Building a **Stronger** Brand

2015 Annual Report

Reaching the next level

Began in 1953 in Shawnee, Oklahoma, Sonic today franchises and operates the largest chain of drive-in restaurants in the country, with more than 3,500 Sonic Drive-Ins from coast to coast.

Our drive-in style of service, together with a unique menu and orders delivered by a Carhop, positions us as one of the most highly differentiated concepts in the quick-service restaurant (QSR) industry. Unique, signature menu items are made when you order and include chicken sandwiches, popcorn chicken and chicken strips; footlong quarter pound coneys and six-inch premium beef hot dogs; and a full line-up of 100% pure beef hamburgers and cheeseburgers. Likewise, we are famous for our fresh-made onion rings, tater tots and over a million drink choices, including our legendary Cherry Limeade. Customers also enjoy drive-thru service and patio dining at many Sonic locations.

3,526
Locations Coast-to-Coast

89%
Franchise Drive-Ins

2X

System same-store sales jumped to 7.3% during fiscal 2015, more than doubling the pace from the prior year.

+30%

Net income for fiscal 2015 increased 30% on an adjusted basis to $1.09 per diluted share.

$143 Million

Sonic returned more than $143 million to shareholders last year through cash dividends and stock repurchases.

$1.24 Million

During fiscal 2015, Sonic achieved record average sales per drive-in each month and for the year.

To Our Shareholders

What a great run for Sonic throughout fiscal year 2015!

During the past year, we advanced the key initiatives designed to improve all aspects of our business and strengthen our brand. Extending the work we have discussed over the past several years, these initiatives focus on further improving the quality and innovation of our menu and service, enhancing the effectiveness of our messaging to customers and creating a compelling rationale for ongoing expansion in new and existing markets.

As we worked through fiscal 2015, we achieved several important milestones that underscore the momentum of our business.

These included:

Same-store sales growth for the fifth consecutive year, which accelerated to 7.3% for fiscal 2015 on top of 3.5% in the prior year;

Steadily strengthening average sales per drive-in, which set a new record in each month last year, and profits, which returned to pre-recession highs; and

Positive store count growth in the Sonic system for the first time in five years.

As you might imagine, these operational highlights translated into solid financial results for Sonic in 2015. Adjusted earnings for the year increased 31% over fiscal 2014, continuing a notable upward trend for the fifth straight year, sustaining the initiatives that enhance shareholder value. Among these initiatives, the Company repurchased $124 million of common stock during fiscal 2015 and initiated the payment of cash dividends at a beginning annual rate of $0.36 per common share. Looking ahead with confidence, in August the Company's Board of Directors authorized a new stock repurchase program through the end of fiscal 2016, under which we plan to reacquire up to $145 million of our common stock. On top of that, we expect to increase our dividend 22% in fiscal 2016, with the first quarterly cash payment already made in the first quarter.

At the heart of this success lies our unrelenting focus on food quality, variety and innovation – a multi-year mission that continues to excite the tastes of our customers. Ingredients such as Real Ice Cream, 100% white-meat chicken choices and premium hot dogs have created a strong foundation for our menu, and we continue to leverage this competitive distinction in a number of different ways to drive our day-part strategy. Extending these pursuits, we recently signed an agreement to offer Green Mountain Coffee® at Sonic, a significant quality upgrade that we think will place our coffee on par with the best of the donut-shop coffees. And moving into 2016, we have added strength to our culinary innovation team, with Scott Uehlein joining us as Vice President of Product Innovation and Development after 15 years with Canyon Ranch, where he served as corporate chef and oversaw the culinary programs for the Canyon Ranch resorts, spa and fitness locations and living communities.

The framework of technology improvements, now in one-third of our system, enables Sonic to embrace more fully the ever-evolving means by which customers interact and connect with us. These advances can be spotted easily at our drive-ins with interactive menu boards, as we continue to roll out POPS, our Point of Personalized Service, and in more subtle ways with the increasing use of digital messaging and mobile technology. Additional advances in mobile connectivity are on the horizon.

Riding this new wave of technology and interconnected with our menu innovations and day-part initiatives, Sonic's media strategies continue to deliver our key consumer messages in new and creative ways. From year-round national media marketing, which provides effective and efficient exposure advertising for Sonic, to the iconic "Two Guys" who make our ads instantly recognizable by viewers, to our exclusive marketing tie-in with NBA All Star and 2014 Most Valuable Player, Kevin Durant, Sonic's media strategies continue to resonate with our audience and help drive sales, volume and customer enthusiasm.

Our ongoing success in all of these areas increasingly provides our franchisees with a strong financial validation for expansion in new and existing markets. During fiscal 2015, franchisees opened 38 new drive-ins, which along with three company drive-in openings, reflected the fastest overall pace witnessed since 2011.

Another, longer-term indication of how our franchisees embrace the opportunity that Sonic offers can be seen in the two significant area development agreements signed in the past year. One will result in the opening of five new drive-ins in Rhode Island beginning in fiscal 2016 – and marking Sonic's entry into its 45th state – and another that will add eight new drive-ins in the Albany, NY area to complement our recent growth in upstate markets there. Together with expansion activities elsewhere by our existing franchise community, Sonic's development pipeline now encompasses more than 375 future drive-ins.

As our business continues to evolve and strengthen, so too do our Board of Directors and management team. In April 2015, the Board appointed Susan E. Thronson to fill a vacancy resulting from the recent retirement of Michael Maples. Susan most recently served as Senior Vice President, Global Marketing for Marriott International, capping a 24-year career with that company during which time she held progressively higher marketing management positions. She brings impressive leadership experience in franchising to our Board along with an in-depth knowledge of brand and digital marketing. We look forward to her contributions as a director of the Company.

In closing, I hope you share my sense of enthusiasm and confidence about what Sonic and its franchisees have accomplished over the past year. Still, the opportunity to improve further – and grow farther – awaits us as we continue building a stronger brand. Moving into fiscal 2016, the full and increasing engagement of our multi-layered growth strategies should provide a solid catalyst for improved top- and bottom-line performance, creating greater value for shareholders and successfully taking Sonic to multiple new markets and many new, happy customers.

Sincerely,

Clifford Hudson
Chairman, CEO and President

Any way you want it.

Great food is fundamental for success in this business. It requires a deep understanding of customer cravings, an ability to innovate new products that resonate with customers and the skill to leverage those capabilities and insights to offer an unmatched variety of choices. But it all starts with quality.

At Sonic, we've made high quality an imperative, and we've registered steady advances throughout our menu by using superior ingredients like Real Ice Cream, 100% white-meat chicken, premium hot dogs and 100% pure beef. This quality transformation, along with service improvements and more pricing options, has resulted in higher satisfaction and better value for our customers.

Building a solid core menu around our quest for quality, Sonic takes its options to a seemingly impossible level through inspired limited time offers and by allowing customers to personalize virtually anything on the menu. Customers crafting their own favorites - talk about differentiation! Combine that with the all-day availability of our full menu and it's easy to see why customer choice rules at Sonic.

+37%

Over the past two years, sales of chicken menu items have increased 37%.

Anytime. All the time.

As we continue to raise standards and expectations, we've seen our business change in very positive ways. Last year, our hot dog offerings continued to grow in popularity, bolstered by the introduction of our snack-size new Lil' Doggies®. Similarly, our selection of chicken items benefited from the arrival of their cousin, Lil' Chickies™, and the addition of our flavorful Boneless Wings.

Other innovations in fiscal 2015 included our French TOASTER® Breakfast Sandwich, strengthening our line-up of breakfast burritos and sandwiches. Meanwhile, our new Ice Cream Cake Shakes and Waffle Cones added heft to an already impressive selection of shakes, blasts, sundaes, slushes and floats made with our signature Real Ice Cream.

See pages 6-7 to learn how we bring our menu to life through technology initiatives.

And you can't forget the drinks: Sonic now offers more than 1.3 million drink combinations, including an expanded line of slushes. And for those counting calories, we have more than 20,000 low-calorie drink options, like Diet Iced Green Tea and versions of our famous Limeades. Our drink selection reached new levels as Green Mountain Coffee® launched in late 2015.

Tech Standout

At August 31, 2015, approximately 31% of our drive-ins interacted with customers differently with POPS.

Innovative since 1953,

Technology continues to connect us.

What could be better than Sonic after school, study hall, a pep rally, game day, date night, a great movie, morning errands, afternoon shopping and whatever else defines your day? At those times, and in those moments, eating at Sonic makes friends feel so right, family ties bind so tight and memories in the making seem so bright.

A QSR innovator for more than 60 years, Sonic has steadily raised service standards by helping to pioneer diagonal drive-in stalls, adopting remote communications so every customer is always first in line and perfecting fast and convenient order delivery car-side. Today, Sonic's new technology initiatives will increase connectedness with our customers, particularly millennials who over-index with the brand and lead the way in technology use.

See pages 10-11 to learn how technology connects us and improves our business.

Last year, Sonic began the implementation of our Point of Personalized Service system, or POPS, which provides a visual, interactive display of our promotions and limited time offers to give customers an unparalleled experience. POPS, now in year two of a three-year roll-out period, improves order accuracy by displaying to the customer the exact order details before the order is placed.

