral contributions shall immediately terminate, and (ii) the Participant will not be eligible to make Deferrals under this Plan for the greater of six (6) months or as long as the 401(k) Plan requires the Participant to suspend Deferrals after receipt of the hardship distribution.

G. The Distribution Election made for a particular Plan Year shall become irrevocable as of the first day of that Plan Year (or any later day the Deferral Election for such Plan Year may be filed under Section 2.2(A)(iii) by a new Participant), and no subsequent changes may be made to that Distribution Election. The Distribution Election made by a Participant for a Plan Year shall apply to all amounts contributed by the Participant as Deferrals and all amounts contributed on the Participant's behalf as Company Contributions for that Plan Year.

2.3 *Loss of Eligibility.* If the Committee determines that a Participant's employment performance is no longer at a level that warrants reward through participation in this Plan and, as a result of such performance, the Participant is no longer deemed to be an eligible Employee for purposes of this Plan, but the Participant's employment with the Company does not terminate, to the extent consistent with Code Section 409A, the Participant's existing Deferral Election shall remain in effect until the end of the applicable Plan Year, but no new Deferral Election may be made by such Participant after notice of such determination is given by the Committee.

2.4 *Future Deferral Elections.* Participants may continue to file Deferral Elections under this Plan for one or more subsequent Plan Years pursuant to the requirements of Section 2.2 until the earliest of:

(i) his or her exclusion from this Plan upon written notice from the Committee as set forth in Section 2.1,

(ii) his or her cessation of Employee status, or

(iii) the termination of this Plan.

Notwithstanding anything to the contrary herein, if a Participant wishes to make Deferrals under this Plan, he or she must file a new Deferral Election for each Plan Year. Deferral Elections made for a prior Plan Year shall not apply to any other Plan Year. No "evergreen" Deferral Elections will be permitted.

ARTICLE III

CREDITS TO ACCOUNT

3.1 *Deferral Contributions.* Any amount deferred, pursuant to Article II, from the Participant's Salary and/or Annual Bonus, as applicable, otherwise payable to a Participant shall be credited to the Account of such Participant as soon as practicable after the date on which such amounts would otherwise have been paid to the Participant.

3.2 *Matching Contributions.* The Committee shall credit a Matching Contribution, calculated as provided in this Section 3.2, to the Company Contribution Account of each Participant who has deferred amounts under either this Plan during any Plan Year pursuant to Section 2.2 above and/or under the 401(k) Plan pursuant to the applicable provisions of the 401(k) Plan. The Matching Contribution for each Plan Year, if any, shall be computed as follows:

A. the Committee shall, using the matching contribution formula provided for in the 401(k) Plan, compute a maximum matching contribution amount for each Participant for a Plan Year, based upon the salary deferrals made by the Participant to the 401(k) Plan plus Deferrals made by the Participant pursuant to the Participant's Deferral Election under this Plan;

B. the Committee shall determine the amount of matching contributions actually made for the Participant to the 401(k) Plan, taking into consideration any reduction in such amounts as a result of the imposition of IRS Limitations; and

C. the difference between (A) and (B), if any, is the Matching Contribution to be credited to the Participant's Company Contribution Account under this Plan for the applicable Plan Year.

Illustration of Matching Contribution Calculation: The Participant has five (5) Years of Service. Under the 401(k) Plan matching contribution formula, the Participant is entitled to a matching contribution of 100% of salary deferrals up to 3% of compensation plus 50% of salary deferrals up to the next 3% of compensation. The Participant contributes $6,500 to the 401 (k) Plan as a salary deferral. The Participant contributes $10,000 to this Plan as a Deferral. The Participant's Compensation is $300,000. Under both the 401(k) Plan and this Plan, the Participant's Compensation is limited to $245,000. The maximum Matching Contribution calculated under Section 3.2(A) is $11,025 (100% of deferrals up to 3% of $245,000 ($7,350) plus 50% of deferrals up to 3% of $245,000 ($3,675)). The Participant contributed only $6,500 to the 401(k) Plan. The contribution to the 401(k) Plan for purposes of Section 3.2(B) is $6,500. The difference (for purposes of Section 3.2(C)) is $4,525 ($11,025 – $6,500). Therefore, $4,525 would be contributed to the Participant's Company Contribution Account.

