

SONIC CORP

FORM 10-Q (Quarterly Report)

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Address	300 JOHNNY BENCH DRIVE OKLAHOMA CITY, OK 73104
Telephone	4052255000
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Symbol	SONC
SIC Code	5812 - Eating Places
Industry	Restaurants & Bars
Sector	Consumer Cyclical
Fiscal Year	08/16

**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 November 30, 2016
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)

300 Johnny Bench Drive
Oklahoma City, Oklahoma
(Address of principal executive offices)

73-1371046
(I.R.S. Employer Identification No.)

73104
(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such 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 January 3, 2017, approximately 43,934.660 shares of the registrant’s common stock, par value \$0.01 per share, were outstanding.

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)

	November 30, 2016	August 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 41,090	\$ 72,092
Restricted cash	8,406	15,873
Accounts and notes receivable, net	31,445	35,437
Prepaid expenses and other current assets	18,191	14,255
Total current assets	99,132	137,657
Noncurrent restricted cash	128	140
Investment in direct financing lease	23,830	9,859
Notes receivable, net	12,569	12,562
Property, equipment and capital leases	711,311	766,522
Less accumulated depreciation and amortization	(347,252)	(374,142)
Property, equipment and capital leases, net	364,059	392,380
Goodwill	76,266	76,734
Debt origination costs, net	2,928	3,093
Other assets, net	14,404	16,236
Total assets	\$ 593,316	\$ 648,661
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 18,062	\$ 14,372
Franchisee deposits	850	720
Accrued liabilities	35,590	51,913
Income taxes payable	6,825	2,568
Current maturities of long-term debt and capital leases	4,192	5,090
Total current liabilities	65,519	74,663
Obligations under capital leases due after one year	17,216	17,391
Long-term debt, net	566,672	566,187
Deferred income taxes	42,247	42,530
Other non-current liabilities	19,855	23,533
Total non-current liabilities	645,990	649,641
Stockholders' deficit:		
Preferred stock, par value \$.01; 1,000 shares authorized; none outstanding	—	—
Common stock, par value \$.01; 245,000 shares authorized; 118,309 shares issued (118,309 shares issued at August 31, 2016)	1,183	1,183
Paid-in capital	236,050	234,956
Retained earnings	901,201	894,442
Treasury stock, at cost; 73,615 shares (71,670 shares at August 31, 2016)	(1,256,627)	(1,206,224)
Total stockholders' deficit	(118,193)	(75,643)
Total liabilities and stockholders' deficit	\$ 593,316	\$ 648,661

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

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

	Three months ended November 30,	
	2016	2015
Revenues:		
Company Drive-In sales	\$ 87,152	\$ 103,883
Franchise Drive-Ins:		
Franchise royalties and fees	40,139	39,922
Lease revenue	1,381	1,592
Other	879	406
Total revenues	<u>129,551</u>	<u>145,803</u>
Costs and expenses:		
Company Drive-Ins:		
Food and packaging	24,116	28,946
Payroll and other employee benefits	31,766	36,364
Other operating expenses, exclusive of depreciation and amortization included below	19,426	22,908
Total cost of Company Drive-In sales	<u>75,308</u>	<u>88,218</u>
Selling, general and administrative	19,754	20,940
Depreciation and amortization	10,277	10,999
Other operating income, net	(2,840)	(399)
Total costs and expenses	<u>102,499</u>	<u>119,758</u>
Income from operations	<u>27,052</u>	<u>26,045</u>
Interest expense	7,189	6,222
Interest income	(494)	(100)
Net interest expense	<u>6,695</u>	<u>6,122</u>
Income before income taxes	<u>20,357</u>	<u>19,923</u>
Provision for income taxes	7,239	7,465
Net income	<u>\$ 13,118</u>	<u>\$ 12,458</u>
Basic income per share	<u>\$ 0.29</u>	<u>\$ 0.25</u>
Diluted income per share	<u>\$ 0.28</u>	<u>\$ 0.24</u>
Cash dividends declared per common share	<u>\$ 0.14</u>	<u>\$ 0.11</u>

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

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

	Three months ended November 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 13,118	\$ 12,458
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,277	10,999
Stock-based compensation expense	1,073	956
Other	(3,028)	(722)
(Increase) decrease in operating assets:		
Restricted cash	7,472	5,355
Accounts receivable and other assets	1,391	(105)
Increase (decrease) in operating liabilities:		
Accounts payable	3,284	6,282
Accrued and other liabilities	(19,361)	(11,962)
Income taxes	5,005	2,507
Total adjustments	6,113	13,310
Net cash provided by operating activities	19,231	25,768
Cash flows from investing activities:		
Purchases of property and equipment	(14,845)	(8,458)
Proceeds from sale of assets	10,826	1,615
Proceeds from sale of investment in refranchised drive-in operations	6,958	—
Other	4,278	1,238
Net cash provided by (used in) investing activities	7,217	(5,605)
Cash flows from financing activities:		
Payments on debt	(1,062)	(32,948)
Proceeds from borrowings	—	78,000
Purchases of treasury stock	(49,096)	(49,572)
Proceeds from exercise of stock options	29	597
Payment of dividends	(6,345)	(5,448)
Other	(976)	(1,162)
Net cash used in financing activities	(57,450)	(10,533)
Net increase (decrease) in cash and cash equivalents	(31,002)	9,630
Cash and cash equivalents at beginning of period	72,092	27,191
Cash and cash equivalents at end of period	\$ 41,090	\$ 36,821
Supplemental cash flow information		
Cash paid during the period for:		
Interest	\$ 6,700	\$ 5,748
Income taxes (net of refunds)	\$ 2,514	\$ 5,092
Non-cash investing and financing activities:		
Additions to direct financing leases from property, equipment and capital leases	21,082	—
Net additions to capital lease obligations	1,433	—
Change in obligation to acquire treasury stock	1,458	(2,457)

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

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

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) and with the rules and regulations of the Securities and Exchange Commission (“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, 2016, included in the Company’s Annual Report on Form 10-K. Interim results are not necessarily indicative of the results that may be expected for a full year or any other interim period.

Principles of Consolidation

The accompanying financial statements include the accounts of the Company, its wholly owned subsidiaries and a number of Company Drive-Ins in which a subsidiary has a controlling ownership interest. All 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.

Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled for the transfer of promised goods or services to customers. The standard also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The ASU will replace most of the existing revenue recognition requirements in U.S. GAAP when it becomes effective. Further, in March 2016, the FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” which clarifies the guidance in ASU No. 2014-09 for evaluating when another party, along with the entity, is involved in providing a good or service to a customer. In April 2016, the FASB issued ASU No. 2016-10, “Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing,” which clarifies the guidance in ASU No. 2014-09 regarding assessing whether promises to transfer goods or services are distinct, and whether an entity’s promise to grant a license provides a customer with a right to use or right to access the entity’s intellectual property. The Company plans to adopt the standard in the first quarter of fiscal year 2019, which aligns with the required adoption date. The standards are to be applied retrospectively or using a cumulative effect transition method, with early application not permitted; however, we have not yet decided on a method of transition upon adoption. The Company does not believe the new revenue recognition standard will impact the recognition of sales from Company Drive-Ins or the recognition of royalty fees from franchisees. The Company expects the pronouncement will impact the recognition of the initial franchise fee, which is currently recognized upon the opening of a Franchise Drive-In. The impact on these fees has not yet been estimated and no transition method has been selected. The Company is currently evaluating the effect that this pronouncement will have on the recognition of other transactions, the financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, “Leases.” The new standard, which replaces existing lease guidance, requires lessees to recognize on the balance sheet a liability to make lease payments and a corresponding right-of-use asset. The guidance also requires certain qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. Accounting guidance for lessors is largely unchanged. The standard is effective for fiscal years beginning after December 15, 2018, which will require the Company to adopt the provisions in the first quarter

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(In thousands, except per share data)
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of fiscal 2020, with early application permitted. This standard requires adoption based upon a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with optional practical expedients. Based on a preliminary assessment, the Company expects that most of its operating lease commitments will be subject to the new guidance and recognized as operating lease liabilities and right-of-use assets upon adoption, resulting in a significant increase in the assets and liabilities on our consolidated balance sheet. The Company is continuing its assessment, which may identify additional impacts this standard will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-04, "Liabilities – Extinguishment of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products," which is intended to eliminate current and future diversity in practice related to derecognition of prepaid stored-value product liability in a way that aligns with the new revenue recognition guidance. The update is effective for fiscal years beginning after December 15, 2017; however, early application is permitted. The adoption of the update is not expected to have a material impact on the Company's financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses." The update was issued to provide more decision-useful information about the expected credit losses on financial instruments. The update replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The update is effective for fiscal years beginning after December 15, 2019, with early adoption permitted for fiscal years beginning after December 15, 2018. The update should be adopted using a modified-retrospective approach. The Company is currently evaluating the effect that this update will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments." The update is intended to reduce diversity in practice in how certain transactions are classified and will make eight targeted changes to how cash receipts and cash payments are presented in the statement of cash flows. The update is effective for fiscal years beginning after December 15, 2017. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case the amendments will apply prospectively as of the earliest date practicable. The Company is currently evaluating the effect of this update but does not believe it will have a material impact on its financial statements and related disclosures.

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory" as part of its simplification initiatives. The update requires that an entity recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than deferring the recognition until the asset has been sold to an outside party as is required under current GAAP. The update is effective for fiscal years beginning after December 15, 2017. The new standard will require adoption on a modified retrospective basis through a cumulative-effect adjustment to retained earnings, and early adoption is permitted. The Company is currently evaluating the effect that this update will have on its financial statements and related disclosures.

The Company has reviewed all other recently issued accounting pronouncements and concluded they are not applicable or not expected to be significant to our operations.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This update requires debt issuance costs to be presented in the balance sheet as a reduction of the related liability rather than as an asset. The recognition and measurement guidance for debt issuance costs are not affected by this update. This update is effective for fiscal years beginning after December 15, 2015, including interim periods within that reporting period, and is to be applied retrospectively; early adoption is permitted. In August 2015, the FASB issued ASU 2015-15, which addresses the SEC's comments related to the absence of authoritative guidance within ASU 2015-03 related to line-of-credit arrangements. The SEC would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company retrospectively adopted this guidance in the first quarter of fiscal year 2017, which resulted in a reclassification of unamortized debt issuance costs of \$11.3 million related to the Company's fixed rate notes from non-current assets to long-term debt, net, within the Company's consolidated balance sheet, resulting in a corresponding reduction in total assets and total long-term liabilities as of August 31, 2016. Other than this reclassificat

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ion, the adoption of this ASU did not have any other impact on the Company's consolidated financial statements. As of November 30, 2016, there was \$10.8 million of unamortized debt issuance costs related to the Company's fixed rate notes included within long-term debt, net on the Company's condensed consolidated balance sheet.

In April 2015, the FASB issued ASU No. 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The update provides clarification on whether a cloud computing arrangement includes a software license. If a software license is included, the customer should account for the license consistent with its accounting of other software licenses. If a software license is not included, the arrangement should be accounted for as a service contract. The update is effective for fiscal years beginning after December 15, 2015. The Company adopted this standard in the first quarter of fiscal year 2017 on a prospective basis. The adoption did not have a material impact on the Company's consolidated financial statements.

During the first quarter of fiscal 2017, the Company early adopted ASU No. 2016-09, "Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting," which simplifies several aspects of accounting for share-based payment transactions, including excess tax benefits, an accounting policy election for forfeitures, statutory tax withholding requirements and classification in the statements of cash flows. As required by the update, on a prospective basis, the Company recognized excess tax benefits related to share-based payments in our provision for income taxes in the condensed consolidated statements of income. These items were historically recorded in additional paid-in capital. As allowed by the update, on a prospective basis, cash flows related to excess tax benefits recognized on stock-based compensation expense are classified as an operating activity in the Company's condensed consolidated statements of cash flows. These prospective changes did not have a material impact on the Company's financial statements for the first quarter of fiscal year 2017. Cash paid on employees' behalf related to shares withheld for tax purposes continues to be classified as a financing activity. Our stock compensation expense continues to reflect estimated forfeitures.

2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended November 30,	
	2016	2015
Numerator:		
Net income	\$ 13,118	\$ 12,458
Denominator:		
Weighted average common shares outstanding— basic	45,720	50,221
Effect of dilutive employee stock options and unvested restricted stock units	823	1,104
Weighted average common shares outstanding – diluted	46,543	51,325
Net income per common share – basic	\$ 0.29	\$ 0.25
Net income per common share – diluted	\$ 0.28	\$ 0.24
Anti-dilutive securities excluded ⁽¹⁾	821	412

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

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3. Share Repurchase Program

In August 2015, the Company's Board of Directors extended the Company's share repurchase program, authorizing the Company to purchase up to \$145.0 million of its outstanding shares of common stock to be repurchased through August 31, 2016. The Board of Directors further extended the share repurchase program effective May 2016, authorizing the purchase of up to an additional \$155.0 million of our outstanding shares of common stock through August 31, 2017. During fiscal year 2016, approximately 5.2 million shares were repurchased for a total cost of \$148.3 million, resulting in an average price per share of \$28.48.

In October 2016, the Company's Board of Directors increased the authorization under the share repurchase program by \$40.0 million. During the first three months of fiscal year 2017, approximately 2.0 million shares were repurchased for a total cost of \$50.6 million, resulting in an average price per share of \$25.87. The total remaining amount authorized under the share repurchase program as of November 30, 2016 was \$122.4 million.

Share repurchases may be made from time to time in the open market or otherwise, including through an accelerated share repurchase program, under terms of a Rule 10b5-1 plan, in privately negotiated transactions or in round lot or block transactions. The share repurchase program may be extended, modified, suspended or discontinued at any time.

4. Income Taxes

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

	Three months ended November 30,	
	2016	2015
Provision for income taxes	\$ 7,239	\$ 7,465
Effective income tax rate	35.6%	37.5%

The higher effective tax rate in the first quarter of fiscal year 2016 was primarily attributable to a decrease in employment tax credits due to expired credit provisions.

5. Accounts and Notes Receivable

Accounts and notes receivable consist of the following:

	November 30, 2016	August 31, 2016
Current Accounts and Notes Receivable:		
Royalties and other trade receivables	\$ 16,873	\$ 19,994
Notes receivable from franchisees	2,270	5,531
Receivables from system funds	4,207	4,372
Other	9,077	6,507
Accounts and notes receivable, gross	32,427	36,404
Allowance for doubtful accounts and notes receivable	(982)	(967)
Current accounts and notes receivable, net	\$ 31,445	\$ 35,437
Noncurrent Notes Receivable:		
Receivables from franchisees	\$ 7,070	\$ 7,170
Receivables from system funds	5,558	5,466
Allowance for doubtful notes receivable	(59)	(74)
Noncurrent notes receivable, net	\$ 12,569	\$ 12,562

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The Company's receivables are primarily due from franchisees, all of whom are in the restaurant business. Substantially all of the notes receivable from franchisees are collateralized by real estate or equipment. The receivables from system funds represent transactions in the normal course of business. The decrease in current notes receivable from franchisees is due to short-term financing for refranchised drive-ins and newly constructed drive-ins sold to franchisees that were established in fiscal year 2016 and were repaid in the first quarter of fiscal year 2017. The increase in other current accounts and notes receivable is due to the timing of various receipts and disbursements.