Each customer also receives a suggested day-part-appropriate menu item to complete the customer's meal. Additionally, POPS integrates with our new point-of-sale (POS) system, greatly streamlining the order process. POPS also provides a platform for future technology advances, including mobile application integration, customer loyalty and customer relationship management (CRM).

Of course, the ultimate tool for customer engagement continues to be our quintessential Carhop service. Carhops ensure that every customer receives fast service and a great experience at Sonic. Every time!

In early 2013, Sonic made an important change to its media strategy, extending national cable advertising on a year-round basis. The utilization of national cable advertising across many of the most popular networks was not new for Sonic; it already had proven to be an effective means of taking our message to consumers. However, by reallocating resources to implement a 12-month national cable program, which is more cost efficient than local advertising, and integrating it with online and mobile initiatives, we continue to extend the reach of our marketing initiatives.

Extending our

5 Straight

System same-store sales for fiscal 2015 rose for the fifth consecutive year.

Sonic's famous "Two Guys" have capitalized on the positive impact of this strategic media shift. The Two Guys commercials, recognized as one of the top campaigns on television, resonate with customers and provide Sonic with immediate brand recognition while highlighting specific core products and limited time offers. As such, these commercials are particularly effective and strongly support our efforts to drive higher sales across all day-parts. This past year, we elevated this highly successful campaign even further with appearances by NBA star and 2014 Most Valuable Player, Kevin Durant, making him our brand ambassador.

So how does all of this combine to benefit our operators? It means on an average day, we reach an estimated audience of more than three million consumers through broadcast, online, mobile and social media channels. It means every time Sonic enters a new market, we encounter an eager fan base – thrilled that the wait is over. It translates into higher average unit volumes for the Sonic system, volumes that exceeded more than $1 million for all market types in fiscal 2015 and volumes that hit new records every month last year. It means continued success for our franchisees and our brand.

See pages 10-11 to learn how franchisees benefit from our media strategies.

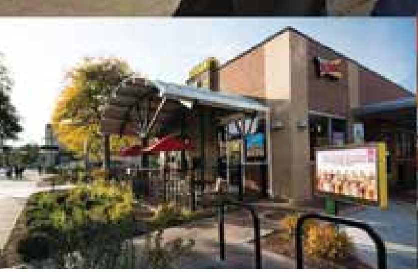
reach
through innovative marketing.

Expanding across the country.
Here we grow!

The Wolkens in Uptown Chicago.
From left: Seth, Hal and Zach.

45
States

Rhode Island marked Sonic's 45th state and opened in October 2015.



Sweet Home Chicago

A few years ago, Sonic introduced its smaller footprint drive-in prototype to provide franchisees with added flexibility to adapt Sonic Drive-Ins to more limited settings for densely populated markets and other parcels where land is scarce. Inspired by the possibilities, the Wolkens, franchisees since 2008, decided to go "urban." With nine drive-ins in the metro Chicago area, Uptown Chicago is their highest volume drive-in.

Sonic ended fiscal 2015 with commitments by franchisees to open a total of almost 400 new Sonic Drive-Ins, including more than 150 commitments obtained in 2015 alone. Their growing enthusiasm reflects the success of various initiatives and efforts to build sales, create and sustain a highly differentiated concept in the competitive QSR market, and provide our franchisees with the tools and options they need to be successful in both traditional and unique market situations. One of the more significant of these is an increasing emphasis on national cable media, which heightens brand awareness and excites consumer interest. This enables Sonic to enter new markets or expand in developing markets with strong initial sales and maintain better sales retention afterwards.

See pages 8-9 to learn more about our media strategies and how they help drive sales.

In addition to our traditional drive-in format with stalls and patio, Sonic offers other drive-in formats with adaptive features and indoor dining to enhance development flexibility. As Hal, Seth and Zach Wolken of Boom Enterprises considered entering the new market of urban Chicago, these options enabled them to target an Uptown location. Amid universities, hospitals, condos and apartments, their Sonic Drive-In – with only nine drive-in stalls, the smallest number in the Sonic system – boasts 40 inside seats plus 10 more on the patio. It's quite a change for a chain that has historically relied on the automobile for customers, but the Wolkens have found that dense urban foot traffic offers similar opportunities for growth.

Our development-driving strategies are equally applicable to developing markets like Charleston, SC, where Grey Simpson, through GM Investments, owns seven drive-ins. Coming out of the grueling Great Recession, he rode the momentum of new media strategies and emerging technology to turn his business around in amazing ways, not only in terms of sales growth, but also for customer service and satisfaction along with improved employee morale. It's no wonder that Grey is on board to open five more drive-ins over the next five years.

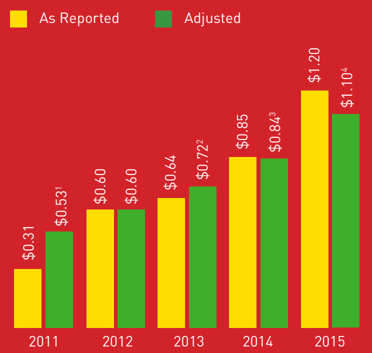
With a 7.3% increase in system-wide same-store sales last year, it's easy to understand our franchisees' eagerness to expand. As our sales and development strategies continue to gain traction, there's no telling where this passion and enthusiasm will take Sonic.

New Highs in Low Country

Grey Simpson, who opened his first Sonic Drive-In in 1993 and now has a total of seven in the Charleston market, decided to "double down" in 2013 when new POPS and POS technology became available. Embracing not only that technology, but also adopting Sonic's refreshed look, he's seen quite a pay-off from that commitment, including an increase in sales of more than 15% for calendar year-to-date 2015 on top of a 7.5% increase for 2014.

A quick look at Sonic

Net Income Per Diluted Share



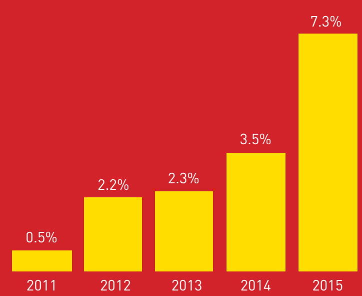
1 Excludes $0.22, net, associated with early extinguishments of debt and favorable tax settlement.

2 Excludes $0.08, net, associated with early extinguishment of debt, a loss on closure of company drive-ins, and an impairment charge for point-of-sale assets, all of which were partially offset by the benefit of a favorable resolution of tax matters.

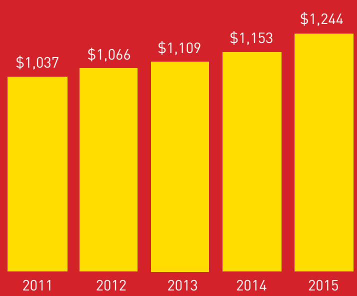
3 Excludes $0.01, reflecting a tax benefit from the acceptance by the IRS of a federal tax method change.

4 Excludes $0.10, net, reflecting various changes in tax matters, including a benefit of prior-year statutory tax deduction and a change in the deferred tax valuation allowance.

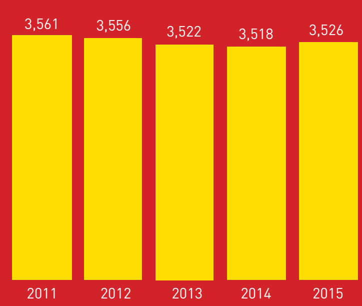
System-wide Same-store Sales



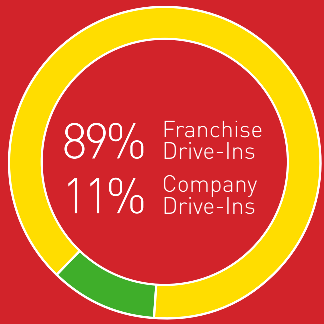
System-wide Drive-Ins Average Sales Per Drive-In (in thousands)