The Committee shall credit any Matching Contribution made on the Participant's behalf, if any, to the Participant's Account as soon as administratively practicable following the end of this Plan Year in which the 401(k) Plan year ends.

3.3 *Profit Sharing Contributions.* For each Plan Year, the Committee shall credit each Participant's Account with an amount that represents a Profit Sharing Contribution, as determined in accordance with this Section 3.3. For clarification purposes, the Committee will only credit a Profit Sharing Contribution under this Section 3.3 if a profit sharing contribution is made to the 401(k) Plan. In no event shall any Profit Sharing Contribution be made under this Section 3.3 in any Plan Year in which no profit sharing contribution is made under the 401(k) Plan. If a Profit Sharing Contribution is to be made to this Plan, the Profit Sharing Contribution shall be equal in amount to the additional contribution, if any, which would have been allocated as a profit sharing contribution to the Participant's account in the 401(k) Plan in which the Participant is eligible to participate, if the Participant had not elected to defer, pursuant to this Plan, Compensation that otherwise would have been paid during the plan year of the 401(k) Plan which ends in this Plan Year. The Committee shall credit the Profit Sharing Contribution to the Account of each Participant entitled thereto as soon as administratively practicable following the end of this Plan Year.

3.4 *Earnings.* In accordance with the requirements of Article II, at the time of making the Deferral Elections, and at such other times as allowed by the Committee, the Participant shall designate, on a form provided by the Committee, the Investment Funds in which the Participant's Account will be deemed to be invested for purposes of determining the amount of Earnings to be credited to that Account. Such designations may vary by Subaccount. Any Company Contributions pursuant to Section 3.2 and or Section 3.3 shall be deemed to be invested in the same Investment Funds elected by the Participant for his or her Deferrals for the Plan Year for which the Company Contribution is made (even though it is credited in a subsequent Plan Year), or if none, as elected by the Participant for his or her Deferrals from Annual Bonuses for such Plan Year. On a quarterly or other basis selected by the Committee, the Committee shall credit to each Participant's Account the Earnings that would have resulted to the Account if the amounts credited to the Account were invested as elected by the Participant.

3.5 *Subaccounts.* Multiple Subaccounts shall be established for each Participant, one for each Plan Year. Each Plan Year, the Subaccount for such Plan Year shall be credited with the Deferral attributable to Salary and/or Annual Bonus amounts, as applicable, subject to that Plan Year's Deferral Election. Such amounts shall be credited to the Subaccount at such times as the Salary and/or Annual Bonus amounts, as applicable, would have otherwise become due and payable to the Participant in the absence of such Deferral Election. Such Subaccount shall also be credited with any Matching Contributions and/or Profit Sharing Contributions that would be owed to the Participant under Sections 3.2 and 3.3, respectively, for the Plan Year. Each Subaccount will hold all amounts contributed on the Participant's behalf for the applicable Plan Year, plus Earnings, and no amount contributed on the Participant's behalf in any other Plan Year. No transfers between Subaccounts are allowed.

ARTICLE IV

VESTING

4.1 *Vesting.* A Participant shall vest in his Account balance pursuant to the following provisions:

A. Deferrals . A Participant shall always be one hundred percent (100%) vested in his or her Deferrals.

B. Company Contributions . A Participant shall vest in amounts attributable to Matching Contributions and/or Profit Sharing Contributions contributed to the Plan or such Participant's behalf as follows:

(i) *Death or Disability.* If a Participant has a Separation from Service as a result of death or Disability, the Participant's Account balance will be one hundred percent (100%) vested.

(ii) *Change in Control.* In the event of the occurrence of a Change of Control of the Participant's Employer (as described in Section 5.7), the Participant's Account balance will be one hundred percent (100%) vested.