6. Contingencies

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

On December 20, 2013, the Company extended a note purchase agreement to a bank that serves to guarantee the repayment of a franchisee loan, with a term through 2018. In the event of default by the franchisee, the Company would purchase the franchisee loan from the bank, thereby becoming the note holder and providing an avenue of recourse with the franchisee. The Company recorded a liability for this guarantee which was based on the Company's estimate of fair value. As of November 30, 2016, the balance of the franchisee's loan was \$5.7 million.

The Company has obligations under various operating lease agreements with third-party lessors related to the real estate for certain Company Drive-In operations that were sold to franchisees. Under these agreements, which expire through 2029, the Company remains secondarily liable for the lease payments for which it was responsible as the original lessee. As of November 30, 2016, the amount remaining under these guaranteed lease obligations totaled \$6.9 million. At this time, the Company does not anticipate any material defaults under the foregoing leases; therefore, zero liability has been provided.

7. 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 on 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 Company's cash equivalents, some of which are included in restricted cash, are carried at cost which approximates fair value and totaled \$28.1 million at November 30, 2016 and \$59.2 million at August 31, 2016. This fair value is estimated using Level 1 inputs.

At November 30, 2016 and August 31, 2016, the fair value of the Company's Series 2016-1 Senior Secured Fixed Rate Notes, Class A-2 (the "2016 Fixed Rate Notes") and Series 2013-1 Senior Secured Fixed Rate Notes, Class A-2 (the "2013 Fixed Rate Notes" and, together with the 2016 Fixed Rate Notes, the "Fixed Rate Notes") approximated the carrying

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value, including accrued interest, of \$578.6 million, and \$579.6 million, respectively. The fair value of the Fixed Rate Notes is estimated using Level 2 inputs from market information available for public debt transactions for companies with ratings that are similar to the Company's ratings and from information gathered from brokers who trade in the Company's notes.

8. Other Operating Income

During the first quarter of fiscal year 2017, the Company recorded a gain of \$3.8 million on the sale of minority investments in franchise operations retained as part of a refranchising transaction that occurred in fiscal year 2009. The gain is reflected in other operating income, net on the condensed consolidated statement of income.

9. Refranchising Initiative

Refranchising Transactions

In June 2016, the Company announced plans to refranchise Company Drive-Ins as part of a refranchising initiative to move toward an approximately 95% - franchised system. During the first quarter of fiscal year 2017, the Company completed two transactions to refranchise the operations of 56 Company Drive-Ins and retained a non-controlling minority investment in the franchise operations.

During fiscal year 2016, the Company refranchised the operations of 38 Company Drive-Ins. Of the Company Drive-Ins refranchised in fiscal year 2016, 29 were completed as part of the refranchising initiative announced in June 2016. The Company retained a non-controlling minority investment in the franchise operations of 25 of these refranchised drive-ins.

Income from minority investments is included in other revenue on the condensed consolidated statements of income. Gains and losses associated with refranchised drive-ins are recorded in other operating income, net on the condensed consolidated statement of income. The following is a summary of the pretax activity recorded as a result of the refranchising initiative:

	Three months ended November 30, 2016
Number of Company Drive-Ins sold to franchisees	56
Proceeds from sales of Company Drive-Ins	\$ 8,950
Assets sold, net of retained minority investment ⁽¹⁾	(5,461)
Goodwill related to sales of Company Drive-Ins	(377)
Initial lease payment for real estate option ⁽²⁾	(3,810)
Loss on assets held for sale	(259)
Refranchising initiative gains (losses), net	<u>\$ (957)</u>

(1) Net assets sold consisted primarily of equipment.

(2) As part of a 53 drive-in refranchising transaction, the Company entered into a direct financing lease which includes an option for the franchisee to purchase the real estate within the next 24 months. In accordance with lease accounting requirements, since the exercise of this option can occur at any time within the next 24 months, the portion of the proceeds from the refranchising attributable to the fair value of the option represents the initial minimum lease payment for the real estate. Unless and until the option is exercised or expires, the franchisee will make monthly lease payments of \$0.3 million through November 2017 and \$0.1 million thereafter, through November 2018, which will be included in other operating income.

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

	Refranchising Initiative Fiscal Year 2016
Number of Company Drive-Ins sold to franchisees ⁽¹⁾	29
Proceeds from sales of Company Drive-Ins	\$ 3,568
Assets sold, net of retained minority investment ⁽²⁾	(2,402)
Goodwill related to sales of Company Drive-Ins	(194)
Refranchising initiative gains (losses), net	<u>\$ 972</u>

(1) Company Drive-Ins refranchised as part of the refranchising initiative announced in June 2016.

(2) Net assets sold consisted primarily of equipment.

Direct Financing Leases

As part of the refranchising initiative, the Company entered into direct franchising leases ("DFLs") in fiscal year 2016 and the first quarter of fiscal year 2017.

Components of net investment in direct financing leases are as follows at November 30:

	November 30, 2016	August 31, 2016
Minimum lease payments receivable	\$ 33,490	\$ 15,108
Less unearned income	(6,483)	(5,134)
Net investment in direct financing lease	27,007	9,974
Less amount due within one year	(3,177)	(115)
Amount due after one year	<u>\$ 23,830</u>	<u>\$ 9,859</u>

Future minimum rental payments receivable as of November 30, 2016 are as follows:

	Direct Financing Lease
Years ended August 31:	
2017	\$ 744
2018	3,948
2019	13,132
2020	1,230
2021	1,325
Thereafter	13,111
	33,490
Less unearned income	(6,483)
	<u>\$ 27,007</u>

Initial direct costs incurred in the negotiations and consummations of direct financing lease transactions have not been material. Accordingly, no portion of unearned income has been recognized to offset those costs.

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

Assets Held for Sale

Assets held for sale consist of Company Drive-Ins that are expected to sell within one year as part of the Company's refranchising initiative. Such assets are classified as assets held for sale upon meeting the requirements of ASC 360, "Accounting for the Impairment or Disposal of Long-Lived Assets" and are included in other assets, net on the Company's condensed consolidated balance sheet. These assets are recorded at the lower of the carrying amounts or fair values less costs to sell. Assets are no longer depreciated once classified as held for sale. The following table sets forth the components of assets held for sale:

	November 30, 2016	August 31, 2016
Property and equipment, net ⁽¹⁾	\$ 7,558	\$ 5,299
Goodwill, net	90	—
Total assets held for sale	\$ 7,648	\$ 5,299

(1) Includes loss on anticipated sale of \$0.3 million to reflect assets at fair value.

In the first quarter of fiscal year 2017, a \$0.3 million loss on the anticipated sale of 19 Company Drive-Ins was recorded. Property, equipment and goodwill associated with these locations was included in assets held for sale as of November 30, 2016. Subsequent to the end of the first quarter, the anticipated transaction was completed and the Company maintained a non-controlling minority investment in all of the drive-ins.

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

System-wide same-store sales decreased 2.0% during the first quarter of fiscal year 2017 as compared to an increase of 5.3% for the same period last year. Same-store sales at Company Drive-Ins decreased 2.4% during the first quarter of fiscal year 2017 as compared to an increase of 4.4% for the same period last year. The same-store sales decrease reflects a decline in traffic, driven by lower consumer spending in the restaurant industry as well as aggressive competitive activity. We continue to execute on our long-term strategies, including new technology, people initiatives, product innovation, a greater emphasis on personalized service, targeted value promotions and our fully integrated media strategy. All of these initiatives drive Sonic’s multi-layered growth strategy, which incorporates same-store sales growth, operating leverage, deployment of cash, an ascending royalty rate and new drive-in development. Same-store sales growth is the most important layer and drives operating leverage and increased operating cash flows.

Revenues decreased to \$129.6 million for the first quarter of fiscal year 2017 from \$145.8 million for the same period last year, primarily due to a decrease in Company Drive-In sales. The decrease in Company Drive-In sales was a result of refranchising certain Company Drive-Ins in the fourth quarter of fiscal year 2016 and the first quarter of fiscal year 2017, as part of our initiative to move toward an approximately 95%-franchised system, as well as decreased same-store sales. Restaurant margins at Company Drive-Ins were unfavorable by 150 basis points during the first quarter of fiscal year 2017, reflecting the de-leveraging impact of same-stores sales decreases, increased investments in employees’ compensation and benefits to attract and retain employees at the drive-in level and the impact of fees paid to the Brand Technology Fund (“BTF”) that was established in the third quarter of fiscal year 2016.

First quarter results for fiscal year 2017 reflected net income of \$13.1 million or \$0.28 per diluted share as compared to net income of \$12.5 million or \$0.24 per diluted share for the same period last year. Excluding the non-GAAP adjustments further described below, net income for the first quarter of fiscal year 2017 decreased 9.4% and diluted earnings per share was flat.

The following analysis of non-GAAP adjustments is 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 November 30, 2016		Three months ended November 30, 2015	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Reported – GAAP	\$ 13,118	\$ 0.28	\$ 12,458	\$ 0.24
Loss on refranchising transactions ⁽¹⁾	957	0.02	—	—
Tax impact on refranchising transactions ⁽²⁾	(340)	(0.01)	—	—
Gain on sale of investment in refranchised drive-in operations ⁽³⁾	(3,795)	(0.08)	—	—
Tax impact on sale of investment in refranchised drive-in operations ⁽²⁾	1,350	0.03	—	—
Adjusted - Non-GAAP	\$ 11,290	\$ 0.24	\$ 12,458	\$ 0.24

(1) During the first quarter of fiscal year 2017, we completed two transactions to refranchise the operations of 56 Company Drive-Ins. Of the proceeds, \$3.8 million represents the initial lease payment for a real estate purchase option that will be exercised or expire within 24 months, resulting in a loss on the transactions. Additional information regarding the refranchising initiative is detailed below.

(2) Tax impact during the period at an effective tax rate of 35.6%.

(3) Gain on sale of investment in refranchised drive-ins is related to minority investments in franchise operations retained as part of a refranchising transaction that occurred in fiscal year 2009. Income from minority investments is included in other revenue on the condensed consolidated statements of income.

In June 2016, we announced plans to rebrand Company Drive-Ins as part of a rebranding initiative to move toward an approximately 95% -franchised system. During the first quarter of fiscal year 2017, we completed two transactions to rebrand the operations of 56 Company Drive-Ins and retained a non-controlling minority investment in the franchise operations.

During fiscal year 2016, we rebranded the operations of 38 Company Drive-Ins. Of the Company Drive-Ins rebranded in fiscal year 2016, 29 were completed as part of the rebranding initiative announced in June 2016. We retained a non-controlling minority investment in the franchise operations of 25 rebranded drive-ins.

Income from minority investments is included in other revenue on the condensed consolidated statements of income. Gains and losses associated with rebranded drive-ins are recorded in other operating income, net on the condensed consolidated statement of income. The following is a summary of the pretax activity recorded as a result of the rebranding initiative:

	Three months ended November 30, 2016	
Number of Company Drive-Ins sold to franchisees		56
Proceeds from sales of Company Drive-Ins	\$	8,950
Assets sold, net of retained minority investment ⁽¹⁾		(5,461)
Goodwill related to sales of Company Drive-Ins		(377)
Initial lease payment for real estate option ⁽²⁾		(3,810)
Loss on assets held for sale		(259)
Rebranding initiative gains (losses), net	\$	<u>(957)</u>

(1) Net assets sold consisted primarily of equipment.

(2) As part of a 53 drive-in rebranding transaction, the Company entered into a direct financing lease which includes an option for the franchisee to purchase the real estate within the next 24 months. In accordance with lease accounting requirements, since the exercise of this option can occur at any time within the next 24 months, the portion of the proceeds from the rebranding attributable to the fair value of the option represents the initial minimum lease payment for the real estate. Unless and until the option is exercised or expires, the franchisee will make monthly lease payments of \$0.3 million through November 2017 and \$0.1 million thereafter, through November 2018, which will be included in other operating income. Lease payments will be combined with the initial rebranding transaction above to quantify the net rebranding gain (loss) once the option is exercised or expires.

	Rebranding Initiative Fiscal Year 2016	
Number of Company Drive-Ins sold to franchisees ⁽¹⁾		29
Proceeds from sales of Company Drive-Ins	\$	3,568
Assets sold, net of retained minority investment ⁽²⁾		(2,402)
Goodwill related to sales of Company Drive-Ins		(194)
Rebranding initiative gains (losses), net	\$	<u>972</u>

(1) Company Drive-Ins rebranded as part of the rebranding initiative announced in June 2016.

(2) Net assets sold consisted primarily of equipment.

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

System-wide Performance
(**\$ in thousands**)

	Three months ended November 30,	
	2016	2015
Increase (decrease) in total sales	(0.9)%	6.4%
System-wide drive-ins in operation ⁽¹⁾ :		
Total at beginning of period	3,557	3,526
Opened	14	13
Closed (net of re-openings)	(12)	(10)
Total at end of period	3,559	3,529
Average sales per drive-in	\$ 301	\$ 305
Change in same-store sales ⁽²⁾	(2.0)%	5.3%

(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.

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 November 30,		Increase (Decrease)	Percent Increase (Decrease)
	2016	2015		
Company Drive-In sales	\$ 87,152	\$ 103,883	\$ (16,731)	(16.1)%
Franchise Drive-Ins:				
Franchise royalties	39,882	39,462	420	1.1 %
Franchise fees	257	460	(203)	(44.1)%
Lease revenue	1,381	1,592	(211)	(13.3)%
Other	879	406	473	116.5 %
Total revenues	\$ 129,551	\$ 145,803	\$ (16,252)	(11.1)%

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

Company Drive-In Sales
(**\$ in thousands**)

	Three months ended November 30,	
	2016	2015
Company Drive-In sales	\$ 87,152	\$ 103,883
Percentage increase (decrease)	(16.1)%	3.7%
Company Drive-Ins in operation ⁽¹⁾ :		
Total at beginning of period	345	387
Opened	—	—
Sold to franchisees	(56)	(2)
Closed (net of re-openings)	(3)	(3)
Total at end of period	<u>286</u>	<u>382</u>
Average sales per Company Drive-In	\$ 270	\$ 270
Change in same-store sales ⁽²⁾	(2.4)%	4.4%

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

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

Same-store sales for Company Drive-Ins decreased 2.4% for the first quarter of fiscal year 2017, as compared to an increase of 4.4% for the same period last year, reflecting a decrease in traffic due to lower consumer spending in the restaurant industry as well as aggressive competitive activity. We continue to focus on our innovative product pipeline, multi-day-part promotions and increased media effectiveness. Company Drive-In sales decreased \$16.7 million during the first quarter of fiscal year 2017 as compared to the same period last year, mainly due to decreased sales of \$13.2 million related to stores sold to franchisees, a decrease in same-store sales of \$2.2 million and a decrease of \$1.7 million related to stores that were permanently or temporarily closed during the period.