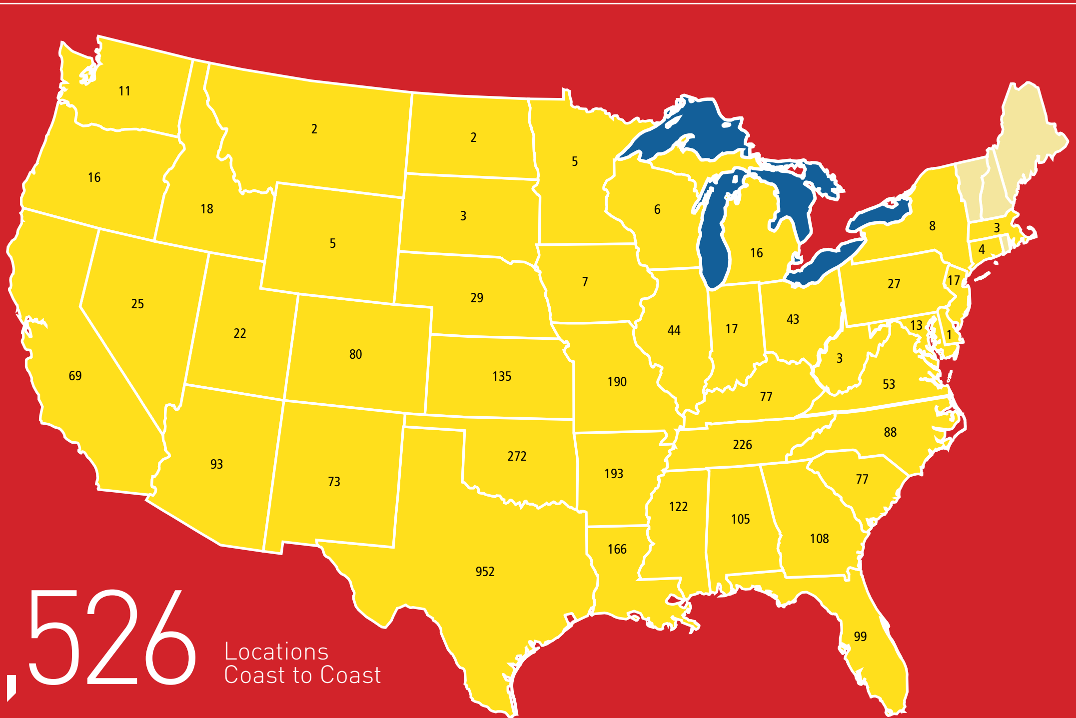


System-wide Drive-Ins



2015 Business Mix





3,526 Locations Coast to Coast

Selected Financial Data

The following table sets forth selected financial data regarding the Company's financial condition and operating results. One should read the following information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" below and the Company's Consolidated Financial Statements included elsewhere in this report.

(In thousands, except per share data)	Year Ended August 31, 2015	2014	2013	2012	2011
Income Statement Data:					
Company Drive-In sales	**$ 436,031**	$ 405,363	$ 402,296	$ 404,443	$ 410,820
Franchise Drive-Ins:					
Franchise royalties and fees	**161,342**	138,416	130,737	128,013	125,871
Lease revenue	**5,583**	4,291	4,785	6,575	6,023
Other	**3,133**	4,279	4,767	4,699	3,237
Total revenues	**606,089**	552,349	542,585	543,730	545,951
Cost of Company Drive-In sales	**363,938**	342,109	343,209	347,470	356,236
Selling, general and administrative	**79,336**	69,415	66,022	65,173	64,943
Depreciation and amortization	**45,892**	42,210	40,387	41,914	41,225
Provision for impairment of long-lived assets	**1,440**	114	1,776	764	824
Other operating (income) expense, net	**(945)**	(176)	1,943	(531)	(585)
Total expenses	**489,661**	453,672	453,337	454,790	462,643
Income from operations	**116,428**	98,677	89,248	88,940	83,308
Interest expense, net[1]	**24,706**	24,913	32,949	30,978	54,929
Income before income taxes	**91,722**	73,764	56,299	57,962	28,379
Net income-attributable to Sonic Corp.	**$ 64,485**	$ 47,916	$ 36,701	$ 36,085	$ 19,225
Income per share:					
Basic	**$ 1.23**	$ 0.87	$ 0.65	$ 0.60	$ 0.31
Diluted	**$ 1.20**	$ 0.85	$ 0.64	$ 0.60	$ 0.31
Weighted average shares used in calculation:					
Basic	**52,572**	55,164	56,384	60,078	61,781
Diluted	**53,953**	56,619	57,191	60,172	61,943
Cash dividends declared per common share[2]	**$ 0.27**	$ 0.09	$ –	$ –	$ –
Balance Sheet Data:					
Working capital	**$ (2,383)**	$ 16,201	$ 67,792	$ 26,635	$ 22,178
Property, equipment and capital leases, net	**421,406**	441,969	399,661	443,008	464,875
Total assets	**620,024**	650,972	660,794	680,760	679,742
Obligations under capital leases (including current portion)	**24,440**	26,743	26,864	31,676	34,063
Long-term debt (including current portion)	**438,028**	437,318	447,294	481,793	497,013
Stockholders' equity	**17,433**	62,675	77,464	59,247	51,833

(1) Includes net loss from early extinguishment of debt of $4.4 million and $23.0 million for fiscal years 2013 and 2011, respectively.

(2) The first quarter dividend for fiscal year 2015 was declared in the fourth quarter of fiscal year 2014.

Overview

Description of the Business. Sonic operates and franchises the largest chain of drive-in restaurants in the United States. As of August 31, 2015, the Sonic system was comprised of 3,526 drive-ins, of which 11% were Company Drive-Ins and 89% were Franchise Drive-Ins. Sonic's signature food items include specialty drinks (such as cherry limeades and slushes), ice cream desserts, made-to-order sandwiches and hamburgers, a variety of hot dogs including six-inch premium beef hot dogs and footlong quarter pound coneys, hand-battered onion rings, tater tots and wraps. Sonic Drive-Ins also offer breakfast items that include a variety of breakfast burritos and serve the full menu all day. We derive our revenues primarily from Company Drive-In sales and royalties from franchisees. We also receive revenues from leasing real estate to franchisees, franchise fees, earnings from minority investments in franchise operations and other miscellaneous revenues.

Costs of Company Drive-In sales relate directly to Company Drive-In sales. Other expenses, such as depreciation, amortization and general and administrative expenses, relate to our franchising operations, as well as Company Drive-In operations. Our revenues and Company Drive-In expenses are directly affected by the number and sales volumes of Company Drive-Ins. Our revenues and, to a lesser extent, selling, general and administrative expenses also are affected by the number and sales volumes of Franchise Drive-Ins. Franchise royalties and franchise fees are directly affected by the number of operating Franchise Drive-Ins and new drive-in openings. Lease revenues are generated primarily by the leasing of land and buildings for Company Drive-In operations that have been sold to franchisees.

Overview of Business Performance. System-wide same-store sales increased 7.3% during fiscal year 2015 as compared to an increase of 3.5% for fiscal year 2014. Same-store sales at Company Drive-Ins increased by 6.9% during fiscal year 2015 as compared to an increase of 3.5% for fiscal year 2014. Our continued positive same-store sales are a result of the successful implementation of initiatives, including product quality improvements and innovation, a greater emphasis on personalized service, a tiered pricing strategy and a media strategy, that have set a solid foundation for growth. Along with new technology initiatives implemented in Company Drive-Ins during fiscal 2014, we continue to focus on key initiatives such as product innovation, multi-day-part promotions and effective media to drive same-store sales. 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. Positive same-store sales is the most important layer and drives operating leverage and increased operating cash flows.

Revenues increased to $606.1 million for fiscal year 2015 or 9.7% from $552.3 million for the same period last year, which was primarily due to an increase in Franchise Drive-In royalties and Company Drive-In sales driven by the growth of same-store sales. Franchising revenues increased $24.2 million during fiscal year 2015 or 17.0%, reflecting an increase in royalties related to a license conversion increasing royalty rates for approximately 900 Franchise Drive-Ins, as well as positive same-store sales of 7.3% at Franchise Drive-Ins. Restaurant margins at Company Drive-Ins improved by 90 basis points during fiscal year 2015, reflecting the leverage of positive same-store sales, lower commodity costs in the latter half of the fiscal year and improved inventory management.

Net income and diluted earnings per share for fiscal year 2015 were $64.5 million and $1.20, respectively, as compared to net income of $47.9 million or $0.85 per diluted share for fiscal year 2014. Excluding the non GAAP adjustments further described below, net income per diluted share was $1.10 for fiscal year 2015, compared to $0.84 per diluted share in fiscal year 2014.

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.

	Fiscal Year Ended August 31, 2015		Fiscal Year Ended August 31, 2014	
	Net Income	**Diluted EPS**	**Net Income**	**Diluted EPS**
Reported – GAAP	**$ 64,485**	$ 1.20	$ 47,916	$ 0.85
Federal tax benefit of prior-year statutory tax deduction	**(3,199)**	(0.06)	–	–
Change in deferred tax valuation allowance	**(1,701)**	(0.04)	–	–
Retroactive effect of federal tax law change	**612**	0.01	–	–
Retroactive benefit of Work Opportunity Tax Credit and resolution of tax matters	**(666)**	(0.01)	–	–
Benefit from the IRS's acceptance of a federal tax method change	–	–	(484)	(0.01)
Adjusted - Non-GAAP	**$ 59,531**	$ 1.10	$ 47,432	$ 0.84

	Fiscal Year Ended August 31, 2014		Fiscal Year Ended August 31, 2013	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Reported – GAAP	$ 47,916	$ 0.85	$ 36,701	$ 0.64
Benefit from the IRS's acceptance of a federal tax method change	(484)	(0.01)		
After-tax loss from early extinguishment of debt			2,798	0.05
Retroactive tax benefit of WOTC and resolution of tax matters			(743)	(0.02)
After-tax loss on closure of Company Drive-Ins[1]			1,510	0.03
After-tax impairment charge for point-of-sale assets[2]			1,013	0.02
Adjusted - Non-GAAP	$ 47,432	$ 0.84	$ 41,279	$ 0.72

[1] Loss of $2.4 million on the closure of 12 lower-performing Company Drive-Ins as a result of an assessment in advance of capital expenditures for planned technology initiatives.