(iii) *Completion of Service Vesting.* If not vested earlier pursuant to Sections 4.1(B)(i) or 4.1(B)(ii), the right to receive payment of any amount under this Plan attributable to Matching Contributions and/or Profit Sharing Contributions shall be determined by applying the Participant's vesting percentage calculated pursuant to the terms of the 401(k) Plan. In addition to crediting service with Related Employers, as that term is defined in the 401(k) Plan, the Company will credit service with organizations and their predecessors in which the Company owns an interest but which do not qualify as Related Employers. Payment will be made in accordance with Article V.

4.2 *Forfeitures.* Unless a Participant is vested in his Account balance pursuant to this Article IV, the unvested portion of a Participant's Account shall be forfeited upon the Participant's Separation from Service.

ARTICLE V

BENEFITS

5.1 *Distribution of Vested Benefits Upon Separation from Service.* If a distribution is not made earlier pursuant to the terms of this Article V, upon a Participant's Separation from Service for reasons other than death or Disability, the Participant's vested interest in each of such Participant's Subaccounts shall be paid in cash, to the Participant, in the form selected by the Participant in his or her Distribution Election for the applicable Plan Year and with respect to the applicable Subaccount (***e.g.*** , Salary and/or Annual Bonus). A Participant may make a separate Distribution Election with respect the Deferral Election made with respect to Salary and/or Annual Bonus and may make a separate Distribution Election with respect to each Plan Year. The Participant may elect from among the following optional forms of payment:

A. a lump sum distribution;

B. substantially equal annual installments over five (5) years; or

C. substantially equal annual installments over ten (10) years.

All amounts contributed on the Participant's behalf as a Company Contribution in the Plan Year shall be distributed pursuant to the Distribution Election made by the Participant pursuant to the Participant's Deferral Election applicable to Salary, or if no Deferral Election is made with respect to Salary , such Company Contributions shall be distributed pursuant to the Distribution Election made by the Participant pursuant to the Participant's Deferral Election applicable to Annual Bonus that is made in August of the Plan Year in which such Company Contribution is made.

Subject to Section 5.9, payment shall be made, or in the case of installment payments, shall commence, as soon as administratively practicable following the Participant's Separation from Service, but in no event later than sixty (60) days after the Participant's Termination Date. If installment payments are the selected form of benefit, the initial installment payment shall be made as provided above, subject to the six-month delay requirements described in Section 5.9. Each subsequent installment payment shall be paid on the anniversary of the date upon which the initial installment payment was actually paid under this Section 5.1, including a payment date which was delayed as a result of the six-month delay.

5.2 *Distribution of Benefits Upon Death.* Payment of a Participant's benefit on account of death shall be made to the Beneficiary of such Participant in a single lump sum cash distribution within ninety (90) days of a Participant's death. In the event that a Participant dies after he or she has begun to receive installment payments under Section 5.1, the Beneficiary of such Participant shall receive as a death benefit a single lump sum cash distribution equal to the entire value of the remaining Account within ninety (90) days of a Participant's death. The full payment of the applicable death benefits shall completely discharge all obligations on the part of the Company to the Participant (and the Participant's Beneficiary) with respect to the operation of this Plan, and rights under this Plan shall terminate.

5.3 *Distribution of Benefits Upon Disability.* If a Participant has a Separation from Service as a result of a Disability (even if the official determination of such Disability does not occur until after the Participant's Termination Date), such Participant shall be entitled to the entire value of all amounts credited to such Participant's Account, determined as of the Valuation Date coincident with or immediately preceding the date of distribution. Payment of a Participant's benefit on account of a Separation from Service as a result of Disability shall be made to the Participant in a lump sum in cash as soon as practicable following the date on which the Committee determines that the Participant has suffered a Disability; provided, however, that such payment shall be paid within ninety (90) days of the Participant's Termination Date.