The following table reflects the change in franchise sales, the number of Franchise Drive-Ins, average unit volumes and franchising revenues. 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 November 30,	
	2016	2015
Franchise Drive-In sales	\$ 975,782	\$ 968,956
Percentage increase	0.7 %	6.7%
Franchise Drive-Ins in operation ⁽¹⁾ :		
Total at beginning of period	3,212	3,139
Opened	14	13
Acquired from the company	56	2
Closed (net of re-openings)	(9)	(7)
Total at end of period	<u>3,273</u>	<u>3,147</u>
Average sales per Franchise Drive-In	304	310
Change in same-store sales ⁽²⁾	(2.0)%	5.4%
Franchising revenues ⁽³⁾	\$ 41,520	\$ 41,514
Percentage increase (decrease)	— %	5.6%
Effective royalty rate ⁽⁴⁾	4.09 %	4.07%

(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.

(3) Consists of revenues derived from franchising activities, including royalties, franchise fees and lease revenues. See *Revenue Recognition Related to Franchise Fees and Royalties* in the *Critical Accounting Policies and Estimates* section of Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended August 31, 2016.

(4) Represents franchise royalties as a percentage of Franchise Drive-In sales.

Same-store sales for Franchise Drive-Ins decreased 2.0% for the first quarter of fiscal year 2017 as compared to an increase of 5.4% for the same period last year, reflecting a decrease in traffic due to lower consumer spending in the restaurant industry as well as aggressive competitive activity. We continue to focus on our innovative product pipeline, multi-day-part promotions and increased media effectiveness. Franchising revenues were flat for the first quarter of fiscal year 2017, compared to the same period last year. Franchise royalties were negatively impacted by the decrease in same-store sales, but were offset by an increase in royalties related to net new unit growth and franchisee acquisitions of Company Drive-ins.

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

Company Drive-In Margins

	Three months ended November 30,		Percentage Points Increase (Decrease)
	2016	2015	
Costs and expenses			
Company Drive-Ins:			
Food and packaging	27.7%	27.9%	(0.2)
Payroll and other employee benefits	36.4%	35.0%	1.4
Other operating expenses	22.3%	22.0%	0.3
Cost of Company Drive-In sales	86.4%	84.9%	1.5

Drive-in level margins at Company Drive-Ins were unfavorable by 150 basis points during the first quarter of fiscal year 2017, driven by the deleveraging impact of same-store sales, payroll and other employee benefits and other operating expenses. Food and packaging costs were favorable by 20 basis points during the first quarter of fiscal year 2017 as a result of moderate commodity cost improvement, partially offset by the impact of fees paid to the BTF. Payroll and other employee benefits were unfavorable by 140 basis points for the first quarter of fiscal year 2017, reflecting investments in improved employee compensation and benefits to attract and retain employees at the drive-in level. Other operating expenses were unfavorable by 30 basis points during the first quarter of fiscal year 2017, mainly as a result of the fees paid to the BTF.

Selling, General and Administrative ("SG&A"). SG&A expenses decreased \$1.2 million, or 5.7%, to \$19.8 million for the first quarter of fiscal year 2017, as compared to the same period last year. The decrease for the first three months is primarily related to lower variable compensation.

Depreciation and Amortization. Depreciation and amortization decreased \$0.7 million, or 6.6%, in the first quarter of fiscal year 2017, as compared to the same period last year. This decrease is primarily attributable to assets that fully depreciated in the prior fiscal year and a decrease in company assets related to the refranchising of certain Company Drive-Ins in the fourth quarter of fiscal year 2016 and the first quarter of fiscal year 2017.

Net Interest Expense. Net interest expense increased \$0.6 million, or 9.4%, to \$6.7 million for the first quarter of fiscal year 2017, as compared to the same period last year. The increase was due to an increase in the long-term debt balance attributable to our debt financing transaction that occurred in the third quarter of fiscal year 2016, partially offset by a lower weighted-average interest rate. For additional information on long-term debt, see our Annual Report on Form 10-K for the year ended August 31, 2016.

Income Taxes. The provision for income taxes reflects an effective tax rate of 35.6% for the first quarter of fiscal year 2017, as compared to 37.5% for the same period last year. The higher effective income tax rate during the first quarter of fiscal year 2016 was primarily attributable to a decrease in employment tax credits due to expired credit provisions. Our tax rate may continue to vary significantly from quarter to quarter depending on the timing of stock option exercises and dispositions by option holders and as circumstances on other tax matters change.

Financial Position

Total assets decreased \$55.4 million, or 8.5%, to \$593.3 million during the first three months of fiscal year 2017 from \$648.7 million at the end of fiscal year 2016. The decrease in total assets was primarily attributable to a decrease in cash and cash equivalents, which reflect the purchases of common stock and payment of dividends during the period, offset by cash generated from operating activities and proceeds from refranchising transactions. Total assets were further impacted by a decrease in net property, equipment and capital leases, driven by depreciation, asset retirements and refranchising transactions, as well as assets reclassified as held for sale. These were partially offset by purchases of property, equipment and technology and an increase in investment in direct financing leases related to the refranchising transactions completed in the first quarter of fiscal year 2017.

Total liabilities decreased \$12.8 million , or 1.8% , to \$711.5 million during the first three months of fiscal year 2017 from \$724.3 million at the end of fiscal year 2016. The decrease was primarily attributable to a decrease of \$16.3 million in accrued liabilities, which are mainly related to payment of incentive compensation and other liabilities that were accrued as of August 31, 2016 and was offset by an increase in accounts payable and incomes taxes payable, both related to the timing of payments.

Total stockholders' deficit increased \$42.6 million , or 56.3% , to a deficit of \$118.2 million during the first three months of fiscal year 2017 from a deficit of \$75.6 million at the end of fiscal year 2016. This increase was primarily attributable to \$50.6 million in purchases of common stock during the first three months of the fiscal year and the payment of \$6.4 million in dividends, partially offset by current-year earnings of \$13.1 million .

Liquidity and Sources of Capital

Operating Cash Flows. Net cash provided by operating activities decreased \$6.6 million to \$19.2 million for the first three months of fiscal year 2017 as compared to \$25.8 million for the same period in fiscal year 2016. The change was driven by higher incentive compensation payments compared to the same period in the prior year, as well as the timing of payments for payroll and tax transactions.

Investing Cash Flows. Net cash provided by investing activities was \$7.2 million as compared to net cash used in investing activities of \$5.6 million for the same period in fiscal year 2016. The majority of the \$17.8 million in proceeds was a result of the sale of assets related to stores sold to franchisees as part of the refranchising initiative and the sale of investment in refranchised drive-in operations. In addition, franchisees paid \$3.2 million on short-term financing notes. These proceeds were offset by increased investments in property and equipment compared to the same period last year mainly due to increased investment in rebuilds, relocations and remodels of existing drive-ins.

The table below outlines our use of cash in millions for investments in property and equipment for the first three months of fiscal year 2017 :

Rebuilds, relocations and remodels of existing drive-ins	\$	7.0
Brand technology investments		4.0
Newly constructed drive-ins leased or sold to franchisees		2.5
Purchase and replacement of equipment and technology		0.9
Newly constructed Company Drive-Ins		0.4
Total investments in property and equipment	\$	14.8

Financing Cash Flows. Net cash provided by financing activities decreased \$47.0 million to \$57.5 million for the first three months of fiscal year 2017 , as compared to cash used in financing activities of \$10.5 million for the same period in fiscal year 2016. The decrease is primarily due to the reduction in regularly scheduled principal payments related to the debt financing transaction that occurred in fiscal year 2016. Additionally, the prior-year period included advances on the Series 2011-1 Senior Secured Variable Funding Notes, Class A-1, which were subsequently repaid as part of the debt financing transaction. For additional information on long-term debt, see our Annual Report on Form 10-K for the year ended August 31, 2016.

In August 2015, our Board of Directors extended our share repurchase program, authorizing the purchase of up to \$145.0 million of our outstanding shares of common stock through August 31, 2016. The Board of Directors further extended the share repurchase program effective May 2016, authorizing the purchase of up to an additional \$155.0 million of our outstanding shares of common stock through August 31, 2017. In October 2016, our Board of Directors increased the authorization under the share repurchase program by \$40.0 million .

Share repurchases may be made from time to time in the open market or otherwise. The share repurchase program may be extended, modified, suspended or discontinued at any time. During the first three months of fiscal year 2017 , approximately 2.0 million shares were repurchased for a total cost of \$50.6 million , resulting in an average price per share of \$25.87 .

As of November 30, 2016 , our total cash balance of \$49.6 million (\$41.1 million of unrestricted and \$8.5 million of restricted cash balances) reflected the impact of the cash generated from operating activities, refranchising proceeds, cash used for share repurchases, dividends and capital expenditures mentioned above. We believe that existing cash, funds generated from operations and the amount available under our Series 2016-1 Senior Secured Variable Funding Notes, Class A-1, will meet our needs for the foreseeable future.

Critical Accounting Policies and Estimates

Critical accounting policies are those the Company believes are most important to portraying its financial conditions and results of operations and also require the greatest amount of subjective or complex judgments by management. Judgments and uncertainties regarding the application of these policies may result in materially different amounts being reported under various conditions or using different assumptions. There have been no material changes to the critical accounting policies previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2016 .

New Accounting Pronouncements

For a description of new accounting pronouncements, see note 1 - Basis of Presentation, included in Part I, Item 1, "Financial Statements", in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the quantitative and qualitative market risks set forth in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the year ended August 31, 2016.

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). Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

There were no significant changes in the Company's internal control over financial reporting during the quarter ended November 30, 2016 , that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There has been no material change in the risk factors set forth in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended August 31, 2016 .

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**(c) Issuer Purchases of Equity Securities**

Shares repurchased during first quarter of fiscal year 2017 are as follows (in thousands, except per share amounts):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Program(1)
September 1, 2016 through September 30, 2016	594	\$ 26.54	594	\$ 117,140
October 1, 2016 through October 31, 2016	559	25.40	559	142,946
November 1, 2016 through November 30, 2016	801	25.71	801	122,359
Total	1,954		1,954	

- (1) In August 2015, the Company's Board of Directors ("the Board") extended the Company's share repurchase program, authorizing the Company to purchase up to \$145.0 million of its outstanding shares of common stock through August 31, 2016. The Board further extended the share repurchase program effective May 2016, authorizing the purchase of up to an additional \$155.0 million of our outstanding shares of common stock through August 31, 2017. In October 2016, the Board increased the authorization by \$40.0 million. Share repurchases may be made from time to time in the open market or otherwise, including through an accelerated share repurchase program, under terms of a Rule 10b5-1 plan, in privately negotiated transactions or in round lot or block transactions. The share repurchase program may be extended, modified, suspended or discontinued at any time. Please refer to note 3 – Share Repurchase Program of the notes to the condensed consolidated financial statements for additional information.

Item 6. Exhibits

The Company has marked all management contracts and compensatory plans or arrangements with an asterisk (*).

Exhibits.

10.01	Form of Chief Executive Officer Amended and Restated Employment Agreement dated January 1, 2017*
10.02	Form of Executive Officer Amended and Restated Employment Agreement dated January 1, 2017*
10.03	Amended and Restated Executive Severance Plan dated January 1, 2017*
31.01	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14
31.02	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14
32.01	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.02	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

SONIC CORP.

By: /s/ Claudia S. San Pedro
Claudia S. San Pedro
Executive Vice President and
Chief Financial Officer

Date: January 6, 2017

EXHIBIT INDEX

Exhibit Number and Description

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101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Agreement is entered into effective as of the 1st day of January, 2017, by and between Sonic Corp. (the “Corporation”), a Delaware corporation, and Clifford Hudson (the “Employee”).

RECITALS

Whereas, the Employee is currently serving as the Chief Executive Officer of the Corporation and is an integral part of its management; and

Whereas, the Employee and the Corporation acknowledge that they previously entered into an Employment Agreement dated November 1, 2012, which is hereby canceled and superseded in its entirety by this Agreement; and

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

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

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

Now, therefore, it is agreed as follows:

ARTICLE I
Term of Employment

1.1 Term of Employment. The Corporation shall employ Employee for a period of two years from the date hereof (the “Initial Term”).

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

1.3 Termination of Employment. The Corporation may terminate this Agreement and the Employee’s employment at any time effective upon written notice to the Employee. The Employee may terminate this Agreement and the Employee’s employment only after at least 30 days’ written notice to the Corporation, unless otherwise agreed by the Corporation. Any such termination is subject to the terms and conditions contained in this Agreement.

ARTICLE II
Duties of the Employee

Employee shall serve as the Chief Executive Officer of the Corporation. Employee shall do and perform all services, acts, or things necessary or advisable to manage and conduct the business of the Corporation consistent with such position subject to such policies and procedures as may be established by the Board.

ARTICLE III
Compensation

3.1 **Salary**. For Employee's services to the Corporation as the Chief Executive Officer, Employee shall be paid a salary at the annual rate of \$_____ (herein referred to as "Salary"), payable in 24 equal installments on the first and 15th day of each month. On the first day of each calendar year during the term of this Agreement with the Corporation, Employee shall be eligible for an increase in Salary based on an evaluation of Employee's performance during the past year with the Corporation. During the term of this Agreement, the Salary of the Employee shall not be decreased at any time from the Salary then in effect unless agreed to in writing by the Employee.

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

3.3 **Clawback Provisions**. Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid or payable to Employee pursuant to this Agreement or any other agreement or arrangement with the Corporation which is subject to clawback (recovery) under any law, government regulation, order or stock exchange listing requirement, will be subject to such deductions and clawback (recovery) as may be required to be made pursuant to law, government regulation, order, stock exchange listing requirement (or any policy of the Corporation adopted pursuant to any such law, government regulation, order or stock exchange listing requirement). Employee specifically authorizes the Corporation to withhold from his future wages any amounts that may become due under this provision. This Section 9.13 shall survive the termination of this Agreement for a period of three years.