[2] Impairment charge of $1.6 million related to the write-off of assets associated with a change in the vendor for the Sonic system's new point-of-sale technology.

The following table provides information regarding the number of Company Drive-Ins and Franchise Drive-Ins operating as of the end of the years 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 Year Ended August 31,		
($ in thousands)	**2015**	**2014**	**2013**
Increase in total sales	**8.3%**	3.9%	2.4%
System-wide drive-ins in operation[1]:			
Total at beginning of year	**3,518**	3,522	3,556
Opened	**41**	40	27
Closed (net of re-openings)	**(33)**	(44)	(61)
Total at end of year	**3,526**	3,518	3,522
Average sales per drive-in	**$ 1,244**	$ 1,153	$ 1,109
Change in same-store sales[2]	**7.3%**	3.5%	2.3%

[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 Year Ended August 31,		Increase	Percent Increase
($ in thousands)	**2015**	**2014**	**(Decrease)**	**(Decrease)**
Revenues:				
Company Drive-In sales	**$ 436,031**	$ 405,363	$ 30,668	7.6 %
Franchise Drive-Ins:				
Franchise royalties	**158,813**	137,125	21,688	15.8
Franchise fees	**2,529**	1,291	1,238	95.9
Lease revenue	**5,583**	4,291	1,292	30.1
Other	**3,133**	4,279	(1,146)	(26.8)
Total revenues	**$ 606,089**	$ 552,349	$ 53,740	9.7 %

($ in thousands)	Revenues Year Ended August 31, 2014	2013	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Company Drive-In sales	$ 405,363	$ 402,296	$ 3,067	0.8 %
Franchise Drive-Ins:				
Franchise royalties	137,125	130,009	7,116	5.5
Franchise fees	1,291	728	563	77.3
Lease revenue	4,291	4,785	(494)	(10.3)
Other	4,279	4,767	(488)	(10.2)
Total revenues	$ 552,349	$ 542,585	$ 9,764	1.8 %

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.

($ in thousands)	Company Drive-In Sales Year Ended August 31, 2015	2014	2013
Company Drive-In sales	**$ 436,031**	$ 405,363	$ 402,296
Percentage increase (decrease)	**7.6%**	0.8%	(0.5)%
Company Drive-Ins in operation[1]:			
Total at beginning of year	**391**	396	409
Opened	**3**	3	2
Acquired from (sold to) franchisees, net	**(6)**	(7)	1
Closed (net of re-openings)	**(1)**	(1)	(16)
Total at end of year	**387**	391	396
Average sales per Company Drive-In	**$ 1,116**	$ 1,043	$ 990
Change in same-store sales[2]	**6.9%**	3.5%	2.5%

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

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

Same-store sales for Company Drive-Ins increased 6.9% for fiscal year 2015 and 3.5% for fiscal year 2014, showing continued momentum from the Company's successful implementation of initiatives to improve product quality, service and value perception. Furthermore, we continued to focus on our innovative product pipeline, multi-day-part promotions and increased media effectiveness while implementing new technology initiatives. Company Drive-In sales increased $30.7 million, or 7.6%, during fiscal year 2015 compared to fiscal year 2014. This improvement was primarily attributable to an increase of $27.4 million in same-store sales and $3.3 million in incremental sales from new drive-in openings.

For fiscal year 2014, Company Drive-In sales increased $3.1 million, or 0.8%, as compared to 2013. This improvement was primarily attributable to an increase of $14.4 million in same-store sales and $2.0 million in incremental sales from new drive-in openings. These increases were partially offset by an $8.9 million sales decrease primarily related to the closure of 12 lower-performing drive-ins on August 31, 2013 and a $4.4 million decrease related to the refranchising of seven drive-ins during the first quarter of fiscal year 2014.

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 Year Ended August 31,		
($ in thousands)	**2015**	2014	2013
Franchise Drive-In sales	**$ 3,931,365**	$ 3,627,395	$ 3,479,880
Percentage increase	**8.4%**	4.2%	2.8%
Franchise Drive-Ins in operation[1]:			
Total at beginning of year	**3,127**	3,126	3,147
Opened	**38**	37	25
Acquired from (sold to) the Company, net	**6**	7	(1)
Closed (net of re-openings)	**(32)**	(43)	(45)
Total at end of year	**3,139**	3,127	3,126
Average sales per Franchise Drive-In	**$ 1,261**	$ 1,170	$ 1,125
Change in same-store sales[2]	**7.3%**	3.5%	2.3%
Franchising revenues[3]	**$ 166,925**	$ 142,707	$ 135,522
Percentage increase (decrease)	**17.0%**	5.3%	0.7%
Effective royalty rate[4]	**4.04%**	3.78%	3.74%

[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 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

[4] Represents franchise royalties as a percentage of Franchise Drive-In sales.

Same-store sales for Franchise Drive-Ins increased 7.3% for fiscal year 2015 and 3.5% for fiscal year 2014, showing continued momentum from the initiatives we have implemented to improve product quality, service and value perception. Furthermore, we continued to focus on our innovative product pipeline, multi-day-part promotions and increased media effectiveness. Franchising revenues increased $24.2 million, or 17.0%, for fiscal year 2015 compared to fiscal year 2014. The increase in franchising revenues was driven by a license conversion increasing royalty rates for approximately 900 Franchise Drive-Ins, as well as a 7.3% increase in same-store sales. Lease revenues increased compared to the prior year due to an increase in same-store sales and the addition of 14 new leases. The effective royalty rate increased compared to fiscal year 2014 as a result of the license conversion discussed above, as well as improved same-store sales.

Franchising revenues increased $7.2 million, or 5.3%, for fiscal year 2014 as compared to fiscal year 2013. The increase in franchising revenues was driven by an increase in franchise royalties primarily attributable to a 3.5% increase in same-store sales and an increase in franchise fees from the increase in Franchise Drive-In openings. Lease revenues decreased compared to the prior year due to a franchisee's purchase during the second quarter of fiscal year 2013 of land and buildings leased or subleased from the Company. The effective royalty rate increased slightly compared to fiscal year 2013 primarily as a result of improved same-store sales.

Other revenues decreased $1.2 million to $3.1 in fiscal year 2015 and decreased $0.5 million to $4.3 million in fiscal year 2014 as compared to the prior year. The decrease in fiscal years 2015 and 2014 was primarily due to changes in minority investments in franchise operations.

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 Year Ended August 31, 2015	2014	Percentage Points Increase (Decrease)
Costs and expenses:			
Company Drive-Ins:			
Food and packaging	**27.9%**	28.7%	(0.8)
Payroll and other employee benefits	**34.8**	34.5	0.3
Other operating expenses	**20.8**	21.2	(0.4)
Cost of Company Drive-In sales	**83.5%**	84.4%	(0.9)

	Company Drive-In Margins Year Ended August 31, 2014	2013	Percentage Points Increase (Decrease)
Costs and expenses:			
Company Drive-Ins:			
Food and packaging	28.7%	28.5%	0.2
Payroll and other employee benefits	34.5	35.4	(0.9)
Other operating expenses	21.2	21.4	(0.2)
Cost of Company Drive-In sales	84.4%	85.3%	(0.9)

Drive-in level margins improved by 90 basis points during fiscal year 2015 reflecting leverage from improved same-store sales. Food and packaging costs were favorable by 80 basis points, which reflected lower commodity costs primarily related to dairy, as well as implementation of an inventory management tool. Payroll and other employee benefits were unfavorable by 30 basis points reflecting increased health care expenses and increased incentive compensation related to growth in same-store sales. Other operating expenses improved 40 basis points mainly as a result of leverage from sales growth.

Drive-in level margins improved by 90 basis points during fiscal year 2014 reflecting leverage from improved same-store sales and, to a lesser extent, the closure of 12 lower-performing Company Drive-Ins on August 31, 2013. Food and packaging costs were slightly unfavorable by 20 basis points, which primarily resulted from increased costs in beef and dairy that were partially offset by menu price increases in the second half of the fiscal year. Payroll and other employee benefits, as well as other operating expenses, improved 110 basis points mainly as a result of leveraging improved sales and the closure of lower-performing Company Drive-Ins discussed above.

Selling, General and Administrative ("SG&A"). SG&A expenses increased 14.3% to $79.3 million for fiscal year 2015, and increased 5.1% to $69.4 million during fiscal year 2014 as compared to fiscal year 2013. These increases in SG&A expense for fiscal years 2015 and 2014 were primarily related to the costs of additional headcount in support of the Company's technology initiatives and higher variable compensation due to strong operating performance.

Depreciation and Amortization. Depreciation and amortization expense increased 8.7% to $45.9 million in fiscal year 2015. The increase during fiscal year 2015 was primarily attributable to our increased investment in technology initiatives at Company Drive-Ins. Depreciation and amortization expense increased 4.5% to $42.2 million in fiscal year 2014. The increase during fiscal year 2014 was primarily attributable to our increased investment in technology initiatives at Company Drive-Ins partially offset by a franchisee's purchase, during the second fiscal quarter of 2013, of land and buildings previously leased or subleased from the Company.