5.4 *Hardship Distributions.* In the event that the Committee, upon written request of a Participant, determines that the Participant has suffered an unforeseeable emergency, the Company shall pay to the Participant from the Participant's Account, as soon as practicable, but in no event later than sixty (60) days, following such determination, an amount necessary to meet the emergency (the "Emergency Benefit"), after deduction of any and all taxes as may be required pursuant to Section 5.11. For purposes of this Plan, an unforeseeable emergency shall be defined, as set forth in Code Section 409A, as a severe financial hardship to the Participant resulting from illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Whether a Participant is faced with an unforeseeable emergency permitting a distribution under this Section 5.4 is to be determined by the Committee based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of an unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under this Plan. With respect to that portion of the Account which is distributed to a Participant as an Emergency Benefit, in accordance with this Section, no further benefit shall be payable to the Participant under this Plan. Notwithstanding anything in this Plan to the contrary, if a Participant receives an Emergency Benefit in any Plan Year: (i) the Participant's Deferral Election shall immediately terminate, and (ii) the Participant will not be eligible to make a Deferral Election for twelve months thereafter; provided however, that the Participant may execute a Deferral Election prior to the first day of the Plan Year immediately following the Plan Year in which the unforeseeable emergency occurs that shall be given effect on the day immediately following termination of such twelve-month period.

5.5 *Default Distribution.* If the Participant did not elect to receive a distribution of his Account pursuant to Section 5.1, such Participant shall receive a distribution of his Account balance in a single lump sum at Separation from Service. Such payment of any benefit from the Account shall commence as soon as practical, but in no event later than sixty (60) days after the Participant's Termination Date.

5.6 *Small Account.* To the extent consistent with Code Section 409A (including the plan aggregation rules under Treasury Regulation section 1.409A-1(c) or any successor provision), if the aggregate balance of the Participant's Account is not greater than the applicable limit under Code Section 402(g) at the time that the Participant is scheduled to receive a distribution of his Account, and the Participant is not otherwise at that time participating in (or has an account balance under) any other non-qualified elective account balance plan subject to Code Section 409A and maintained by one or more members of the Company controlled group, then that balance shall be distributed to the Participant in a lump sum distribution as soon as administratively practical following the date on which the Account balance falls below applicable limit under Code Section 402(g) at the time, whether or not the Participant elected that form of distribution or distribution event, so long as such distribution results in the termination and liquidation of the entirety of the Participant's interest under this Plan (and all aggregated arrangements).

5.7 *Change in Control.* Notwithstanding anything to the contrary in this Article V, to the extent consistent with Code Section 409A, if there is a Change in Control of (i) the Participant's Employer, or (ii) a corporation that is a majority shareholder of such Employer (as defined in Treasury Regulation Section 1.409A-3), or (iii) a corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain ending with the Employer, this Plan shall distribute the Accounts of all Participants employed by such entity or its subsidiaries impacted by such Change in Control, in a single lump sum within thirty (30) days after such Change in Control. The Committee shall determine an appropriate Valuation Date to be used in connection with the distributions to be made, which Valuation Date shall not be more than one month prior to the date of distribution. A "Change in Control" means (1) a change in the ownership of the Employer within the meaning of Treasury Regulation Section 1.409A-3; or (2) the date a majority of the members of the Board is replaced during any twelve consecutive month period by directors whose appointment or election is not endorsed by a majority of the members of the Board immediately before the date of the appointment or election; or (3) a change in the effective control of the Employer or its direct or ultimate parent within the meaning of Treasury Regulation Section 1.409A-3 or (4) the sale or disposition of all or substantially all of the assets of the Employer during a twelve month period to a person not considered related under Treasury Regulation Section 1.409A-3. A transaction shall not constitute a Change of Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in the same proportions by the persons who held the Company's securities immediately before such transaction.

5.8 *Payment Forms.*

A. Lump Sum Payment . A lump sum payment made to a Participant or Beneficiary shall be equal to the balance of the Account immediately prior to the payment.

B. Installment Payments . An installment payment made to a Participant or Beneficiary shall be equal to the balance of the Account immediately prior to the payment, multiplied by a fraction, the numerator of which is one (1) and the denominator of which commences at the number of annual payments initially chosen and is reduced by one (1) in each succeeding year. Any amounts remaining in the Participant's Account during a period in which the Participant is receiving Annual Payments shall continue to participate in Earnings based upon the Participant's Investment Funds. If an installment form of payment is elected, then the distribution shall be deemed to be made on a pro rata basis out of all investment options in which amounts credited to the Participant's Subaccount are deemed to be invested.