ARTICLE IV
Employee Benefits

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

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

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

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

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

4.6 Disability Benefit. Upon disability (as defined herein) of the Employee, the Employee shall be entitled to receive up to six months' of Employee's Salary (less any deductions required by law) payable in 12 equal installments of 1/24 of the Salary, with the first installment occurring on the first regularly scheduled payroll date following the determination of disability and the remaining installments occurring on a semi-monthly basis thereafter, provided that such disability payments shall continue only so long as the disability continues, and provided further that each such disability payment shall be reduced by any benefit payment the Employee is entitled to receive under the Corporation's group disability insurance plans during the corresponding payroll period.

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

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

ARTICLE V **Termination**

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

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

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

5.4 Cause.

(a) The Corporation may terminate Employee's employment hereunder for Cause. For the purpose of this Agreement, "Cause" shall mean (i) the willful and intentional failure by Employee to substantially or satisfactorily perform Employee's duties hereunder, other than any failure resulting from Employee's incapacity due to physical or mental incapacity, (ii) commission by Employee, in connection with Employee's employment by the Corporation, of an illegal act or any act (though not illegal) which is not in the ordinary course of the Employee's responsibilities and exposes the Corporation to a significant level of undue liability, (iii) any act or omission that constitutes a material breach by the Employee of any of Employee's obligations under this Agreement, (iv) Employee's conviction of, or plea of nolo contendere to, any felony or another crime involving dishonesty or moral turpitude or which could reflect negatively upon the Corporation or otherwise impair or impede its operations, (v) Employee's engaging in any act of dishonesty, violence or threat of violence (including any violation of federal securities laws) that is injurious to the Corporation or any of its subsidiaries or affiliates, (vi) Employee's material breach of a written policy of the Corporation or the rules of any governmental or regulatory body applicable to the Corporation, or (vii) any other willful misconduct by Employee which is materially injurious to the financial condition or business reputation of the Corporation or any of its subsidiaries or affiliates. For purposes of this paragraph, no act or failure to act on Employee's part shall be considered to have met either of the preceding tests unless done or omitted to be done by Employee without a reasonable belief that Employee's action or omission was in the best interest of the Corporation.

(b) Notwithstanding the foregoing, in the event of a Change in Control, as defined in Section 5.11, Employee shall not be deemed to have been terminated for cause unless such action is ratified by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting held within 30 days of such termination (after reasonable notice to Employee and an opportunity for Employee to be heard by members of the Board) confirming that the Board has determined that Cause exists for terminating the Employee's employment. Ratification by the Board will be effective as of the original date of termination of Employee.

5.5 Compensation upon Termination for Cause or upon Resignation by Employee. Except as otherwise set forth in Section 5.8 hereof, if Employee's employment shall be terminated for Cause or if Employee shall resign Employee's position with the Corporation, the Corporation shall pay Employee's Compensation only through the last day of Employee's employment by the Corporation. The Corporation shall then have no further obligation to Employee under this Agreement.

5.6 Compensation upon Termination Other Than for Cause or Disability. Except as otherwise set forth in Section 5.8 hereof, if the Corporation shall terminate Employee's employment other than for Cause or Disability, the Corporation shall continue to be obligated to pay two years of Employee's Salary (payable in 48 equal installments, with the first installment occurring on the first regularly scheduled payroll date following the date of termination, and the remaining installments occurring on a semi-monthly basis thereafter), but shall not be obligated to provide any other benefits described in Articles III and IV hereof, except to the extent required by law.

5.7 Compensation upon Non-Renewal of Agreement. Except as otherwise set forth in Section 5.8 hereof, if the Corporation shall give notice to Employee in accordance with Section 1.2 hereof that this Agreement will not be renewed but Employee's employment is not terminated, the Corporation shall continue to be obligated to pay Employee's Salary for a period of 24 months beginning on the date notice of non-renewal is given, on regularly scheduled payroll dates, but shall not be obligated to provide any other benefits described in Articles III and IV hereof, except to the extent required by law.

5.8 Termination of Employee or Resignation by Employee for Good Reason Following a Change in Control.

(a) If at any time within the first 12 months subsequent to a Change in Control, the Employee's employment with the Corporation is terminated other than as provided for in Section 5.2, 5.3 or 5.4 hereof, or Employee shall resign Employee's employment for Good Reason (as defined herein), the Corporation shall be obligated to pay to Employee a severance payment in an amount equal to 36 months of Employee's salary. If the Employee believes Good Reason exists for terminating his employment, then the Employee shall give the Corporation written notice of the acts or omissions constituting Good Reason within 30 days after learning of such acts or omissions constituting Good Reason (the "Good Reason Notice"). No termination of employment for Good Reason shall be effective unless (i) within 30 days after receiving the Good Reason Notice, the Corporation fails to either cure such acts or omissions or notify the Employee of the intended method of cure, and (ii) the Employee delivers a written notice of termination to the Corporation and subsequently resigns within 30 days after the Corporation's deadline in (i) above expires.

(b) If the Change in Control implicated by this Section 5.8 is also a "change in control event" within the meaning of the default rules of the final regulations promulgated under Section 409A(a)(2)(A)(v) of the Code, then the severance payment due under this Section 5.8 shall be made in a lump sum, payable no later than the 15th day of the third month following the later of the end of the Corporation's tax year or the Employee's tax year in which occurs the Employee's effective date of termination under this Section 5.8. If the Change in Control is not a "change in control event" within the meaning of the default rules of the final regulations promulgated under Section 409A(a)(2)(A)(v) of the Code, the severance payment contemplated by this Section 5.8 shall be made in 12 semi-monthly installment payments, beginning on the first regularly scheduled payroll date following the Employee's effective date of termination under this Section 5.8.

(c) For purposes of this Section 5.8, the Employee's effective date of termination shall mean, as applicable, (x) the effective date of such termination of employment by the Corporation or (y) the effective date of the Employee's resignation for Good Reason, which date shall be stated in the Employee's written notice to the Corporation of his resignation for Good Reason, as described in (a)(ii) above.

5.9 Limitation on Severance Payments.

(a) Notwithstanding any provision of this Agreement, if any portion of the severance payments under this Article V or other payment under this Agreement together with any other payments or compensation which Employee has a right to receive from the Corporation or its affiliates (in the aggregate, "Total Payments") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and, but for this Section 5.9, would be subject to excise tax imposed by Section 4999 of the Code, the Total Payments shall be reduced to the largest amount as will result in no portion of the severance payment being subject to the excise tax imposed by Section 4999 of the Code.

(b) If a reduction is required pursuant to Section 5.9(a), the Total Payments shall be reduced or eliminated by applying the following principles, in order: (1) the payment or benefit with the later possible payment date shall be reduced or eliminated before a payment or benefit with an earlier payment date; and

(2) cash payments shall be reduced prior to non-cash benefits; provided that if the foregoing order of reduction or elimination would violate Code Section 409A, then the reduction shall be made pro rata among the payments or benefits included in the Total Payments (on the basis of the relative present value of the parachute payments).

(c) The determinations to be made with respect to this Section 5.9 shall be made by a certified public accounting firm designated by the Corporation (which may be the Corporation's independent auditors) and reasonably acceptable to the Employee (the "Accounting Firm"). For purposes of the determination by the Accounting Firm, the value of any noncash benefits or any deferred payment or benefit shall be determined in accordance with the principles of Code Sections 280G(d)(3) and (4).

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

(a) the assignment to Employee of duties materially inconsistent with Employee's position, office, duties, responsibilities and status with the Corporation immediately prior to a Change in Control, except in connection with the termination of Employee's employment by the Corporation for Disability or Cause or as a result of Employee's death or by Employee other than for Good Reason as set forth in Section 5.8(a); or

(b) a reduction by the Corporation in Employee's Salary as in effect as of the date of this Agreement or as the same may be increased from time-to-time during the term of this Agreement; or

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

(d) Employee's relocation to any place more than 50 miles from the location at which Employee performed Employee's duties prior to a Change in Control, except for required travel by Employee on the Corporation's business to an extent substantially consistent with Employee's business travel obligations at the time of the Change in Control; or

(e) any material failure by the Corporation to comply with any provision of this Agreement, other than an isolated, insubstantial, or inadvertent failure not occurring in bad faith and which the Corporation remedies promptly after receipt of notice from the Employee; or

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

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

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

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

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

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

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

(f) The Corporation becomes a subsidiary of any other corporation (the “Subsidiary Transaction”), other than a corporation in which the holders of the Corporation’s capital stock immediately prior to the Subsidiary Transaction have the same proportionate ownership of capital stock of the parent corporation immediately after the Subsidiary Transaction.

5.12 Agreement and Release. Notwithstanding any provision of this Agreement to the contrary, the obligation of the Corporation to pay any severance benefits to the Employee in accordance with this Article V is expressly conditioned upon the Employee’s execution and delivery to the Corporation, no later than the 60th day following the Employee’s termination of employment, of an agreement to (a) comply with the terms and conditions of Article VIII below and (b) be bound by a release of any and all claims arising out of or relating to the Employee’s employment and termination of employment (a “Release”), that is or becomes irrevocable on or prior to the 60th day following the Employee’s termination of employment. The Corporation shall have no obligation to pay any severance benefits to the Employee pursuant to this Article V if the Employee fails to execute a Release that is or becomes irrevocable by the 60th day following Employee’s termination of employment or the Employee fails to comply with the provisions of Section VIII below. Such Release shall be made in a form satisfactory to the Corporation, substantially in the form set forth in Annex A hereto, and shall be for the benefit of the Corporation, its respective affiliates, and their respective officers, employees, directors, shareholders, agents, successors and assigns.

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

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

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

ARTICLE VII
Successors to the Corporation

7.1 Assumption. The Corporation will require any successor or assignee (whether direct or indirect, by purchase, merger, consolidation or otherwise) of all or substantially all of the business and/or assets of the Corporation, by agreement in form and substance reasonably satisfactory to Employee, to expressly, absolutely and unconditionally assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession or assignment had taken place. Any failure by the Corporation to obtain such agreement prior to the effectiveness of any such succession or assignment shall be a material breach of this Agreement.

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

ARTICLE VIII
Restrictions on Employee

8.1 Confidential Information. The Employee shall use Confidential Information only to the Corporation's benefit and shall not at any time during or after his employment with the Corporation divulge or make accessible to any party any Confidential Information, as defined below, of the Corporation or any of its subsidiaries, except to the extent authorized in writing by the Corporation or otherwise required by law. Notwithstanding anything contained in this Article VIII or any other provision of this Agreement to the contrary, nothing herein shall prevent the Employee from making any disclosure regarding the Corporation and its subsidiaries and other affiliates if and solely to the extent that such disclosure, although not required by law, is specifically protected by applicable statute or regulation. The phrase "Confidential Information" shall mean the unique, proprietary and confidential information of the Corporation and its subsidiaries, consisting of: (1) confidential financial information regarding the Corporation or its subsidiaries, (2) confidential recipes for food products; (3) confidential and copyrighted plans and specifications for interior and exterior signs, designs, layouts and color schemes; (4) confidential methods, techniques, formats, systems, specifications, procedures, information, trade secrets, sales and marketing programs; (5) knowledge and experience regarding the operation and franchising of Sonic drive-in restaurants; (6) the identities and locations of Sonic's franchisees, Sonic drive-in restaurants, and suppliers to Sonic's franchisees and drive-in restaurants; (7) knowledge, financial information, and other information regarding the development of franchised and company-store restaurants; (8) knowledge, financial information, and other information regarding potential acquisitions and dispositions; and (9) any other confidential business information of the Corporation or any of its subsidiaries. The Employee shall give the Corporation written notice of any circumstances in which Employee has actual notice of any access, possession or use of the Confidential Information not authorized by this Agreement.

8.2 Restrictive Covenant. During the term of Employee's employment, the Employee shall not engage in or have any interest, directly or indirectly, in any business competing with the business being conducted by the Corporation or any of its subsidiaries, without the Corporation's prior written consent. For the six-month period immediately following the termination of Employee's employment, the Employee shall not engage in or have any interest, directly or indirectly, in any entity that competes in the hamburger quick-service restaurant segment or that has a set of product offerings substantively similar to that of a material portion of the sales of a Sonic drive-in restaurant.

ARTICLE IX
Miscellaneous

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

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

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

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

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

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

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

(b) Attorneys' Fees and Costs. The prevailing party to the arbitration shall have the right to an award of its reasonable attorneys' fees and costs (including the cost of the arbitrator) incurred after the filing of the demand and submission. If the Corporation or any of its subsidiaries prevails, the award shall include an amount for that portion of the administrative overhead reasonably allocable to the time devoted by the in-house legal staff of the Corporation or any subsidiary.

(c) Excluded Controversies. At the election of the Corporation or its subsidiaries, the provisions of this Section 9.2 shall not apply to any controversies relating to the enforcement of the covenant not to compete or the use and protection of the trademarks, service marks, trade names, copyrights, patents,

confidential information and trade secrets of the Corporation or its subsidiaries, including (without limitation) the right of the Corporation or its subsidiaries to apply to any court of competent jurisdiction for appropriate injunctive relief for the infringement of the rights of the Corporation or its subsidiaries.

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

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

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

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

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

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

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

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

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

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

9.12 Section 409A of the Code.

(a) Notwithstanding anything herein to the contrary, if, at the time of the Employee's termination of employment with the Corporation, the Employee is a "specified employee" within the meaning of Section 409A of the Code, as determined under the Corporation's established methodology for determining specified employees, then, solely to the extent necessary to avoid the imposition of additional taxes, penalties or interest under Section 409A of the Code, any payments to the Employee hereunder which provide for the deferral of compensation, within the meaning of Section 409A of the Code (which shall not include any compensation that is exempt from Section 409A of the Code), and which are scheduled to be made as a result of the Employee's termination of employment during the period beginning on the date of the Employee's date of termination and ending on the six-month anniversary of such date shall be delayed and

not paid to the Participant until the first business day following such sixth month anniversary date, at which time such delayed amounts will be paid to the Employee in a cash lump sum. If the Employee dies on or after the date of the Employee's date of termination and prior to the payment of the delayed amounts pursuant to this Section 9.12, any amount delayed pursuant to this Section 9.12 shall be paid to the Employee's estate within 30 days following the Employee's death.

(b) The Corporation shall not accelerate any payment or the provision of any benefits under this Agreement or make or provide any such payment or benefits if such payment or provision of such benefits would, as a result, be subject to tax under Section 409A of the Code. It is understood that each installment is a separate payment, and that the timing of payment is within the control of the Corporation.

(c) To the extent this Agreement is subject to Section 409A of the Code, the Corporation and Employee intend all payments under this Agreement to comply with the requirements of such section, and this Agreement shall, to the extent reasonably practicable, be operated and administered to effectuate such intent. If, in the good faith judgment of the Corporation, any provision of this Agreement could cause the Employee to be subject to adverse or unintended tax consequences under Section 409A of the Code, such provision shall be modified by the Corporation in its sole discretion to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the requirements of Section 409A of the Code.