Provision for Impairment of Long-Lived Assets. Provision for impairment of long-lived assets increased $1.3 million to $1.4 million in fiscal year 2015 compared to $0.1 million for fiscal year 2014 and $1.8 million for 2013. The increase in fiscal year 2015 was the result of the $1.3 million impairment charge in fiscal year 2015 for the write-off of assets associated with some lower performing drive-ins. The decrease in fiscal year 2014 was primarily the result of the $1.6 million impairment charge in fiscal year 2013 for the write-off of assets associated with a change in the vendor for the Sonic system's point-of-sale technology.

Other Operating Income and Expense, Net. Fiscal year 2015 reflected $0.9 million in other operating income compared to other operating income of $0.2 million for fiscal year 2014 and other operating net expense of $1.9 million for fiscal year 2013. The $2.1 million change for fiscal year 2014 was primarily the result of the loss recorded on the closure of 12 lower-performing Company Drive Ins at the end of fiscal year 2013.

Net Interest Expense. Net interest expense decreased $0.2 million in fiscal year 2015 and $3.6 million in fiscal year 2014. The decrease in fiscal year 2014 was primarily related to a decline in our weighted-average interest rate attributable to our partial debt refinancing completed in the fourth quarter of fiscal year 2013 and a decline in our long-term debt balance. See "Liquidity and Sources of Capital" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" below for additional information on factors that could impact interest expense.

Income Taxes. The provision for income taxes reflects an effective tax rate of 29.7% for fiscal year 2015 compared with 35.0% for fiscal year 2014. The lower effective income tax rate for fiscal year 2015 was primarily attributable to the recognition of prior years' federal tax deductions, a decrease in the valuation allowance for the deferred tax asset related to state net operating losses and legislation that reinstated and extended the Work Opportunity Tax Credit ("WOTC"). The tax rate for fiscal year 2014 increased slightly from the fiscal year 2013 rate of 34.8%, primarily due to legislation that reinstated and extended the WOTC in fiscal year 2013 but expired in fiscal year 2014. Our fiscal year 2016 tax rate may vary depending upon the reinstatement of the WOTC, which expired on December 31, 2014, and pending resolution of certain tax matters. Further, 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 $31.0 million, or 4.8%, to $620.0 million during fiscal year 2015 from $651.0 million at the end of fiscal year 2014. The decrease during the year was primarily attributable to a decline in cash and restricted cash of $8.5 million. Additionally, there was a decrease in net property, equipment and capital leases of $20.6 million, driven by depreciation and asset retirements, partially offset by purchases of property and equipment.

Total liabilities increased $14.3 million, or 2.4%, to $602.6 million during fiscal year 2015 from $588.3 million at the end of fiscal year 2014. The increase was primarily attributable to an increase of $9.3 million in deferred tax liability that relates to retroactive reinstatement of bonus depreciation. Additionally, the increase relates to the $10.5 million balance from borrowing on the Company's Series 2011-1 Senior Secured Variable Funding Notes, Class A-1 (the "2011 Variable Funding Notes") partially offset by $9.8 million of scheduled debt principal payments that were made in fiscal year 2015.

Total stockholders' equity decreased $45.2 million, or 72.2%, to $17.4 million during fiscal year 2015 from $62.7 million at the end of fiscal year 2014. This decrease was primarily attributable to $123.8 million in purchases of common stock under our stock repurchase program and was partially offset by current-year earnings of $64.5 million and $18.7 million from the issuance of stock related to stock option exercises during fiscal year 2015.

Liquidity and Sources of Capital

Operating Cash Flows. Net cash provided by operating activities increased $32.9 million to $136.4 million for fiscal year 2015 as compared to $103.5 million in fiscal year 2014. This increase resulted from changes in working capital along with a $16.6 million increase in net income.

Investing Cash Flows. Cash used in investing activities decreased $45.2 million to $25.3 million for fiscal year 2015 compared to $70.5 million for fiscal year 2014. During fiscal year 2015, we used $42.2 million of cash for investments in property and equipment as outlined in the table below (in millions).

Purchase and replacement of equipment and technology	$ 12.2
Brand technology investments	11.2
Acquisition of underlying real estate for drive-ins	6.6
Newly constructed drive-ins leased or sold to franchisees	5.5
Rebuilds, relocations, remodels and retrofits of existing drive-ins	3.8
Newly constructed Company drive-ins	2.9
Total investments in property and equipment	$ 42.2

These purchases decreased $36.8 million in fiscal year 2015 compared to the same period last year mainly due to the completion of the new technology installations at Company Drive-Ins during the first quarter of the fiscal year. Additionally, proceeds from the sale of assets increased $11.6 million primarily related to the sale of operations and real estate for nine Company Drive-Ins, as well as the sale of surplus property.

Financing Cash Flows. Net cash used in financing activities increased $44.3 million to $119.5 million for fiscal year 2015 as compared to $75.2 million in fiscal year 2014. This increase primarily relates to a $40.7 million increase in purchases of treasury stock and $18.8 million in dividend payments. This increase is partially offset by $91.0 million in proceeds from drawdowns on the 2011 Variable Funding Notes throughout fiscal year 2015, and offset by the $80.5 million of repayments on the 2011 Variable Funding Notes.

In the second quarter of fiscal year 2013, we made a debt prepayment, at par, of $20.0 million on our Series 2011-1 Senior Secured Fixed Rate Notes, Class A-2 ("2011 Fixed Rate Notes" and, together with the 2011 Variable Funding Notes, the "2011 Notes"). In the fourth quarter of fiscal year 2013, in a private transaction we refinanced $155 million of the 2011 Fixed Rate Notes with the issuance of $155 million of Series 2013-1 Senior Secured Fixed Rate Notes, Class A-2 (the "2013 Fixed Rate Notes"), which bear interest at 3.75% per annum. The 2013 Fixed Rate Notes have an expected life of seven years, interest payable monthly, with no scheduled principal amortization. As a result, mandatory debt payments have decreased from $15.0 million to $9.8 million per year. Additionally, in the fourth quarter of fiscal year 2013, we extended the renewal date of our 2011 Variable Funding Notes by two years to May 2018 and decreased the base spread from 3.75% to 3.50%.

At August 31, 2015, the balance outstanding under the 2011 Fixed Rate Notes, the 2011 Variable Funding Notes and the 2013 Fixed Rate Notes, including accrued interest, was $272.9 million, $10.5 million and $155.2 million, respectively. The weighted-average interest cost of the 2011 Fixed Rate Notes, 2011 Variable Funding Notes and 2013 Fixed Rate Notes was 5.9%, 4.1% and 4.1%, respectively. The weighted-average interest cost includes the effect of the loan origination costs.

In fiscal year 2013, the debt prepayment and the partial debt refinancing mentioned above resulted in a pro-rata write-off of loan origination costs from the 2011 Fixed Rate Notes, representing a majority of the $4.4 million loss which is reflected in "Net loss from early extinguishment of debt" on the Consolidated Statements of Income. An additional $4.1 million in debt origination costs were capitalized in conjunction with the 2013 Fixed Rate Notes. Loan costs are being amortized over each note's expected life. The amount of loan costs expected to be amortized over the next 12 months is reflected in "Other current assets" on the Consolidated Balance Sheets. For additional information on our 2011 Notes and 2013 Fixed Rate Notes, see note 10 – Debt, included in the Notes to Consolidated Financial Statements in this Annual Report.

In August 2012, our Board of Directors approved a $40 million share repurchase program. Under that program, we were authorized to purchase up to $40 million of our outstanding shares of common stock through August 31, 2013. In January 2013, the Board of Directors increased the purchase authorization to $55 million. During fiscal year 2013, we completed this share repurchase program.

In August 2013, the Board of Directors extended the share repurchase program, authorizing us to purchase up to $40 million of our outstanding shares of common stock. In January 2014, our Board of Directors approved an incremental $40 million authorization for this program that allowed for up to $80 million of common stock to be repurchased through August 31, 2014.

As part of this program, in February 2014, we entered into an accelerated share repurchase ("ASR") agreement with a financial institution to purchase $40 million of our common stock. In exchange for a $40 million up-front payment, the financial institution delivered approximately 2.1 million shares. During March 2014, the ASR purchase period concluded with no additional shares delivered, resulting in an average price per share of $19.13. We reflected the ASR transaction as a repurchase of common stock for purposes of calculating earnings per share and as a forward contract indexed to its own common stock. The forward contract met all of the applicable criteria for equity classification.

The Company completed the Board-approved share repurchase program during fiscal year 2014, with approximately 4.1 million shares repurchased, resulting in an average price per share of $19.61.

In August 2014, our Board of Directors further extended our share repurchase program, authorizing us to purchase up to $105 million of our outstanding shares of common stock during fiscal year 2015. In October 2014, the Company entered into an ASR agreement with a financial institution to purchase $15 million of the Company's common stock. In exchange for a $15 million up-front payment, the financial institution delivered approximately 0.6 million shares. During January 2015, the ASR purchase period concluded. The Company paid an additional $0.1 million with no additional shares delivered, resulting in an average price per share of $26.32. In February 2015, the Company entered into additional ASR agreements with a financial institution to purchase $75 million of the Company's common stock. In exchange for a $75 million up-front payment, the financial institution delivered approximately 2.1 million shares. The ASR transactions completed in July 2015 with 0.3 million additional shares delivered, resulting in an average price per share of $31.38. The Company reflected the ASR transactions as a repurchase of common stock for purposes of calculating earnings per share and as a forward contract indexed to its own common stock. The forward contract met all of the applicable criteria for equity classification.