For purposes Code Section 409A, the right to a series of installment payments under this Plan shall be treated as a right to a series of separate payments.

5.9 *Required Six-Month Delay for Certain Distributions.* For any Plan Year in which any stock of the Company is publicly traded on an established securities market, notwithstanding any provision to the contrary in this Plan, no distribution which becomes due and payable by reason of a Participant's Separation from Service shall be made to such Participant prior to the earlier of (i) the first day of the seventh (7th) month following the date of the Participant's Separation from Service or (ii) the date of his or her death, if the Participant is deemed at the time of such Separation from Service to be a Specified Employee and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable deferral period, all payments deferred pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such deferral) shall be paid in a lump sum to the Participant, and any remaining payments due under this Plan shall be paid in accordance with the normal payment dates specified for them herein. During such deferral period, the Participant's Account shall continue to share in accrued Earnings.

5.10 *Payment Date under Section 409A.* In accordance with Treasury Regulation Section 1.409A-3(d), a distribution under this Plan will be treated as made on the designated payment date if the payment is made (i) at such date or a later date within the same calendar year, or if later, by the 15th day of the third month following the date designated in this Plan (provided the Participant may not, directly or indirectly, designate the year of payment), or (ii) at a date no earlier than 30 days before the designated Payment Date and the Participant (or, in the event of the death of the Participant, his or her Beneficiary) may not directly or indirectly designate the calendar year of the payment.

5.11 *Taxes.*

A. Payment of FICA Taxes . The Company shall pay from other income an amount necessary to pay the Federal Insurance Contributions Act (FICA) tax imposed under Code Section 3101, Code Section 3121(a) and Code Section 3121(v)(2) on compensation deferred under this Plan at the same time the compensation is deferred.

B. Tax Withholding . The Company may withhold from a payment or from the Participant's other compensation any federal, state, or local taxes required by law to be withheld with respect to such payment and such sums as the Company may reasonably estimate as necessary to cover any taxes for which the Company may be liable to withhold on behalf of a Participant and which may be assessed with regard to such payment, provided, that no amounts shall be withheld from such payment for Federal Insurance Contributions Act (FICA) tax imposed under Code Section 3101, Code Section 3121(a) and Code Section 3121(v)(2) to the extent such tax amounts were previously paid on the amount distributed from this Plan.

ARTICLE VI

ADMINISTRATION OF THE PLAN

6.1 The Plan shall be administered by the Committee. The members of the Committee shall not receive compensation with respect to their services for the Committee. The members of the Committee shall serve without bond or security for the performance of their duties hereunder unless applicable law makes the furnishing of such bond or security mandatory or unless required by the Company.

6.2 The Committee shall perform any act which this Plan authorizes expressed by a vote at a meeting or in a writing signed by a majority of its members without a meeting. The Committee may, by a writing signed by a majority of its members, appoint any member of the Committee to act on behalf of the Committee. Any person who is a member of the Committee shall not vote or decide upon any matter relating solely to such member or vote in any case in which the individual right or claim of such member to any benefit under this Plan is particularly involved. If, in any matter or case in which a person is so disqualified to act, the remaining persons constituting the Committee cannot resolve such matter or case, the Board will appoint a temporary substitute to exercise all the powers of the disqualified person concerning the matter or case in which such person is disqualified.

6.3 The Committee may designate in writing other persons to carry out its responsibilities' under this Plan, and may remove any person designated to carry out its responsibilities under this Plan by notice in writing to that person. The Committee may employ persons to render advice with regard to any of its responsibilities. All usual and reasonable expenses of the Committee shall be paid by the Company. The Company shall indemnify and hold harmless each member of the Committee from and against any and all claims and expenses (including, without limitation, attorneys' fees and related costs), in connection with the performance by such member of duties in that capacity, other than any of the foregoing arising in connection with the willful neglect or willful misconduct of the person so acting.