9.13 Survival. Sections 9.1 and 9.2 of this Agreement and any other provision of this Agreement that imposes an obligation on a party after the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement and be binding on the parties.

In witness whereof, the Corporation has caused this Agreement to be executed and the Employee has executed this Agreement, as of the day and year first above written.

The Corporation:

Sonic Corp.

By:

Name: Page S. Bass

Title: Senior Vice President

The Employee:

Name: Clifford Hudson

ANNEX A

FORM OF RELEASE

In connection with my separation from service with Sonic Corp. or its affiliate (collectively, “*Sonic*”), I provide the following Release of Claims (the “*Release*”).

I. General Release.

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

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

In consideration for, among other things, certain actions by Sonic in support of my separation from service, the Releasors hereby unconditionally release and forever discharge the Company Group from any and all Claims arising under the Federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder (“*ADEA*”) that I may have as of the date of my signature to this Release. By signing this Release, I hereby acknowledge and confirm the following:

- (i) I was advised by Sonic in connection with my termination to consult with an attorney of my choice prior to signing this Release and to have such attorney explain to me the terms

of this Release, including, without limitation, the terms relating to my release of claims arising under ADEA;

- (ii) I was given a period of not fewer than [21] / [45]¹ days to consider the terms of this Release and to consult with an attorney of my choosing with respect thereto, and was given the option to sign the Release in fewer than [21] / [45] days if I desired;
- (iii) I am providing the release and discharge set forth in this Release only in exchange for consideration in addition to anything of value to which I am already entitled; and
- (iv) I knowingly and voluntarily accept the terms of this Release.

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

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

IV. Representations and Warranties

I agree that I have not instituted, assisted or otherwise participated in connection with, any action, complaint, claim, charge, grievance, arbitration, lawsuit, or administrative agency proceeding, or action at law or otherwise against any member of the Company Group or any of their respective officers, employees, directors, shareholders or agents; provided, however, that it is understood and agreed by the parties hereto that the foregoing representation shall not apply to any disclosure regarding the Company Group that I may have made to the extent that such disclosure, or although not required by law, is specifically protected by applicable statute or regulation. I represent and warrant that I have not assigned any of the Claims being released under this Release.

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

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

V. Miscellaneous

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

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

[Employee Name]

Date

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Agreement is entered into effective as of the __ day of ____, 201_, by and between Sonic _____ (the “Corporation”), a _____ corporation, and _____ (the “Employee”).

RECITALS

Whereas, the Employee is currently serving as the _____ of the Corporation and is an integral part of its management; and

[For existing agreements] Whereas, the Employee and the Corporation acknowledge that they previously entered into an Employment Agreement dated _____, which is hereby canceled and superseded in its entirety by this Agreement; and

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

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

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

Now, therefore, it is agreed as follows:

ARTICLE I

Term of Employment

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

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

1.3 Termination of Employment. The Corporation may terminate this Agreement and the Employee's employment at any time effective upon written notice to the Employee. The Employee may terminate this Agreement and the Employee's employment only after at least 30 days' written notice to the Corporation, unless otherwise agreed by the Corporation. Any such termination is subject to the terms and conditions contained in this Agreement.

ARTICLE II
Duties of the Employee

Employee shall serve as the _____ of the Corporation. Employee shall do and perform all services, acts, or things necessary or advisable to manage and conduct the business of the Corporation consistent with such position subject to such policies and procedures as may be established by the Board.

ARTICLE III
Compensation

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

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

3.3 Clawback Provisions. Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid or payable to Employee pursuant to this Agreement or any other agreement or arrangement with the Corporation which is subject to clawback (recovery) under any law, government regulation, order or stock exchange listing requirement, will be subject to such deductions and clawback (recovery) as may be required to be made pursuant to law, government regulation, order, stock exchange listing requirement (or any policy of the Corporation adopted pursuant to any such law, government regulation, order or stock exchange listing requirement). Employee specifically authorizes the Corporation to withhold from [his or her] future wages any amounts that may become due under this provision. This Section 3.3 shall survive the termination of this Agreement for a period of three (3) years.

ARTICLE IV
Employee Benefits

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

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

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

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

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

4.6 Disability Benefit. Upon disability (as defined herein) of the Employee, the Employee shall be entitled to receive up to six months' of Employee's Salary (less any deductions required by law) payable in twelve equal installments of 1/24 of the Salary, with the first installment occurring on the first regularly scheduled payroll date following the determination of disability and the remaining installments occurring on a semi-monthly basis thereafter, provided that such

disability payments shall continue only so long as the disability continues, and provided further that each such disability payment shall be reduced by any benefit payment the Employee is entitled to receive under the Corporation's group disability insurance plans during the corresponding payroll period.

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

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

ARTICLE V

Termination

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

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

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

5.4 Cause.

(a) The Corporation may terminate Employee's employment hereunder for Cause. For the purpose of this Agreement, "Cause" shall mean (i) the willful and intentional failure by Employee to substantially or satisfactorily perform Employee's duties hereunder, other than any failure resulting from Employee's incapacity due to physical or mental incapacity, (ii) commission by Employee, in connection with Employee's employment by the Corporation, of an illegal act or any act (though not illegal) which is not in the ordinary course of the Employee's responsibilities and exposes the Corporation to a significant level of undue liability, (iii) any act or omission that constitutes a material breach by the Employee of any of Employee's obligations under this Agreement, (iv) Employee's conviction of, or plea of nolo contendere to, any felony or another crime involving dishonesty or moral turpitude or which could reflect negatively upon the Corporation or otherwise impair or impede its operations, (v) Employee's engaging in any act of

dishonesty, violence or threat of violence (including any violation of federal securities laws) that is injurious to the Corporation or any of its subsidiaries or affiliates, (vi) Employee's material breach of a written policy of the Corporation or the rules of any governmental or regulatory body applicable to the Corporation, or (vii) any other willful misconduct by Employee which is materially injurious to the financial condition or business reputation of the Corporation or any of its subsidiaries or affiliates. For purposes of this paragraph, no act or failure to act on Employee's part shall be considered to have met any of the preceding tests unless done or omitted to be done by Employee without a reasonable belief that Employee's action or omission was in the best interest of the Corporation.

(b) Notwithstanding the foregoing, in the event of a Change in Control, as defined in Section 5.11, Employee shall not be deemed to have been terminated for cause unless such action is ratified by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting held within 30 days of such termination (after reasonable notice to Employee and an opportunity for Employee to be heard by members of the Board) confirming that the Board has determined that Cause exists for terminating the Employee's employment. Ratification by the Board will be effective as of the original date of termination of Employee.

5.5 Compensation Upon Termination for Cause or Upon Resignation By Employee . Except as otherwise set forth in Section 5.8 hereof, if Employee's employment shall be terminated for Cause or if Employee shall resign Employee's position with the Corporation, the Corporation shall have no further obligation or liability to the Employee hereunder, other than for Salary earned but unpaid through the date of termination and for any bonuses or awards earned but unpaid after the end of a performance period as determined in accordance with the applicable award agreements.

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

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

5.8 Termination of Employee or Resignation by Employee for Good Reason Following a Change in Control .

(a) If at any time within the first twelve months subsequent to a Change in Control, the Employee's employment with the Corporation is terminated other than as provided for in Section 5.2, 5.3 or 5.4 hereof, or Employee shall resign Employee's employment for Good Reason (as defined herein), the Corporation shall be obligated to pay to Employee a severance payment in an amount equal to 12 months [24 months in the case of senior management] of Employee's salary. If the Employee believes Good Reason exists for terminating [his/her] employment, then the Employee shall give the Corporation written notice of the acts or omissions constituting Good Reason within thirty (30) days after learning of such acts or omissions constituting Good Reason (the "Good Reason Notice"). No termination of employment for Good Reason shall be effective unless (i) within thirty (30) days after receiving the Good Reason Notice, the Corporation fails to either cure such acts or omissions or notify the Employee of the intended method of cure, and (ii) the Employee delivers a written notice of termination to the Corporation and subsequently resigns within thirty (30) days after the Corporation's deadline in (i) above expires.

(b) If the Change in Control implicated by this Section 5.8 is also a "change in control event" within the meaning of the default rules of the final regulations promulgated under Section 409A(a)(2)(A)(v) of the Code, then the severance payment due under this Section 5.8 shall be made in a lump sum, payable no later than the 15th day of the third month following the later of the end of the Corporation's tax year or the Employee's tax year in which occurs the Employee's effective date of termination under this Section 5.8. If the Change in Control is not a "change in control event" within the meaning of the default rules of the final regulations promulgated under Section 409A(a)(2)(A)(v) of the Code, the severance payment contemplated by this Section 5.8 shall be made in twelve semi-monthly installment payments, beginning on the first regularly scheduled payroll date following the Employee's effective date of termination under this Section 5.8.

(c) For purposes of this Section 5.8, the Employee's effective date of termination shall mean, as applicable, (x) the effective date of such termination of employment by the Corporation or (y) the effective date of the Employee's resignation for Good Reason, which date shall be stated in the Employee's written notice to the Corporation of his resignation for Good Reason, as described in (a) (ii) above.

5.9 Limitation on Severance Payments.

(a) Notwithstanding any provision of this Agreement, if any portion of the severance payments under this Article V or other payment under this Agreement together with any other payments or compensation which Employee has a right to receive from the Corporation or its affiliates (in the aggregate, "Total Payments") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and, but for this Section 5.9, would be subject to excise tax imposed by Section 4999 of the Code, the Total Payments shall be reduced to the largest amount as will result in no portion of the severance payment being subject to the excise tax imposed by Section 4999 of the Code.

(b) If a reduction is required pursuant to Section 5.9(a), the Total Payments shall be reduced or eliminated by applying the following principles, in order: (1) the payment or benefit with the later possible payment date shall be reduced or eliminated before a payment or benefit with an earlier payment date; and (2) cash payments shall be reduced prior to non-cash benefits; provided

that if the foregoing order of reduction or elimination would violate Code Section 409A, then the reduction shall be made pro rata among the payments or benefits included in the Total Payments (on the basis of the relative present value of the parachute payments).

(c) The determinations to be made with respect to this Section 5.9 shall be made by a certified public accounting firm designated by the Corporation (which may be the Corporation's independent auditors) and reasonably acceptable to the Employee (the "Accounting Firm"). For purposes of the determination by the Accounting Firm, the value of any noncash benefits or any deferred payment or benefit shall be determined in accordance with the principles of Code Sections 280G(d)(3) and (4).

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

(a) the assignment to Employee of duties materially inconsistent with Employee's position, office, duties, responsibilities and status with the Corporation immediately prior to a Change in Control, except in connection with the termination of Employee's employment by the Corporation for Disability or Cause or as a result of Employee's death or by Employee other than for Good Reason as set forth in Section 5.8(a); or

(b) a material reduction by the Corporation in Employee's Salary as in effect as of the date of this Agreement or as the same may be increased from time-to-time during the term of this Agreement, except for a reduction that generally applies to all other executive officers; or

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

(d) Employee's relocation to any place more than 50 miles from the location at which Employee performed Employee's duties prior to a Change in Control, except for required travel by Employee on the Corporation's business to an extent substantially consistent with Employee's business travel obligations at the time of the Change in Control; or

(e) any material failure by the Corporation to comply with any provision of this Agreement, other than an isolated, insubstantial, or inadvertent failure not occurring in bad faith and which the Corporation remedies promptly after receipt of notice from the Employee;

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

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

- (a) Any consolidation or merger of the Corporation in which the Corporation is not the continuing or surviving corporation or pursuant to which shares of the Corporation’s capital stock would convert into cash, securities or other property, other than a merger of the Corporation in which the holders of the Corporation’s capital stock immediately prior to the merger have the same proportionate ownership of capital stock of the surviving corporation immediately after the merger;
- (b) Any sale, lease, exchange or other transfer (whether in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation;
- (c) The stockholders of the Corporation approve any plan or proposal for the liquidation or dissolution of the Corporation;
- (d) Any person (as used in Section 13(d) and 14(d)(2) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”)) becomes the beneficial owner (within the meaning of Rule 13D-3 under the Exchange Act) of 50% or more of the Corporation’s outstanding capital stock;
- (e) During any period of two consecutive years, individuals who at the beginning of that period constitute the entire Board of Directors of the Corporation cease for any reason to constitute a majority of the Board of Directors unless the election or the nomination for election by the Corporation’s stockholders of each new director received the approval of the Board of Directors by a vote of at least two-thirds of the directors then and still in office and who served as directors at the beginning of the period; or
- (f) The Corporation becomes a subsidiary of any other corporation (the “Subsidiary Transaction”), other than a corporation in which the holders of the Corporation’s capital stock immediately prior to the Subsidiary Transaction have the same proportionate ownership of capital stock of the parent corporation immediately after the Subsidiary Transaction.

5.12 Agreement and Release. Notwithstanding any provision of this Agreement to the contrary, the obligation of the Corporation to pay any severance benefits to the Employee in accordance with this Article V is expressly conditioned upon the Employee’s execution and delivery to the Corporation, no later than the 60th day following the Employee’s termination of employment, of an agreement to (a) comply with the terms and conditions of Article VIII below and (b) be bound by a release of any and all claims arising out of or relating to the Employee’s employment and

termination of employment (a “Release”), that is or becomes irrevocable on or prior to the 60th day following the Employee’s termination of employment. The Corporation shall have no obligation to pay any severance benefits to the Employee pursuant to this Article V if the Employee fails to execute a Release that is or becomes irrevocable by the 60th day following Employee’s termination of employment or the Employee fails to comply with the provisions of Section VIII below. Such Release shall be made in a form satisfactory to the Corporation, substantially in the form set forth in Annex A hereto, and shall be for the benefit of the Corporation, its respective affiliates, and their respective officers, employees, directors, shareholders, agents, successors and assigns.

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

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

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

ARTICLE VII
Successors to the Corporation

7.1 Assumption. The Corporation will require any successor or assignee (whether direct or indirect, by purchase, merger, consolidation or otherwise) of all or substantially all of the business and/or assets of the Corporation, by agreement in form and substance reasonably satisfactory to Employee, to expressly, absolutely and unconditionally assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession or assignment had taken place. Any failure by the Corporation to obtain such agreement prior to the effectiveness of any such succession or assignment shall be a material breach of this Agreement.