In August 2015, the Board of Directors further extended the Company's share repurchase program, authorizing the Company to purchase up to $145 million of its outstanding shares of common stock through August 31, 2016.

Share repurchases will be made from time to time in the open market or otherwise, including through an ASR program, under the 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. We plan to fund the share repurchase program from existing cash on hand at August 31, 2015, cash flows from operations and borrowings under our 2011 Variable Funding Notes.

As of August 31, 2015, our total cash balance of $47.0 million ($27.2 million of unrestricted and $19.8 million of restricted cash balances) reflected the impact of the cash generated from operating activities, cash used for share repurchases, debt prepayment and capital expenditures mentioned above. We believe that existing cash, funds generated from operations and the $89.5 million available under our 2011 Variable Funding Notes will meet our needs for the foreseeable future.

In August 2014, the Company initiated a quarterly cash dividend program and paid a quarterly dividend of $0.09 per share of common stock, totaling $18.8 million for the fiscal year. Subsequent to the end of the fiscal year, the Company declared a quarterly dividend of $0.11 per share of common stock to be paid to stockholders of record as of the close of business on November 11, 2015, with a payment date of November 20, 2015. The Company did not pay any cash dividends on its common stock prior to fiscal 2015. The future declaration of quarterly dividends and the establishment of future record and payment dates are subject to the final determination of the Company's Board of Directors.

Off-Balance Sheet Arrangements

The Company has obligations for guarantees on certain franchisee loans, which in the aggregate are immaterial, and obligations for guarantees on certain franchisee lease agreements. Other than such guarantees and various operating leases and purchase obligations, which are disclosed below in "Contractual Obligations and Commitments" and in note 7 - Leases and note 15 – Commitments and Contingencies to our Consolidated Financial Statements, the Company has no other material off-balance sheet arrangements.

Contractual Obligations and Commitments

In the normal course of business, Sonic enters into purchase contracts, lease agreements and borrowing arrangements. The following table presents our commitments and obligations as of August 31, 2015 (in thousands):

		Payments Due by Fiscal Year			
	Total	**Less than 1 Year (2016)**	**1 – 3 Years (2017 to 2018)**	**3 – 5 Years (2019 to 2020)**	**More than 5 Years (2021 and thereafter)**
Contractual Obligations					
Long-term debt[1]	**$ 506,189**	$ 30,663	$ 309,547	$ 165,979	$ –
Capital leases	**31,236**	5,254	9,405	6,694	9,883
Operating leases	**123,396**	11,374	22,050	20,974	68,998
Purchase obligations[2]	**283,171**	28,895	45,657	48,640	159,979
Other[3]	**17,640**	–	–	–	–
Total	**$ 961,632**	$ 76,186	$ 386,659	$ 242,287	$ 238,860

(1) Includes scheduled principal and interest payments on our 2011 Notes and 2013 Fixed Rate Notes and assumes these notes will be outstanding for the expected seven-year life with anticipated repayment dates in May 2018 and July 2020, respectively.

(2) Purchase obligations primarily relate to the Company's estimated share of system-wide commitments to purchase food products. We have excluded agreements that are cancelable without penalty. These amounts require estimates and could vary due to the timing of volumes and changes in market pricing.

(3) Includes \$3.6 million of unrecognized tax benefits related to uncertain tax positions and \$14.0 million related to guarantees of franchisee leases and loan agreements. As we are not able to reasonably estimate the timing or amount of these payments, if any, the related balances have not been reflected in the "Payments Due by Fiscal Year" section of the table.

Impact of Inflation

We are impacted by inflation which has caused increases in our food, labor and benefits costs and has increased our operating expenses. To the extent permitted by competition, increased costs are recovered through a combination of menu price increases and alternative products or processes, or by implementing other cost reduction procedures.

Critical Accounting Policies and Estimates

The Consolidated Financial Statements and Notes to Consolidated Financial Statements included in this document contain information that is pertinent to management's discussion and analysis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to use its judgment to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. These assumptions and estimates could have a material effect on our financial statements. We evaluate our assumptions and estimates on an ongoing basis using historical experience and various other factors that are believed to be relevant under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We perform a periodic review of our financial reporting and disclosure practices and accounting policies to ensure that our financial reporting and disclosures provide accurate and transparent information relative to the current economic and business environment. We believe the following significant accounting policies and estimates involve a high degree of risk, judgment and/or complexity.

Accounting for Long-Lived Assets. We review Company Drive-In assets for impairment when events or circumstances indicate they might be impaired. We test for impairment using historical cash flows and other relevant facts and circumstances as the primary basis for our estimates of future cash flows. This process requires us to estimate fair values of our drive-ins by making assumptions regarding future cash flows and other factors. It is reasonably possible that our estimates of future cash flows could change resulting in the need to write down to fair value certain Company Drive-In assets.

We assess the recoverability of goodwill at least annually and more frequently if events or changes in circumstances occur indicating that the carrying amount of goodwill may not be recoverable or as a result of allocating goodwill to Company Drive-Ins that are sold. Since the Company is one reporting unit, we identify potential goodwill impairment by comparing the fair value of the Company to its carrying value. The fair value of the Company is determined using a market approach. If the carrying value of the Company exceeds fair value, a comparison of the fair value of goodwill against the carrying value of goodwill is made to determine whether goodwill has been impaired.

During the fourth quarter of fiscal year 2015, we performed our annual assessment of the recoverability of goodwill and determined that no impairment was indicated. As of the impairment testing date, the fair value of the Company significantly exceeded the carrying value. As of August 31, 2015, the Company had $77.1 million of goodwill.

Revenue Recognition Related to Franchise Fees and Royalties. Franchise fees are recognized in income when we have substantially performed or satisfied all material services or conditions relating to the sale of the franchise and the fees are nonrefundable. Development fees are nonrefundable and are recognized in income on a pro-rata basis when the conditions for revenue recognition under the individual development agreements are met. Both franchise fees and development fees are generally recognized upon the opening of a Franchise Drive-In or upon termination of the agreement between Sonic and the franchisee.

Our franchisees pay royalties based on a percentage of sales. Royalties are recognized as revenue when they are earned.

Accounting for Stock-Based Compensation. We estimate the fair value of stock options granted using the Black-Scholes option pricing model along with the assumptions shown in note 13 – Stockholders' Equity in the Notes to the Consolidated Financial Statements in this Annual Report. The assumptions used in computing the fair value of stock-based payments reflect our best estimates, but involve uncertainties relating to market and other conditions, many of which are outside of our control. We estimate expected volatility based on historical daily price changes of the Company's stock for a period equal to the current expected term of the options. The expected option term is the number of years the Company estimates that options will be outstanding prior to exercise considering vesting schedules and our historical exercise patterns. If other assumptions or estimates had been used, the stock-based compensation expense that was recorded could have been materially different. Furthermore, if different assumptions are used in future periods, stock-based compensation expense could be materially impacted.

Income Taxes. We estimate certain components of our provision for income taxes. These estimates include, among other items, depreciation and amortization expense allowable for tax purposes, allowable tax credits for items such as wages paid to certain employees, effective rates for state and local income taxes and the tax deductibility of certain other items.

Although we believe we have adequately accounted for our uncertain tax positions, from time to time, audits result in proposed assessments where the ultimate resolution may give rise to us owing additional taxes. We adjust our uncertain tax positions until they are resolved in light of changing facts and circumstances, such as the completion of a tax audit, expiration of a statute of limitations, the refinement of an estimate and penalty and interest accruals associated with uncertain tax positions. We believe that our tax positions comply with applicable tax law and that we have adequately provided for these matters. However, to the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made.

Our estimates are based on the best available information at the time that we prepare the provision, including legislative and judicial developments. We generally file our annual income tax returns several months after our fiscal year end. Income tax returns are subject to audit by federal, state and local governments, typically several years after the returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws. Adjustments to these estimates or returns can result in significant variability in the tax rate from period to period.

Leases. We lease the land and buildings for certain Company Drive-Ins from third parties. Rent expense for operating leases is recognized on a straight-line basis over the expected lease term, including cancelable option periods when it is deemed to be reasonably assured that we would incur an economic penalty for not exercising the options. Judgment is required to determine options expected to be exercised. Within the terms of some of our leases, there are rent holidays and/or escalations in payments over the base lease term, as well as renewal periods. The effects of the rent holidays and escalations are reflected in rent expense on a straight-line basis over the expected lease term, including cancelable option periods when appropriate. The lease term commences on the date when we have the right to control the use of lease property, which can occur before rent payments are due under the terms of the lease. Contingent rent is generally based on sales levels and is accrued at the point in time we determine that it is probable that such sales levels will be achieved.