6.4 The Committee shall establish rules and procedures, not contrary to the provisions of this Plan, for the administration of this Plan and the transaction of its business. The Committee shall determine the eligibility of any individual to participate in this Plan, shall interpret this Plan in its sole and absolute discretion, and shall determine all questions arising in the administration, interpretation and application of this Plan. All determinations of the Committee shall be conclusive and binding on all Employees, Participants and Beneficiaries.

6.5 Any action to be taken hereunder by the Company shall be taken by resolution adopted by the Board or by a committee thereof; provided, however, that by resolution, the Board or a committee thereof may delegate to any officer of the Company the authority to take any such actions hereunder.

ARTICLE VII

CLAIMS REVIEW PROCEDURE

7.1 In the event that a Participant or Beneficiary is denied a claim for benefits under this Plan (the "Claimant"), the Committee shall provide to the Claimant written notice of the denial within 90 days after the claim is filed (45 days in the case of a Disability claim) unless an extension of time for processing the claim is necessary because more information is needed (or, in the case of a Disability claim, an extension is necessary for reasons beyond the control of the Committee), in which case a decision will be rendered not later than 180 days (75 days in the case of a Disability claim which may be further extended to 105 days if the additional extension is necessary due to reasons beyond the control of the Committee) after the initial receipt of the claim. If such an extension of time for processing the claim is required, written notice of the extension and additional information that is necessary to process the claim will be furnished to the Claimant prior to the expiration of the initial 90-day (or 45-day) period and will indicate the special circumstances requiring an extension of time for processing the claim and will indicate the date the Committee expects to render its decision. In no event will such extension exceed a period of 90 days from the end of the initial period. The notice shall set forth:

(i) the specific reason or reasons for the denial;

(ii) specific references to pertinent Plan provisions on which the Committee based its denial;

(iii) a description of any additional material or information needed for the Claimant to perfect the claim and an explanation of why the material or information is needed;

(iv) if the claim is a claim for a Disability benefit, the Participant will be notified if an internal rule, guideline, protocol or other similar criterion was relied on by the Committee and the Participant will be provided with a copy of such rule, guideline, protocol, or other criterion free of charge on the Participant's request. If the claim is a claim for a Disability benefit and the denial is based on a medical necessity or other similar exclusion or limit, the Participant will be provided, free of charge at his or her request, an explanation of how that exclusion or limit and any clinical judgments apply to the Participant's medical circumstances.

(v) a statement that the Claimant may:

  (i) request a review upon written application to the Committee;

  (ii) review pertinent Plan documents; and

  (iii) submit issues and comments in writing; and

(vi) that any appeal the Claimant wishes to make of the adverse determination must be in writing and received by the Committee within 60 days (180 days in the case of a Disability claim) after receipt of the Committee's notice of denial of benefits. The Committee's notice must further advise the Claimant that failure to appeal the action to the Committee in writing within the 60-day (or 180-day) period will render the Committee's determination final, binding, and conclusive.

7.2 If the Claimant should appeal to the Committee, the Claimant, or the duly authorized representative of such Claimant, may submit, in writing, whatever issues and comments such Claimant, or the duly authorized representative of such Claimant, believes are pertinent. The Committee shall reexamine all facts related to the appeal and make a final determination as to whether the denial of benefits is justified under the circumstances. The Committee shall advise the Claimant in writing of its decision on the appeal, the specific reasons for the decision, and the specific Plan provisions on which the decision is based. The notice of the decision shall be given within 60 days (45 days in the case of a Disability claim) of the Claimant's written request for review, unless special circumstances (such as a hearing) would make the rendering of a decision within the 60-day (or 45-day) period infeasible, but in no event shall the Committee render a decision regarding the denial of a claim for benefits later than 120 days (90 days in the case of a Disability claim) after its receipt of a request for review. If an extension of time for review is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the date the extension period commences. The Claimant will also be entitled to receive, on request and free of charge, access to and copies of all documents, records, and other information relevant to the claim. In addition, if the claim is a claim for a Disability benefit, the Participant will be notified if an internal rule, guideline, protocol or other similar criterion was relied on by the Committee and will be provided with a copy of such rule, guideline, protocol, or other criterion free of charge at the Participant's request. If the claim is a claim for a Disability benefit and the denial is based on a medical necessity or other similar exclusion or limit, the Participant will be provided, free of charge at his or her request, an explanation of how that exclusion or limit and any clinical judgments apply to the Participant's medical circumstances. In the case of a Disability claim, the review on appeal must be made by a different decision-maker from the Committee and that decision-maker cannot give procedural deference to the original decision. If the Claimant is dissatisfied with the Committee's (or other independent fiduciary's) review decision, the Claimant has the right to file suit in a federal or state court.