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

ARTICLE VIII
Restrictions on Employee

8.1 **Confidential Information**. The Employee shall use Confidential Information only to the Corporation's benefit and shall not at any time during or after [his/her] employment with the Corporation divulge or make accessible to any party any Confidential Information, as defined below, of the Corporation or any of its subsidiaries, except to the extent authorized in writing by the Corporation or otherwise required by law. Notwithstanding anything contained in this Article VIII or any other provision of this Agreement to the contrary, nothing herein shall prevent the Employee from making any disclosure regarding the Corporation and its subsidiaries and other affiliates if and solely to the extent that such disclosure, although not required by law, is specifically protected by applicable statute or regulation. The phrase "Confidential Information" shall mean the unique, proprietary and confidential information of the Corporation and its subsidiaries, consisting of: (1) confidential financial information regarding the Corporation or its subsidiaries, (2) confidential recipes for food products; (3) confidential and copyrighted plans and specifications for interior and exterior signs, designs, layouts and color schemes; (4) confidential methods, techniques, formats, systems, specifications, procedures, information, trade secrets, sales and marketing programs; (5) knowledge and experience regarding the operation and franchising of Sonic drive-in restaurants; (6) the identities and locations of Sonic's franchisees, Sonic drive-in restaurants, and suppliers to Sonic's franchisees and drive-in restaurants; (7) knowledge, financial information, and other information regarding the development of franchised and company store restaurants; (8) knowledge, financial information, and other information regarding potential acquisitions and dispositions; and (9) any other confidential business information of the Corporation or any of its subsidiaries. The Employee shall give the Corporation written notice of any circumstances in which Employee has actual notice of any access, possession or use of the Confidential Information not authorized by this Agreement.

8.2 **Restrictive Covenant**. During the term of Employee's employment, the Employee shall not retain in or have any interest, directly or indirectly, in any business competing with the business being conducted by the Corporation or any of its subsidiaries, without the Corporation's prior written consent. For the six-month period immediately following the termination of Employee's employment (the "Non-Competition Period"), the Employee shall not engage in or have any interest, directly or indirectly, in any entity that competes in the quick service restaurant segment or that has a set of product offerings substantively similar to that of a material portion of the sales of a Sonic drive-in restaurant.

8.3 **Non-Solicitation**. During employment and during the Non-Competition Period, the Employee will not, directly or indirectly, (i) recruit or hire or otherwise seek to induce any employee of the Corporation or of any of the Corporation's affiliates to terminate his or her employment or violate any agreement with or duty to the Corporation or any of the Corporation's affiliates; or (ii) solicit or encourage any franchisee or vendor of the Corporation or of any of the Corporation's affiliates to terminate or diminish its relationship with any of them or to violate any agreement with any of them, or, in the case of a franchisee, to conduct with any person any business or activity that such franchisee conducts or could conduct with the Corporation or any of the Corporation's affiliates.

8.4 Non-Disparagement. During the term of Employee's employment and after such employment has terminated, the Employee shall not make any negative or disparaging comments regarding the Corporation or its performance, operations, or business practices, or otherwise take any action that could reasonably be expected to adversely affect the Corporation or its professional reputation. The Employee may truthfully respond to inquiries by government agencies or to inquiries by any person through a subpoena or other valid judicial process without violating this Section 8.3.

ARTICLE IX
Miscellaneous

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

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

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

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

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

(3) Location of Arbitration. The arbitration shall take place in Oklahoma City, Oklahoma, and the arbitrator shall issue any award at the place of arbitration. The arbitrator may conduct hearings and meetings at any other place agreeable to the parties or, upon the m

otion of a party, determined by the arbitrator as necessary to obtain significant testimony or evidence.

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

(b) Attorneys' Fees and Costs. The prevailing party to the arbitration shall have the right to an award of its reasonable attorneys' fees and costs (including the cost of the arbitrator) incurred after the filing of the demand and submission. If the Corporation or any of its subsidiaries prevails, the award shall include an amount for that portion of the administrative overhead reasonably allocable to the time devoted by the in-house legal staff of the Corporation or any subsidiary.

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

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

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

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

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

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

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

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

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

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

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

9.12 Section 409A of the Code.

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

(b) The Corporation shall not accelerate any payment or the provision of any benefits under this Agreement or make or provide any such payment or benefits if such payment or provision of such benefits would, as a result, be subject to tax under Section 409A of the Code. It is understood that each installment is a separate payment, and that the timing of payment is within the control of the Corporation.

(c) To the extent this Agreement is subject to Section 409A of the Code, the Corporation and Employee intend all payments under this Agreement to comply with the requirements of such section, and this Agreement shall, to the extent reasonably practicable, be operated and administered to effectuate such intent. If, in the good faith judgment of the Corporation, any provision of this Agreement could cause the Employee to be subject to adverse or unintended tax consequences under Section 409A of the Code, such provision shall be modified by the Corporation in its sole discretion to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the requirements of Section 409A of the Code.

9.13 Survival. Sections 9.1 and 9.2 of this Agreement and any other provision of this Agreement that imposes an obligation on a party after the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement and be binding on the parties.

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

The Corporation:

Sonic Corp.

By: _____

Name:

Title:

The Employee:

Name:

ANNEX A

FORM OF RELEASE

In connection with my separation from service with Sonic Corp. or its affiliate (collectively, “ *Sonic* ”), I provide the following Release of Claims (the “ *Release* ”).

I. General Release.

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

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

In consideration for, among other things, certain actions by Sonic in support of my separation from service, the Releasers hereby unconditionally release and forever discharge the Company Group from any and all Claims arising under the Federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder (“*ADEA*”) that I may have as of the date of my signature to this Release. By signing this Release, I hereby acknowledge and confirm the following:

- (i) I was advised by Sonic in connection with my termination to consult with an attorney of my choice prior to signing this Release and to have such attorney explain to me the terms of this Release, including, without limitation, the terms relating to my release of claims arising under ADEA;
- (ii) I was given a period of not fewer than [21] / [45] days to consider the terms of this Release and to consult with an attorney of my choosing with respect thereto, and was given the option to sign the Release in fewer than [21] / [45] days if I desired;
- (iii) I am providing the release and discharge set forth in this Release only in exchange for consideration in addition to anything of value to which I am already entitled; and
- (iv) I knowingly and voluntarily accept the terms of this Release.

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

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

IV. Representations and Warranties

I agree that I have not instituted, assisted or otherwise participated in connection with, any action, complaint, claim, charge, grievance, arbitration, lawsuit, or administrative agency proceeding, or action at law or otherwise against any member of the Company Group or any of their respective officers, employees, directors, shareholders or agents; provided, however, that it is understood and agreed by the parties hereto that the foregoing representation shall not apply to any disclosure regarding the Company Group that I may have made to the extent that such disclosure, although not required by law, is specifically protected by applicable statute or regulation. I represent and warrant that I have not assigned any of the Claims being released under this Release.

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

V. Miscellaneous

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

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

[Employee Name]

Date

**AMENDED AND RESTATED
SONIC CORP. EXECUTIVE SEVERANCE PLAN**

Section 1. Establishment, Objectives, and Duration.

1.1. Establishment of the Amended and Restated Plan. Sonic initially established the Plan effective April 22, 2009 (the “Effective Date”), which is hereby amended and restated in its entirety by this Amended and Restated Sonic Corp. Executive Severance Plan effective January 1, 2017.

1.2. Objective of the Plan. The objective of the Plan is to enhance the long-term financial security of selected executives of the Corporation through the provision of severance benefits, including enhanced benefits following a Change in Control. The Plan is further intended to provide flexibility to the Corporation in its ability to motivate, attract, and retain the services of Participants who make significant contributions to the Corporation’s success.

1.3. Duration of the Plan. The Plan shall remain in effect until such time as the Committee amends or terminates the Plan pursuant to Section 7 hereof.

Section 2. Definitions. Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

2.1. “Affiliate” means any corporation that is included in a controlled group of corporations (within the meaning of Section 414(b) of the Code) that includes Sonic and any trade or business (whether or not incorporated) that is under common control with Sonic (within the meaning of Section 414(c) of the Code); provided, however, that in applying Section 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 50 percent” shall be used instead of “at least 80 percent” each place it appears in Section 1563(a)(1), (2) and (3) of the Code, and in applying Section 1.414(c)-2 of the Treasury Regulations, for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 50 percent” shall be used instead of “at least 80 percent” each place it appears in Section 1.414(c)-2 of the Treasury Regulations.

2.2. “Annual Base Salary” means a Participant’s annual base salary from the Corporation, including any compensation reduction contributions made with respect to the Corporation’s 401(k) Plan and any plan maintained by the Corporation pursuant to Section 125 of the Code, but excluding all bonuses, incentive compensation, expense reimbursements and severance pay.

2.3. “Board” means the Board of Directors of Sonic.

2.4. “Cause” means a determination by the Plan Administrative Committee of:

- (a) the willful and intentional failure by a Participant to substantially or satisfactorily perform the Participant's duties hereunder, other than any failure resulting from the Participant's incapacity due to physical or mental incapacity;
- (b) the commission by a Participant, in connection with the Participant's employment by the Corporation, of an illegal act or any act (though not illegal) which is not in the ordinary course of the Participant's responsibilities and exposes the Corporation to a significant level of undue liability;
- (c) any act or omission that constitutes a material breach by a Participant of any of the Participant's obligations as an employee of the Corporation;
- (d) a Participant's conviction of, or plea of nolo contendere to, any felony or another crime involving dishonesty or moral turpitude or which could reflect negatively upon the Corporation or otherwise impair or impede its operations;
- (e) a Participant's engaging in any act of dishonesty, violence or threat of violence (including any violation of federal securities laws) that is injurious to the Corporation or any of its subsidiaries or affiliates; or
- (f) a Participant's material breach of a written policy of the Corporation or the rules of any governmental or regulatory body applicable to the Corporation, or (vi) any other willful misconduct by a Participant which is materially injurious to the financial condition or business reputation of the Corporation or any of its subsidiaries or affiliates.

2.5. "Change in Control" means:

- (a) any consolidation or merger of Sonic in which Sonic is not the continuing or surviving corporation or pursuant to which shares of Sonic's capital stock would convert into cash, securities or other property, other than a merger of Sonic in which the holders of Sonic's capital stock immediately prior to the merger have the same proportionate ownership of capital stock of the surviving corporation immediately after the merger;
- (b) any sale, lease, exchange or other transfer (whether in one transaction or a series of related transactions) of all or substantially all of the assets of Sonic;
- (c) the stockholders of Sonic approve any plan or proposal for the liquidation or dissolution of Sonic;
- (d) any person (as used in Section 13(d) and 14(d)(2) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act")) becomes the beneficial owner (within the meaning of Rule 13D-3 under the Exchange Act) of 50% or more of Sonic's outstanding capital stock;
- (e) during any period of two consecutive years, individuals who at the beginning of that period constitute the entire Board cease for any reason to constitute a majority of the Board, unless the election or the nomination for election by Sonic's stockholders of each new director received the approval of the Board by a vote of at least two-thirds of the directors then and still in office and who served as directors at the beginning of the period; or

(f) The Corporation becomes a subsidiary of any other corporation (the “Subsidiary Transaction”), other than a corporation in which the holders of the Corporation’s capital stock immediately prior to the Subsidiary Transaction have the same proportionate ownership of capital stock of the parent corporation immediately after the Subsidiary Transaction.

2.6. “Change in Control Termination” means an Eligible Termination or a Separation from Service due to a Participant’s resignation for Good Reason, occurring within the first 12 months subsequent to a Change in Control.

2.7. “Claims Reviewer” means the Vice President of People of Sonic or such individual’s delegate.

2.8. “Code” means the Internal Revenue Code of 1986, as amended from time to time, and the rulings and regulations issued thereunder.

2.9. “Committee” means the Compensation Committee of the Board, as it is constituted from time to time, or any successor committee.

2.10. “Comparable Employment” means employment with a Purchaser that, if accepted, would provide a Participant with substantially equivalent Annual Base Salary and a substantially equivalent bonus opportunity.

2.11. “Confidential Information” means the unique, proprietary and confidential information of the Corporation, consisting of: (a) confidential financial information regarding the Corporation, (b) confidential recipes for food products; (c) confidential and copyrighted plans and specifications for interior and exterior signs, designs, layouts and color schemes; (d) confidential methods, techniques, formats, systems, specifications, procedures, information, trade secrets, sales and marketing programs; (e) knowledge and experience regarding the operation and franchising of Sonic drive-in restaurants; (f) the identities and locations of Sonic’s franchisees, Sonic drive-in restaurants, and suppliers to Sonic’s franchisees and drive-in restaurants; (g) knowledge, financial information, and other information regarding the development of franchised and company-store restaurants; (h) knowledge, financial information, and other information regarding potential acquisitions and dispositions; and (i) any other confidential business information of the Corporation.

2.12. “Corporation” means Sonic and all of its Affiliates.

2.13. “Director” means any individual who is a member of the Board.

2.14. “Disability” means the inability of a Participant to render the services required of him or her, with or without reasonable accommodations, as a result of physical or mental incapacity.

2.15. “Effective Date” has the meaning set forth in Section 1.1.

2.16. “Eligible Termination” means a Separation from Service by the Corporation for any reason other than death or Cause, and shall specifically include a Separation from Service as a result of Disability.

2.17. “Employee” means any individual who is an employee of the Corporation.

2.18. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.19. “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor thereto.

2.20. “FAA” has the meaning set forth in Section 11.3(a).

2.21. “Good Reason” means:

(a) the assignment to a Participant of duties materially inconsistent with the Participant’s position, office, duties, responsibilities and status with the Corporation immediately prior to a Change in Control, except in connection with the Participant’s Separation from Service by the Corporation for Disability or Cause or as a result of the Participant’s death or by the Participant other than for Good Reason as set forth herein;

(b) a material reduction by the Corporation in a Participant’s Annual Base Salary as in effect as of the date the Participant becomes subject to this Plan or as the same may be increased from time-to-time during the term of the Participant’s employment by the Corporation, except for a reduction that generally applies to all other officers;

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

(d) a Participant’s relocation to any place more than 50 miles from the location at which the Participant performed the Participant’s duties prior to a Change in Control, except for required travel by the Participant on the Corporation’s business to an extent substantially consistent with the Participant’s business travel obligations at the time of the Change in Control;

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

(f) the failure of a successor to the Corporation to assume the obligation of this Plan.

2.22. “Ineligible Termination” means a Separation from Service (i) by the Corporation for Cause; (ii) by a Participant for any reason (other than for Good Reason in connection with a Change in Control Termination); or (iii) by reason of a Participant’s death.

2.23. “Participant” means an Employee selected to participate in the Plan pursuant to Section 4 hereof.

2.24. “Payment Date” shall have the meaning ascribed to such term in Section 5.6 hereof.

2.25. “Plan” means the Sonic Corp. Executive Severance Plan, as amended and restated by this Amended and Restated Sonic Corp. Executive Severance Plan effective November 1, 2012.

2.26. “Plan Administrative Committee” has the meaning set forth in Section 3.1 hereof.

2.27. “Purchaser” shall have the meaning ascribed to such term in Section 5.1(c) hereof.