Accounts and Notes Receivable. We charge interest on past due accounts receivable and recognize income as it is collected. Interest accrues on notes receivable based on the contractual terms of the respective notes. We monitor all accounts and notes receivable for delinquency and provide for estimated losses for specific receivables that are not likely to be collected. We assess credit risk for accounts and notes receivable of specific franchisees based on payment history, current payment patterns, the health of the franchisee's business and an assessment of the franchisee's ability to pay outstanding balances. In addition to allowances for bad debt for specific franchisee receivables, a general provision for bad debt is estimated for accounts receivable based on historical trends. Account balances generally are charged against the allowance when we believe it is probable that the receivable will not be recovered and legal remedies have been exhausted. We continually review our allowance for doubtful accounts.

Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk. Our exposure to interest rate risk at August 31, 2015, was primarily based on the 2011 Fixed Rate Notes and 2013 Fixed Rate Notes with an effective rate of 5.4% and 3.75%, respectively, before amortization of debt-related costs. At August 31, 2015, the fair value of the 2011 Fixed Rate Notes and 2013 Fixed Rate Notes approximated their carrying value of $428.1 million, including accrued interest. To derive the fair value, management used market information available for public debt transactions for companies with ratings that are similar to our ratings and information gathered from brokers who trade in our notes. Management believes this fair value is a reasonable estimate. Should interest rates and/or credit spreads increase or decrease by one percentage point, the estimated fair value of the 2011 Fixed Rate Notes and 2013 Fixed Rate Notes would decrease or increase by approximately $12 million, respectively. The fair value estimate required significant assumptions by management.

Commodity Price Risk. The Company and its franchisees purchase certain commodities such as beef, potatoes, chicken and dairy products. These commodities are generally purchased based upon market prices established with vendors. These purchase arrangements may contain contractual features that limit the price paid by establishing price floors or caps; however, we generally do not make any long-term commitments to purchase any minimum quantities under these arrangements other than as disclosed under "Contractual Obligations and Commitments." We also do not use financial instruments to hedge commodity prices because these purchase arrangements help control the ultimate cost.

This market risk discussion contains forward-looking statements. Actual results may differ materially from this discussion based upon general market conditions and changes in financial markets.

Consolidated Balance Sheets

(In thousands, except per share amounts)	August 31, 2015	August 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 27,191**	$ 35,694
Restricted cash	**13,246**	13,208
Accounts and notes receivable, net	**31,577**	32,833
Income taxes receivable	**1,741**	1,887
Inventories	**3,824**	3,349
Prepaid expenses	**5,544**	5,917
Other current assets	**2,315**	2,824
Total current assets	**85,438**	95,712
Noncurrent restricted cash	**6,524**	6,652
Notes receivable, net	**7,216**	8,155
Property, equipment and capital leases, net	**421,406**	441,969
Goodwill	**77,076**	77,093
Other assets, net	**22,364**	21,391
Total assets	**$ 620,024**	$ 650,972
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	**$ 13,860**	$ 17,207
Franchisee deposits	**870**	2,678
Accrued liabilities	**50,714**	43,681
Income taxes payable	**8,910**	2,461
Current maturities of long-term debt and capital leases	**13,467**	13,484
Total current liabilities	**87,821**	79,511
Obligations under capital leases due after one year	**20,763**	23,050
Long-term debt due after one year	**428,238**	427,527
Deferred income taxes	**43,549**	37,611
Other non-current liabilities	**22,220**	20,598
Commitments and contingencies (Notes 7,8,14,15)		
Stockholders' equity:		
Preferred stock, par value $.01; 1,000 shares authorized; none outstanding	**–**	–
Common stock, par value $.01; 245,000 shares authorized; shares issued 118,309 in 2015 and in 2014	**1,183**	1,183
Paid-in capital	**232,550**	225,004
Retained earnings	**851,715**	801,202
Treasury stock, at cost; 67,249 shares in 2015 and 64,505 shares in 2014	**(1,068,015)**	(964,714)
Total stockholders' equity	**17,433**	62,675
Total liabilities and stockholders' equity	**$ 620,024**	$ 650,972

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

Consolidated Statements of Income

(In thousands, except per share amounts)	Year Ended August 31, 2015	2014	2013
Revenues:			
Company Drive-In sales	**$ 436,031**	$ 405,363	$ 402,296
Franchise Drive-Ins:			
Franchise royalties and fees	**161,342**	138,416	130,737
Lease revenue	**5,583**	4,291	4,785
Other	**3,133**	4,279	4,767
Total revenues	**606,089**	552,349	542,585
Costs and expenses:			
Company Drive-Ins:			
Food and packaging	**121,701**	116,325	114,545
Payroll and other employee benefits	**151,801**	139,939	142,511
Other operating expenses, exclusive of depreciation and amortization included below	**90,436**	85,845	86,153
Total cost of Company Drive-In sales	**363,938**	342,109	343,209
Selling, general and administrative	**79,336**	69,415	66,022
Depreciation and amortization	**45,892**	42,210	40,387
Provision for impairment of long-lived assets	**1,440**	114	1,776
Other operating (income) expense, net	**(945)**	(176)	1,943
Total costs and expenses	**489,661**	453,672	453,337
Income from operations	**116,428**	98,677	89,248
Interest expense	**25,114**	25,382	29,098
Interest income	**(408)**	(469)	(592)
Net loss from early extinguishment of debt	**–**	–	4,443
Net interest expense	**24,706**	24,913	32,949
Income before income taxes	**91,722**	73,764	56,299
Provision for income taxes	**27,237**	25,848	19,598
Net income	**$ 64,485**	$ 47,916	$ 36,701
Basic income per share	**$ 1.23**	$ 0.87	$ 0.65
Diluted income per share	**$ 1.20**	$ 0.85	$ 0.64
Cash dividends declared per common share	**$ 0.27**	$ 0.09	$ –

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

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity
Balance at August 31, 2012	$ 1,183	$ 230,543	$ 722,614	60,325	$ (895,093)	$ 59,247
Net income	–	–	36,701	–	–	36,701
Stock-based compensation expense	–	3,630	–	–	–	3,630
Purchase of treasury stock	–	–	–	3,332	(35,480)	(35,480)
Exercise of stock options and issuance of restricted stock	–	(6,127)	(1,057)	(1,607)	23,527	16,343
Other	–	(3,278)	(120)	(25)	421	(2,977)
Balance at August 31, 2013	$ 1,183	$ 224,768	$ 758,138	62,025	$ (906,625)	$ 77,464
Net income	–	–	47,916	–	–	47,916
Cash dividends	–	–	(4,852)	–	–	(4,852)
Stock-based compensation expense	–	3,742	–	–	–	3,742
Purchase of treasury stock	–	–	–	4,080	(80,045)	(80,045)
Exercise of stock options and issuance of restricted stock	–	(4,186)	–	(1,575)	21,593	17,407
Other	–	680	–	(25)	363	1,043
Balance at August 31, 2014	$ 1,183	$ 225,004	$ 801,202	64,505	$ (964,714)	$ 62,675
Net income	**–**	**–**	**64,485**	**–**	**–**	**64,485**
Cash dividends	**–**	**–**	**(13,972)**	**–**	**–**	**(13,972)**
Stock-based compensation expense	**–**	**3,520**	**–**	**–**	**–**	**3,520**
Purchase of treasury stock	**–**	**–**	**–**	**4,201**	**(123,786)**	**(123,786)**
Exercise of stock options and issuance of restricted stock	**–**	**(1,458)**	**–**	**(1,438)**	**20,190**	**18,732**
Other	**–**	**5,484**	**–**	**(19)**	**295**	**5,779**
Balance at August 31, 2015	**$ 1,183**	**$ 232,550**	**$ 851,715**	**67,249**	**$ (1,068,015)**	**$ 17,433**

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

Consolidated Statements of Cash Flows

(In thousands)	Year Ended August 31, 2015	2014	2013
Cash flows from operating activities:			
Net income	**$ 64,485**	$ 47,916	$ 36,701
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**45,892**	42,210	40,387
Stock-based compensation expense	**3,520**	3,742	3,630
Net loss from early extinguishment of debt	**–**	–	4,443
Other	**3,743**	(1,628)	2,381
(Increase) decrease in operating assets:			
Restricted cash	**(61)**	(1,428)	(2,431)
Accounts receivable and other assets	**2,885**	(5,977)	1,613
Increase (decrease) in operating liabilities:			
Accounts payable	**(1,288)**	640	2,324
Accrued and other liabilities	**10,296**	7,347	5,129
Income taxes	**6,890**	10,726	(6,338)
Total adjustments	**71,877**	55,632	51,138
Net cash provided by operating activities	**136,362**	103,548	87,839
Cash flows from investing activities:			
Purchases of property and equipment	**(42,153)**	(79,008)	(41,338)
Proceeds from sale of assets	**13,701**	2,148	33,475
Other	**3,132**	6,337	6,679
Net cash used in investing activities	**(25,320)**	(70,523)	(1,184)
Cash flows from financing activities:			
Payments on debt	**(90,290)**	(9,976)	(189,499)
Proceeds from borrowings	**91,000**	–	155,000
Restricted cash for securitization obligations	**151**	181	1,921
Purchases of treasury stock	**(120,463)**	(79,786)	(36,582)
Proceeds from exercise of stock options	**18,732**	17,407	16,343
Payment of dividends	**(18,808)**	–	–
Debt issuance and extinguishment costs	**(12)**	(151)	(5,137)
Other	**145**	(2,902)	(3,452)
Net cash used in financing activities	**(119,545)**	(75,227)	(61,406)
Net increase (decrease) in cash and cash equivalents	**(8,503)**	(42,202)	25,249
Cash and cash equivalents at beginning of year	**35,694**	77,896	52,647
Cash and cash equivalents at end of year	**$ 27,191**	$ 35,694	$ 77,896
Supplemental cash flow information			
Cash paid during the year for:			
Interest	**$ 23,330**	$ 23,701	$ 27,352
Income taxes (net of refunds)	**$ 11,360**	$ 14,143	$ 25,440
Non-cash investing and financing activities:			
Change in obligation to acquire treasury stock	**3,323**	259	(1,102)
Notes receivable and direct financing leases from property disposition	**–**	–	8,661
Stock options exercised by stock swap	**3,385**	4,634	–
Change in obligation for purchase of property and equipment	**(2,121)**	3,097	(477)
Dividend payable	**13**	4,852	–

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

1. Summary of Significant Accounting Policies

Operations

Sonic Corp. (the "Company") operates and franchises a chain of quick-service restaurants in the United States. It derives its revenues primarily from Company Drive-In sales and royalty fees from franchisees. The Company also leases real estate and receives equity earnings in noncontrolling ownership in a number of Franchise Drive Ins.