ARTICLE VIII

LIMITATION OF RIGHTS

The establishment of this Plan shall not be construed as giving to any Participant, Employee or any person whomsoever, any legal, equitable or other rights against the Company, or its officers, directors, agents or shareholders, or as giving to any Participant or Beneficiary any equity or other interest in the assets or business of the Company or shares of Company stock or as giving any employee the right to be retained in the employment of the Company. All Employees and Participants shall be subject to discharge to the same extent they would have been if this Plan had never been adopted.

ARTICLE IX

LIMITATION OF ASSIGNMENT AND PAYMENTS TO LEGALLY INCOMPETENT DISTRIBUTEE

9.1 No benefits which shall be payable under this Plan to any person shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of the same shall be void. No benefit shall in any manner be subject to the debts, contracts, liabilities, engagements or torts of any person, nor shall it be subject to attachment or legal process for or against any person, except to the extent required by law.

9.2 Whenever any benefit which shall be payable under this Plan is to be paid to or for the benefit of any person who is then a minor or determined by the Committee, on the basis of qualified medical advice, to be incompetent, the Committee need not require the appointment of a guardian or custodian, but shall be authorized to cause the same to be paid over to the person having custody of the minor or incompetent, or to cause the same to be paid to the minor or incompetent without the intervention of a guardian or custodian, or to cause the same to be paid to a legal guardian or custodian of the minor or incompetent, if one has been appointed, or to cause the same to be used for the benefit of the minor or incompetent.

ARTICLE X

AMENDMENT TO OR TERMINATION OF THE PLAN

The Board and the Committee, or either of them acting independently, reserve the right at any time to amend or terminate this Plan in whole or in part or to add a supplement to this Plan to provide benefits for specified Participants. No amendment shall have the effect of retroactively depriving Participants or Beneficiaries of rights already accrued under this Plan. Any amendment to this Plan shall be executed by an officer of the Company. Upon termination of this Plan, the Committee may, in its sole and absolute discretion, subject only to compliance with Code Section 409A restrictions and requirements for plan termination distributions, direct that all benefits hereunder will be paid as soon as administratively practicable thereafter.

ARTICLE XI

GENERAL AND MISCELLANEOUS

11.1 *Unfunded Plan.* This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of executives within the meaning of sections 201, 301, and 401 of ERISA, and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, the Board or Committee may terminate the Plan and make no further benefit payments or remove certain Employees as Participants if it is determined by the United States Department of Labor, a court of competent jurisdiction, or an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of section 3(2) of ERISA (as currently in effect or hereafter amended) which is not so exempt.

11.2 *Designation of Beneficiary*. Each Participant may designate in writing a Beneficiary or Beneficiaries (which Beneficiary may be an entity other than a natural person) to receive any payments which may be made following the Participant's death. No Beneficiary designation shall become effective until it is filed with the Committee. Such designation may be changed or canceled by the Participant at any time without the consent of any such Beneficiary. Any such designation, change or cancellation must be made in a form approved by the Committee and shall not be effective until received by the Committee, or its designee. If a Participant designates more than one Beneficiary, the interests of such Beneficiaries shall be paid in equal shares, unless the Participant has specifically designated otherwise. If there is no Beneficiary designation in effect, or if there is no surviving designated Beneficiary, then the Participant's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant's estate (which shall include either the Participant's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant's estate duly appointed and acting in that capacity within 90 days after the Participant's death (or such extended period as the Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant's death), then the Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder. In the event any amount is payable under the Plan to a minor, payment shall not be made to the minor, but instead be paid (i) to that person's living parent(s) to act as custodian, (ii) if that person's parents are then divorced,

and one parent is the sole custodial parent, to such custodial parent, or (iii) if no parent of that person is then living, to a custodian selected by the Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