2.28. “Release” shall have the meaning ascribed to such term in Section 5.6 hereof.

2.29. “Rules” has the meaning set forth in Section 11.3(a).

2.30. “Senior Management” means the Chief Executive Officer, President and any other Sonic officers designated by the Board as Senior Management for purposes of this Plan.

2.31. “Separates from Service” or “Separation from Service” means a “separation from service” with the Corporation for purposes of Section 409A of the Code, determined using the default provisions set forth in Treasury Regulation Section 1.409A-1(h) or the successor regulation thereto.

2.32. “Severance Benefits” means the benefits payable to a Participant under Section 5.2.

2.33. “Sonic” means Sonic Corp., a Delaware corporation, and any successor thereto.

2.34. “Specified Employee” means a “specified employee” within the meaning of the default rules of Section 409A(a)(2)(B)(i) of the Code, unless and until Sonic establishes a methodology for determining specified employees, in which case that methodology shall govern.

Section 3. Administration.

3.1. The Administrator. The Plan shall be administered by the Plan Administrative Committee. The Plan Administrative Committee shall consist of the General Counsel, the Vice President of People, and at least one other Employee appointed by the General Counsel.

3.2. Authority of the Administrator. Except as limited by law and subject to the provisions of the Plan, the Plan Administrative Committee shall have full power and authority, in its sole discretion, to:

- (a) determine a Participant’s eligibility for Severance Benefits and the amount of such Severance Benefits;
- (b) construe and interpret the Plan, determine all questions arising in connection with the Plan, and to resolve ambiguities, inconsistencies and omissions in the text of the Plan;
- (c) adopt, implement, amend, waive or rescind such rules and regulations as the Plan Administrative Committee may deem appropriate for the proper administration or operation of the Plan;

(d) make all factual or other determinations and take all other actions as may be necessary, appropriate or advisable for the administration or operation of the Plan; and

(e) employ and rely on legal counsel, actuaries, accountants and other agents as may be deemed advisable to assist in the administration of the Plan.

As permitted by law, the Plan Administrative Committee may delegate to any individual its authority, or any part thereof, as it deems necessary, appropriate or advisable for proper administration or operation of the Plan. If any member of the Plan Administrative Committee is a Participant, such member shall not resolve, or participate in the resolution of, any matter relating specifically to such member's eligibility to participate in the Plan or the calculation or determination of such member's Severance Benefits under the Plan.

3.3. Decisions Binding. All determinations, interpretations, decisions or other actions made or taken by the Plan Administrative Committee pursuant to the provisions of the Plan and all related orders and resolutions of the Committee and the Plan Administrative Committee shall be final, conclusive and binding for all purposes and upon all persons, including without limitation Sonic, Sonic's shareholders, Directors, Employees, Participants, and Participants' estates and beneficiaries.

Section 4. Eligibility and Participation.

4.1. Eligibility. All Employees of the Corporation who are at the level of Vice President or above and who do not have a written employment contract with the Corporation that provides for severance benefits, including Employees who are also Directors, are eligible to participate in this Plan.

4.2. Participation. Participation in the Plan is expressly conditioned on the eligible Employee signing and returning to Sonic an agreement acknowledging his or her voluntary consent to the terms and conditions of the Plan (including, but not limited to, the arbitration provisions of Section 11.3) substantially in the form set forth in Annex A hereto.

4.3. Termination of Participation. A Participant shall cease to be a Participant upon the earliest to occur of:

- (a) the Participant's receipt of all Severance Benefits to which he or she is entitled under the Plan;
- (b) the Participant's Ineligible Termination;
- (c) the effective date of an employment agreement or other written agreement that provides for severance benefits between the Participant and the Corporation;
- (d) subject to Section 7, termination of the Plan; or
- (e) the Participant ceases to be at the level of Vice President or above.

Section 5. Severance Benefits.

5.1. Eligibility for Severance Benefits.

(a) If a Participant Separates from Service with the Corporation in an Eligible Termination or a Change in Control Termination, the Participant shall receive Severance Benefits in the amount determined under Section 5.2.

(b) If a Participant Separates from Service with the Corporation in an Ineligible Termination, the Participant shall not be entitled to receive Severance Benefits.

(c) Notwithstanding anything herein to the contrary, a Participant's Separation from Service shall constitute an Ineligible Termination rather than an Eligible Termination if the Participant, prior to his or her Separation from Service, (i) is employed by or otherwise provides services for compensation to an Affiliate or a division or business unit of the Corporation that is sold in whole or in part to an entity that is not a Affiliate of Sonic or otherwise affiliated with Sonic (such as a joint venture of which Sonic or a Affiliate is a member, owner or partner) (the "Purchaser"), whether by sale of stock or assets, and (ii) is offered Comparable Employment with such Purchaser, whether or not the Participant actually accepts such Comparable Employment with the Purchaser.

(d) Participants who are offered and accept a position with a Purchaser shall be deemed to have Separated from Service in an Ineligible Termination, even if such position does not constitute Comparable Employment. Upon initial employment with a Purchaser, whether or not in Comparable Employment, all rights of the Participant under this Plan shall terminate, and no Severance Benefits shall be payable hereunder.

5.2. Amount of Severance Benefits.

(a) If a Participant incurs an Eligible Termination, the Corporation shall provide to such Participant the following Severance Benefits:

(i) For Senior Management, the Corporation shall continue to be obligated to pay 12 months' of the Participant's Annual Base Salary, payable in 24 equal installments. The Corporation shall not be obligated to provide any other compensation or benefits, except to the extent required by law.

(ii) For all Participants other than Senior Management, the Corporation shall continue to be obligated to pay six months' of the Participant's Annual Base Salary, payable in 12 equal installments; provided, however, upon Disability, each installment shall be reduced by any benefit payment the Participant is entitled to receive under Sonic's group disability insurance plan during the corresponding payroll period, on a tax-adjusted basis. The Corporation shall not be obligated to provide any other compensation or benefits, except to the extent required by law.

(b) If a Participant incurs a Change in Control Termination, then the Corporation shall be obligated to pay to the Participant an amount equal to two times the Participant's Severance Benefits payable under paragraph 5.2(a) above.

(c) Notwithstanding anything to the contrary, a Participant hereunder shall be ineligible to participate in or receive benefits under any other severance or termination plan,

program or arrangement of the Corporation. The amount of a Participant's Severance Benefits hereunder shall not be reduced by the amount or value of any compensation or benefits payable to the Participant with respect to services performed after an Eligible Termination, and the Participant shall be under no obligation to seek subsequent employment or to mitigate the damages resulting from such Eligible Termination. Notwithstanding the previous sentence, all payments required to be made under the terms of this Plan, other than payments due in the event of a Change in Control Termination under Section 5.2(b), shall cease 30 days after the acceptance by the Participant of employment by another employer. The Participant shall be obligated to provide written notification in a timely manner to the Plan Administrative Committee of Participant's acceptance of subsequent employment.

(d) Limitation on Severance Payments.

(i) Notwithstanding any provision of this Plan, if any portion of the severance payments under this Section V or other payment under this Plan together with any other payments or compensation which a Participant has a right to receive from the Corporation or its affiliates (in the aggregate, "Total Payments") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and, but for this Section 5.2(d), would be subject to excise tax imposed by Section 4999 of the Code, the Total Payments shall be reduced to the largest amount as will result in no portion of the severance payment being subject to the excise tax imposed by Section 4999 of the Code.

(ii) If a reduction is required pursuant to Section 5.2(d)(i), the Total Payments shall be reduced or eliminated by applying the following principles, in order: (1) the payment or benefit with the later possible payment date shall be reduced or eliminated before a payment or benefit with an earlier payment date; and (2) cash payments shall be reduced prior to non-cash benefits; provided that if the foregoing order of reduction or elimination would violate Code Section 409A, then the reduction shall be made pro rata among the payments or benefits included in the Total Payments (on the basis of the relative present value of the parachute payments).

(iii) The determinations to be made with respect to this Section 5.2(d) shall be made by a certified public accounting firm designated by the Company (which may be the Corporation's independent auditors) and reasonably acceptable to the Participant (the "Accounting Firm"). For purposes of the determination by the Accounting Firm, the value of any noncash benefits or any deferred payment or benefit shall be determined in accordance with the principles of Code Sections 280G(d)(3) and (4).

5.3. Time and Form of Payment.

(a) Upon an Eligible Termination, the Severance Benefits pursuant to Section 5.2(a) shall be paid in the form of installments, with the first installment occurring on the first regularly scheduled payroll date no later than 30 days following the date of the Participant's Separation from Service, and the remaining installments occurring on a semi-monthly basis thereafter until all installments have been paid, provided that the Participant execute a Release pursuant to Section 5.6 hereof and that any applicable revocation period has expired prior to the time the first payment is due.

(b) Upon a Change in Control Termination:

(i) If the Change in Control implicated by Section 5.2(b) is also a “change in control event” within the meaning of the default rules of the final regulations promulgated under Section 409A(a)(2)(A)(v) of the Code, then the Severance Benefits due under Section 5.2(b) shall be made in a lump sum, payable no later than the 15th day of the third month following the later of the end of the Corporation’s tax year or the Participant’s tax year in which occurs the Participant’s effective date of Separation from Service under Section 5.2(b), provided that the Participant execute an irrevocable Release pursuant to Section 5.6 hereof prior to the time the payment is due.

(ii) If the Change in Control is not a “change in control event” within the meaning of the default rules of the final regulations promulgated under Section 409A(a)(2)(A)(v) of the Code, the Severance Benefits contemplated by Section 5.2(b) shall be made in 12 semi-monthly installment payments, with the first installment occurring on the first regularly scheduled payroll date following the effective date of the Participant’s Change in Control Termination; provided that the Participant execute an irrevocable Release pursuant to Section 5.6 hereof prior to the time the payment is due. For purposes of this Section 5.3(b)(ii), the effective date of a Participant’s Change in Control Termination shall mean, as applicable, (x) the effective date of the Eligible Termination or (y) the effective date of the Participant’s resignation for Good Reason, which date shall be stated in the Participant’s written notice to the Corporation of his resignation for Good Reason and shall be no later than 60 days following the date of such notice. If the Participant believes Good Reason exists for terminating his or her employment, then the Participant shall give the Corporation written notice of the acts or omissions constituting Good Reason within thirty (30) days after learning of such acts or omissions constituting Good Reason (the “Good Reason Notice”). No termination of employment for Good Reason shall be effective unless (i) within thirty (30) days after receiving the Good Reason Notice, the Corporation fails to either cure such acts or omissions or notify the Participant of the intended method of cure, and (ii) the Participant delivers a written notice of termination to the Corporation and subsequently resigns within thirty (30) days after the Corporation’s deadline in (i) above expires.

5.4. Section 409A Compliance. If, at the time of a Participant’s Eligible Termination or Change in Control Termination with the Corporation, the Participant is a Specified Employee, then any Severance Benefits payable to the Participant prior to the six-month anniversary of the Participant’s date of Eligible Termination, which constitute deferred compensation subject to Section 409A of the Code, shall be delayed and not paid to the Participant until the first business day following the six-month anniversary of the effective date of the Eligible Termination or Change in Control Termination, as applicable, at which time such delayed amounts will be paid to the Participant in a cash lump sum. If a Participant dies on or after the date of the Participant’s date of Eligible Termination or Change in Control Termination and prior to the payment of the delayed amounts pursuant to this Section 5.4, any amount delayed pursuant to this Section 5.4 shall be paid to the Participant’s estate within 30 days following the Participant’s death. The Corporation shall not accelerate any payment or the provision of any benefits under this Plan or make or provide any such payment or benefits if such payment or provision of such benefits would, as a result, be subject to tax under Section 409A of the Code. It is understood that each installment is a separate payment, and that the timing of payment is within the control of the Corporation. To the extent this Plan is subject to Section 409A of the Code, the Corporation and the Participants intend all payments under this Plan to comply with the requirements of such section, and this Plan shall, to the extent reasonably practicable, be operated and administered to

effectuate such intent. If, in the good faith judgment of the Corporation, any provision of this Plan could cause the Participant to be subject to adverse or unintended tax consequences under Section 409A of the Code, such provision shall be modified by the Corporation in its sole discretion to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the requirements of Section 409A of the Code.

5.5. Clawback Provisions. Notwithstanding any other provisions in this Plan to the contrary, any incentive-based compensation, or any other compensation, paid or payable to a Participant pursuant to this Plan or any other agreement or arrangement with the Corporation which is subject to clawback (recovery) under any law, government regulation, order or stock exchange listing requirement, will be subject to such deductions and clawback (recovery) as may be required to be made pursuant to law, government regulation, order, stock exchange listing requirement (or any policy of the Corporation adopted pursuant to any such law, government regulation, order or stock exchange listing requirement). Participant specifically authorizes the Corporation to withhold from his or her future wages any amounts that may become due under this provision. This Section 5.5 shall survive the termination of the Participant's employment with the Corporation for a period of three (3) years.

5.6. Agreement and Release. Notwithstanding any provision of this Plan to the contrary, the obligation of the Corporation to pay any Severance Benefits to a Participant is expressly conditioned upon the Participant's timely execution of an agreement by the Participant to (a) comply with the terms and conditions of Section 9 below and (b) be bound by a release of any and all claims arising out of or relating to the Participant's employment and termination of employment (a "Release"), that is or becomes irrevocable not later than the date the first (or only) payment is due pursuant to Section 5.3 (the "Payment Date"). The Corporation shall have no obligation to pay any Severance Benefits to a Participant who fails to execute a Release that is or becomes irrevocable after the Payment Date. Such Release shall be made in a form satisfactory to the Corporation, substantially in the form set forth in Annex B hereto, and shall be for the benefit of the Corporation, its respective affiliates, and their respective officers, employees, directors, shareholders, agents, successors and assigns.

5.7. Nontransferability of Severance Benefits. No right to Severance Benefits may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

Section 6. Beneficiary Designation. The beneficiary or beneficiaries of the Participant to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit shall be determined under the Corporation's Group Life Insurance Plan. A Participant under the Plan may, from time to time, name any beneficiary or beneficiaries to receive any benefit in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, including the beneficiary designated under the Corporation's Group Life Insurance Plan, and will be effective only when filed by the Participant in writing (in such form or manner as may be prescribed by the Plan Administrative Committee) with the Corporation during the Participant's lifetime. In the absence of a valid designation under the Corporation's Group Life Insurance Plan or otherwise, if no validly designated beneficiary survives the Participant or if each surviving validly designated beneficiary is legally impaired or prohibited from taking, the Participant's beneficiary shall be the Participant's estate.

Section 7. Amendment and Termination.

7.1. Amendment and Termination. The Committee may at any time, and from time to time, in its sole discretion alter, amend, suspend or terminate the Plan in whole or in part for any reason or for no reason; provided, however, that no alteration, amendment, suspension or termination of the Plan shall adversely affect in any material way the Severance Benefits of any Participant who has an Eligible Termination or Change in Control Termination prior to such action.