11.3 *Unsecured General Creditor.* Notwithstanding any other provision of this Plan, Participants shall be unsecured general creditors, with no secured or preferential rights to any assets of the Company or any other party for payment of benefits under this Plan. Any property held by the Company for the purpose of generating the cash flow for benefit payments shall remain its general, unpledged and unrestricted assets. The Company's obligations under the Plan shall be an unfunded and unsecured promise to pay money in the future.

11.4 *Trust Fund.* The Company shall be responsible for the payment of all benefits provided under the Plan. At its discretion, the Company may establish one (1) or more trusts, with such trustees as the Committee may approve, for the purpose of assisting in the payment of such benefits. Although such a trust shall be irrevocable, its assets shall be held for payment of all if the Company's general creditors in the event of insolvency. To the extent any benefits provided under the Plan are paid from any such trust, the Company shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Company.

11.5 *Not a Contract of Employment.* This Plan shall not constitute a contract of employment between the Company and the Participant. Nothing in this Plan shall give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge a Participant at any time.

11.6 *Protective Provisions.* Each Participant and Beneficiary shall cooperate with the Committee by furnishing any and all information requested by the Committee in order to facilitate the payment of benefits hereunder. If a Participant or Beneficiary refuses to cooperate with the Committee, the Company shall have no further obligation to the Participant or Beneficiary under the Plan, other than payment of the then-current balance of the Participant's Account in accordance with prior elections.

11.7 *Governing Law.* The provisions of this Plan shall be construed and interpreted according to the laws of the State of Delaware, except as preempted by federal law.

11.8 *Validity.* If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

11.9 *Captions.* The Section headings and numbers are included only for convenience of reference and are not to be taken as limiting or extending the meaning of any of the terms and provisions of this Plan. Whenever appropriate, words used in the singular shall include the plural or the plural may be read as the singular.

11.10 *Notice.* Any notice required or permitted under the Plan shall be sufficient if in writing, hand delivered or sent by email, registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Committee shall be directed to General Counsel, Sonic Corp., at the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in the Company's records.

11.11 *Successors.* The provisions of this Plan shall bind and inure to the benefit of the Company. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of the Company, and successors of any such corporation or other business entity.

11.12 *Code Section 409A.* Notwithstanding any provision of the Plan to the contrary, the Plan is intended to comply with the requirements of Code Section 409A. Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Code Section 409A. All payments to be made upon a Participant's termination of employment may only be made upon a separation from service under Code Section 409A and no payment shall be permitted unless such termination qualifies as a separation from service under Code Section 409A. Notwithstanding any provision of the Plan to the contrary, if a Participant is a "specified employee" within the meaning of Code Section 409A at the time of termination of employment, to the extent necessary to comply with Code Section 409A, any payment required under this Plan shall be held for delayed payment and shall be distributed on or immediately after the date which is 6 months after the date of the Participant's termination of employment. For these purposes, a "specified employee" shall mean an employee who, at any time during the 12-month period ending on the identification date, is a "specified employee" under Code Section 409A, as determined by the Committee. The determination of "specified employees", including the number and identity of persons considered "specified employees" and the identification date, shall be made by the Committee in accordance with the provisions of Sections 416(i) and Code 409A. In no event may the Participant, directly or indirectly, designate the calendar year of a payment.

IN WITNESS WHEREOF, Sonic Corp., the Company, has caused this document to be executed on this 20th day of April, 2011, but effective as of June 1, 2011.

Sonic Corp.

By: /s/ C. San Pedro
Claudia San Pedro
Vice President of Investor Relations and Treasurer

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 8, 2011

/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 8, 2011

/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 8, 2011

/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 8, 2011

/s/ Stephen C. Vaughan

Stephen C. Vaughan
Chief Financial Officer