7.2. Section 409A Compliance. If any provision of the Plan would, in the reasonable, good faith judgment of the Committee or the Plan Administrative Committee, result or likely result in the imposition on a Participant, beneficiary or any other person of additional taxes, penalties and interest under Section 409A of the Code, the Committee or the Plan Administrative Committee may modify the terms of the Plan, without the consent of any Participant or beneficiary, in the manner that the Committee or the Plan Administrative Committee may reasonably and in good faith determine to be necessary or advisable to comply with Section 409A of the Code; provided, however, that any such reformation shall, to the maximum extent the Committee or the Plan Administrative Committee reasonably and in good faith determines to be possible, retain the economic and tax benefits to the affected Participant hereunder while not materially increasing the cost to the Corporation of providing such benefits to the Participant.

Section 8. Tax Withholding. The Corporation shall have the power and the right to deduct or withhold, or require a Participant to remit to the Corporation, an amount sufficient to satisfy Federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

Section 9. Prohibited Activity.

9.1. The Participant shall use Confidential Information only to the Corporation's benefit and shall not at any time during or after his or her employment with the Corporation divulge or make accessible to any party any Confidential Information of the Corporation, except to the extent authorized in writing by the Corporation or otherwise required by law. The

Participant shall give the Corporation written notice of any circumstances in which the Participant has actual notice of any access, possession or use of the Confidential Information not authorized by this Section 9.1. Notwithstanding anything contained in this Section 9 or any other provision of the Plan to the contrary, nothing herein shall prevent the Participant from making any disclosure regarding the Corporation if and solely to the extent that such disclosure, although not required by law, is specifically protected by applicable statute or regulation.

9.2. In consideration of his or her receipt of benefits under this Plan, the Participant shall not at any time after his or her Separation from Service, without the prior written consent of the Plan Administrative Committee, directly or indirectly, retain in or have any interest, directly or indirectly, in any business competing with the business being conducted by the Corporation. For the six-month period immediately following the Participant's Separation from Service for any reason (the "Non-Competition Period"), the Participant shall not engage in or have any interest, directly or indirectly, in any entity that competes in the hamburger quick service restaurant segment or that has a set of product offerings substantively similar to that of a material portion of the sales of a Sonic drive-in restaurant.

9.3. In consideration of his or her receipt of benefits under this Plan, during employment and during the Non-Competition Period, the Participant shall not directly or indirectly, (i) recruit or hire or otherwise seek to induce any employee of the Corporation or of any of the Corporation's affiliates to terminate his or her employment or violate any agreement with or duty to the Corporation or any of the Corporation's affiliates; or (ii) solicit or encourage any franchisee or vendor of the Corporation or of any of the Corporation's affiliates to terminate or diminish its relationship with any of them or to violate any agreement with any of them, or, in the case of a franchisee, to conduct with any person any business or activity that such franchisee conducts or could conduct with the Corporation or any of the Corporation's affiliates.

9.4. In consideration of his or her receipt of benefits under this Plan, the Participant shall not at any time during or after his or her employment with the Corporation make any negative or disparaging comments regarding the Corporation or its performance, operations, or business practices, or otherwise take any action that could reasonably be expected to adversely affect the Corporation or its professional reputation. The Participant may truthfully respond to inquiries by government agencies or to inquiries by any person through a subpoena or other valid judicial process without violating this Section 9.3.

9.5. In addition to any other relief to which the Corporation may be entitled, the Corporation will be entitled to seek and obtain injunctive relief (without the requirement of any bond) from a court of competent jurisdiction for the purposes of restraining a Participant from an actual or threatened breach of the above covenants. In addition, and without limiting the Corporation's other remedies, in the event of any breach by a Participant of such covenants, the Corporation will have no obligation to pay any of the amounts that continue to remain payable to the Participant after the date of such breach of the above covenants.

Section 10. Successors. All obligations of Sonic and the Corporation under the Plan with respect to Severance Benefits shall be binding on any successor to Sonic and the Corporation as the case may be, whether the existence of such successor is the result of a direct or indirect purchase of all or substantially all of the business and/or assets of Sonic or the Corporation, merger, consolidation, or otherwise.

Section 11. Claims Procedure.

11.1. Adoption. The Plan Administrative Committee shall adopt and implement such rules and procedures as it may deem appropriate for the submission of claims for Severance Benefits under the Plan and shall communicate such rules and procedures as in effect from time to time to Participants.

11.2. Claims Procedure.

(a) If a Participant disputes his or her ineligibility for Severance Benefits, the Participant shall submit a claim in writing to the Claims Reviewer who shall review and consider the merits of the claim. Written notice of the Claims Reviewer's decision regarding the application for benefits shall be furnished to the claimant or his or her authorized representative ("Claimant") within 30 days after receipt of the claim; provided, however, that, if special circumstances require an extension of time for processing the claim, an additional 30 days from the end of the initial period shall be allowed for processing the claim, in which event the Claimant shall be furnished with a written notice of the extension prior to the termination of the initial 30-day period indicating the special circumstances requiring an extension and the date by which it is anticipated that a decision will be made. Any written notice denying a claim shall set forth the specific reasons for the denial, including specific reference to pertinent provisions of the Plan on which the denial is based; a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary; and a description of the review procedures set forth in this Section 11 and the time limits applicable to such procedures, including a statement that the Claimant may bring a civil action under Section 502(c) of ERISA if the claim is denied on appeal.

(b) A Claimant may review all relevant documents and may request a review by the Plan Administrative Committee of a decision denying the claim. Such a request shall be made in writing and filed with the Plan Administrative Committee within 60 days after delivery to the Claimant of written notice of the decision of the Claims Reviewer. Such written request for review shall contain all additional information that the Claimant wishes the Plan Administrative Committee to consider. The Plan Administrative Committee may hold a hearing or conduct an independent investigation, and the decision on review shall be made as soon as possible after the Plan Administrative Committee's receipt of the request for review. Written notice of the decision on review shall be furnished to the Claimant within 60 days after receipt by the Plan Administrative Committee of a request for review, unless special circumstances require an extension of time for processing, in which event an additional 60 days shall be allowed for review. If such an extension of time for processing is required because of special circumstances, written notice of the extension shall be furnished prior to the commencement of the extension describing the reasons an extension is needed and the date when it is anticipated that the determination will be made. Written notice of the decision on review shall include specific reasons for the decision, including the relevant information described in Section 11.2(a) with respect to the initial denial; a statement that the Claimant may review, upon request, copies of all

documents relevant to the Claimant's claim; and a statement that the Claimant is entitled to receive without charge reasonable access to any document (1) relied on in making the determination, (2) submitted, considered or generated in the course of making the benefit determination, (3) that demonstrates compliance with the administrative processes and safeguards required in making the determination, or (4) constitutes a statement of policy or guidance with respect to the Plan concerning the denied treatment without regard to whether the statement was relied on.

11.3. Mandatory Arbitration .

(a) Any controversy or claim between the Claimant and the Corporation arising out of or relating to a claim for benefits payable by the Plan, including, but not limited to, all claims under ERISA, shall be settled by binding arbitration in the state of Oklahoma in accordance with the Rules of Commercial Arbitration (the "Rules") of the American Arbitration Association. The Federal Arbitration Act, as may be amended from time to time (the "FAA"), as supplemented by the Oklahoma Arbitration Act (to the extent not inconsistent with the FAA), shall apply to the arbitration and all procedural matters relating to the arbitration. If any such arbitration is undertaken, the evidence presented shall be strictly limited to the evidence timely presented to the Plan Administrative Committee. At the election of the Corporation, the provisions of this Section 11.3 shall not apply to any controversies relating to the enforcement of Section 9 regarding prohibited activity, and the Corporation shall have the right to apply to any court of competent jurisdiction for appropriate injunctive relief for the infringement of the Corporation's rights under Section 9.

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

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

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

(e) The prevailing party to the arbitration shall have the right to an award of its reasonable attorneys' fees and costs (including the cost of the arbitrator) incurred after the filing of the demand and submission. If the Corporation prevails, the award shall include an amount for that portion of the administrative overhead reasonably allocable to the time devoted by the in-house legal staff of the Corporation.

(f) In the event any provision or application of this Section 11.3 shall be held illegal or invalid for any reason in any jurisdiction, the illegality or invalidity shall not affect the remaining parts of this Section 11.3, and shall not invalidate or render unenforceable such provision or application in any other jurisdiction.

(g) In the event mandatory arbitration pursuant to this Section 11.3 is specifically prohibited by applicable law, in the determination of the Plan Administrative Committee, arbitrator or court of law in connection with a dispute between the Claimant and the Corporation with respect to the issue, the Claimant may seek judicial review of an adverse benefit determination under the Plan, whether in whole or in part, by filing a suit or legal action, including, without limitation, a civil action under Section 502(a) of ERISA, within one year of the date the final decision on the adverse benefit determination on review is issued or lose any rights to bring such an action. The venue of any such suit or legal action shall be Oklahoma City, Oklahoma. If any such judicial proceeding is undertaken, the evidence presented shall be strictly limited to the evidence timely presented to the Plan Administrative Committee. Notwithstanding anything in the Plan to the contrary, a Claimant must exhaust all administrative remedies available to such Claimant under the Plan before such Claimant may seek judicial review pursuant to Section 502(a) of ERISA.

Section 12. Legal Construction.

12.1. Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

12.2. Severability and Modifications. In the event any provision or application of such provision of the Plan shall be held illegal or invalid for any reason in any jurisdiction, the illegality or invalidity shall not affect the remaining parts of the Plan, and shall not invalidate or render unenforceable such provision or application in any other jurisdiction. Moreover, if at the time of enforcement of any provision hereof, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope, or geographic area reasonable under such circumstances shall be substituted for the stated period, scope or geographical area and that such court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and geographical area permitted by law.

12.3. Requirements of Law. The operation of the Plan and the payment of Severance Benefits hereunder shall be subject to all applicable laws, rules, and regulations, and to such approvals as may be required.

12.4. Governing Law. To the extent not preempted by Federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

12.5. Special Compensation. Except as otherwise required by law or as specifically provided in any plan or program maintained by the Corporation, no payment under the Plan shall be included or taken into account in determining any benefit under any pension, thrift, profit sharing, group insurance, or other benefit plan maintained by the Corporation.

12.6. Incompetent Payee. If the Plan Administrative Committee shall find that any individual to whom any amount is payable under the Plan is found by a court of competent jurisdiction to be unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then the payment due to him or her or to his or her estate (unless a prior claim thereof has been made by a duly appointed legal representative) may, if the Plan Administrative

Committee so elects, be paid to his or her spouse, a child, a relative, an institution maintaining or having custody of such individual, or any other individual deemed by the Plan Administrative Committee to be a proper recipient on behalf of such individual otherwise entitled to payment. Any such payment shall constitute a complete discharge of all liability of the Plan thereof.

12.7. Plan Not an Employment Contract. This Plan is not, nor shall anything contained herein be deemed to give any Employee, Participant or other individual any right to be retained in his or her employer's employ or to in any way limit or restrict his or her employer's right or power to discharge any Employee or other individual at any time and to treat such Employee without any regard to the effect which such treatment might have upon him or her as a Participant of the Plan.

ANNEX A

FORM OF ACKNOWLEDGEMENT AGREEMENT

By signing below, I acknowledge to Sonic Corp. (“*Sonic*”) that:

- (a) I have read the Sonic Corp. Executive Severance Plan (the “*Plan*”);
- (b) I understand the terms and conditions of the Plan, including, but not limited to, the covenants on prohibited activity in Section 9 of the Plan, as well as the mandatory arbitration provisions of Section 11.3 of the Plan;
- (c) I was advised by Sonic, and I am aware, of my right to consult with an attorney before signing this Agreement;
- (d) In consideration of the benefits I would receive under the Plan, I accept the terms and conditions of the Plan, including, but not limited to, the covenants on prohibited activity in Section 9 of the Plan, as well as the mandatory arbitration provisions of Section 11.3 of the Plan;
- (e) I have signed this Agreement knowingly and voluntarily and without any duress or undue influence on the part or behalf of Sonic or any of its affiliates;
- (f) I acknowledge that in signing this Agreement, I have not relied upon any representation or statement not set forth in this Agreement or the Plan made by Sonic or any of its representatives; and
- (g) I acknowledge that this Agreement sets forth the entire understanding between Sonic and me in connection with its subject-matter and supersedes and replaces any express or implied, written or oral, prior agreement of plans or arrangement with respect to the terms of my employment and the termination thereof which I may have had with Sonic or any of its affiliates.

[Employee Name]

Date

ANNEX B

FORM OF RELEASE

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

I. General Release.

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

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

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

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

- (i) I was advised by Sonic in connection with my termination to consult with an attorney of my choice prior to signing this Release and to have such attorney explain to me the terms of this Release, including, without limitation, the terms relating to my release of claims arising under ADEA;
- (ii) I was given a period of not fewer than [21] / [45] days to consider the terms of this Release and to consult with an attorney of my choosing with respect thereto, and was given the option to sign the Release in fewer than [21] / [45] days if I desired;
- (iii) I am providing the release and discharge set forth in this Release only in exchange for consideration in addition to anything of value to which I am already entitled; and
- (iv) I knowingly and voluntarily accept the terms of this Release.

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

III. Restrictive Covenants. I acknowledge that I am subject to Section 9 of the Executive Severance Plan, and I shall comply with the provisions thereof.

IV. Representations and Warranties.

I agree that I have not instituted, assisted or otherwise participated in connection with, any action, complaint, claim, charge, grievance, arbitration, lawsuit, or administrative agency proceeding, or action at law or otherwise against any member of the Company Group or any of their respective officers, employees, directors, shareholders or agents; provided, however, that it is understood and agreed by the parties hereto that the foregoing representation shall not apply to any disclosure regarding the Company Group that I may have made to the extent that such disclosure, although not required by law, is specifically protected by applicable statute or regulation. I represent and warrant that I have not assigned any of the Claims being released under this Release.

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

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

V. Miscellaneous.

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

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

[Employee Name]

Date

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: January 6, 2017

By: /s/ J. Clifford Hudson

J. Clifford Hudson

Chief Executive Officer

CERTIFICATION PURSUANT TO
SEC RULE 13a-14

I, Claudia San Pedro, 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: January 6, 2017

By: /s/ Claudia S. San Pedro

Claudia S. San Pedro

Chief Financial Officer

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: January 6, 2017

By: /s/ J. Clifford Hudson

J. Clifford Hudson

Chief Executive Officer

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: January 6, 2017

By: /s/ Claudia S. San Pedro

Claudia S. San Pedro

Chief Financial Officer