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.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States ("U.S.") requires management to make estimates and assumptions that affect the amounts reported and contingent assets and liabilities disclosed in the financial statements and accompanying notes. Actual results may differ from those estimates, and such differences may be material to the financial statements.

Segment Reporting

In accordance with Accounting Standards Update ("ASU") 280, "Segment Reporting," the Company uses the management approach for determining its reportable segments. The management approach is based upon the way that management reviews performance and allocates resources. The Company's chief operating decision maker and his management team review operating results on a consolidated basis for purposes of allocating resources and evaluating the financial performance of the Sonic brand. Accordingly, the Company has determined that it has one operating segment and, therefore, one reporting segment.

Cash Equivalents

Cash equivalents consist of highly liquid investments, primarily money market accounts that mature in three months or less from date of purchase, and depository accounts.

Restricted Cash

As of August 31, 2015, the Company had restricted cash balances totaling $19.8 million for funds required to be held in trust for the benefit of senior noteholders under the Company's debt arrangements. The current portion of restricted cash of $13.3 million represents amounts to be returned to Sonic or paid to service current debt obligations. The noncurrent portion of $6.5 million represents interest reserves required to be set aside for the duration of the debt.

Accounts and Notes Receivable

The Company charges interest on past due accounts receivable and recognizes income as it is collected. Interest accrues on notes receivable based on the contractual terms of the respective note. The Company monitors all accounts and notes receivable for delinquency and provides for estimated losses for specific receivables that are not likely to be collected. The Company assesses credit risk for accounts and notes receivable of specific franchisees based on payment history, current payment patterns, the health of the franchisee's business, and an assessment of the franchisee's ability to pay outstanding balances. In addition to allowances for bad debt for specific franchisee receivables, a general provision for bad debt is estimated for the Company's accounts receivable based on historical trends. Account balances generally are charged against the allowance when the Company believes that the collection is no longer reasonably assured. The Company continually reviews its allowance for doubtful accounts.

Inventories

Inventories consist principally of food and supplies that are carried at the lower of cost (first-in, first-out basis) or market.

Property, Equipment and Capital Leases

Property and equipment are recorded at cost, and leased assets under capital leases are recorded at the present value of future minimum lease payments. Depreciation of property and equipment and amortization of capital leases are computed by the straight-line method over the estimated useful lives or the lease term, including cancelable option periods when appropriate, and are combined for presentation in the financial statements.

Accounting for Long-Lived Assets

The Company reviews long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Assets are grouped and evaluated for impairment at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets, which generally represents the individual drive-in. The Company's primary test for an indicator of potential impairment is operating losses of the related drive-in. If an indication of impairment is determined to be present, the Company estimates the future cash flows expected to be generated from the use of the asset and its eventual disposal. If the sum of undiscounted future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. The impairment loss is measured by comparing the fair value of the asset to its carrying amount. Fair value is typically determined to be the value of the land since drive-in buildings and improvements are single-purpose assets and have little value to market participants. The equipment associated with a store can be easily relocated to another store and therefore is not adjusted.

Surplus property assets are carried at the lower of depreciated cost or fair value less cost to sell. The majority of the value in surplus property is land. Fair values are estimated based upon management's assessment as well as independent market value assessments of the assets' estimated sales values.

Goodwill and Other Intangible Assets

Goodwill is determined based on an acquisition purchase price in excess of the fair value of identified assets. Intangible assets with lives restricted by contractual, legal or other means are amortized over their useful lives. The Company tests goodwill at least annually for impairment using the fair value approach on a reporting unit basis.

Since the Company is one reporting unit, potential goodwill impairment is evaluated by comparing the fair value of the Company to its carrying value. The fair value of the Company is determined using a market approach. If the carrying value of the Company exceeds fair value, a comparison of the fair value of goodwill against the carrying value of goodwill is made to determine whether goodwill has been impaired. During the fourth quarters of fiscal years 2015 and 2014, the annual assessment of the recoverability of goodwill was performed and no impairment was indicated.

The Company's intangible assets subject to amortization consist primarily of acquired franchise agreements, intellectual property and other intangibles. Amortization expense is calculated using the straight-line method over the asset's expected useful life. See note 5 - Goodwill and Other Intangibles for additional related disclosures.

Refranchising and Closure of Company Drive-Ins

Gains and losses from the sale or closure of Company Drive-Ins are recorded as "Other operating (income) expense, net" on the Consolidated Statements of Income.

Revenue Recognition, Franchise Fees and Royalties

Revenue from Company Drive-In sales is recognized when food and beverage products are sold. Company Drive-In sales are presented net of sales tax and other sales-related taxes.

The Company's gift card program serves all Sonic Drive-Ins and is administered by the Company on behalf of a system advertising fund. The Company records a liability in the period in which a gift card is sold. The gift cards do not have expiration dates. As gift cards are redeemed, the liability is reduced with revenue recognized on redemptions at Company Drive-Ins. Breakage is the amount on a gift card that is not expected to be redeemed and that the Company is not required to remit to a state under unclaimed property laws. The Company estimates breakage based upon the historical trend in redemption patterns from previously sold gift cards. The Company's policy is to recognize the breakage, using the delayed recognition method, when it is apparent that there is a remote likelihood the gift card balance will be redeemed. The Company reduces the gift card liability for the estimated breakage and uses that amount to defray the costs of operating the gift card program. There is no income recognized on unredeemed gift card balances. Costs to administer the gift card program, net of breakage, are included in the receivables from advertising funds as set forth in note 4 – Accounts and Notes Receivable. Such costs were not material in fiscal years 2015, 2014 and 2013.

Franchise fees are recognized in income when the Company has substantially performed or satisfied all material services or conditions relating to the sale of the franchise and the fees are nonrefundable. Development fees are nonrefundable and are recognized in income on a pro-rata basis when the conditions for revenue recognition under the individual development agreements are met. Both franchise fees and development fees are generally recognized upon the opening of a Franchise Drive-In or upon termination of the agreement between the Company and the franchisee.

The Company's franchisees pay royalties based on a percentage of sales. Royalties are recognized as revenue when they are earned.

Advertising Costs

Costs incurred in connection with advertising and promoting the Company's products are included in other operating expenses and are expensed as incurred. Such costs amounted to $24.5 million in fiscal year 2015 and to $22.4 million in each of fiscal years 2014 and 2013.

Under the Company's franchise agreements, both Company Drive-Ins and Franchise Drive-Ins must contribute a minimum percentage of revenues to a national media production fund ("Sonic Brand Fund") and spend an additional minimum percentage of gross revenues on advertising, either directly or through Company-required participation in advertising cooperatives. A significant portion of the advertising cooperative contributions is remitted to the System Marketing Fund, which purchases advertising on national cable and broadcast networks and local broadcast networks and also funds other national media expenses and sponsorship opportunities. As stated in the terms of existing franchise agreements, these funds do not constitute assets of the Company, and the Company acts with limited agency in the administration of these funds. Accordingly, neither the revenues and expenses nor the assets and liabilities of the advertising cooperatives, the Sonic Brand Fund or the System Marketing Fund are included in the Company's consolidated financial statements. However, all advertising contributions by Company Drive-Ins are recorded as expense on the Company's financial statements.

Under the Company's franchise agreements, the Company is reimbursed by the Sonic Brand Fund for costs incurred to administer the fund at an amount not to exceed 15% of the Sonic Brand Fund's gross receipts. Reimbursements from the Sonic Brand Fund are offset against selling, general and administrative expenses and totaled $5.0 million, $4.4 million and $4.2 million in fiscal years 2015, 2014 and 2013, respectively.

Operating Leases

Rent expense is recognized on a straight-line basis over the expected lease term, including cancelable option periods when it is deemed to be reasonably assured that the Company would incur an economic penalty for not exercising the options. Within the terms of some of the leases, there are rent holidays and/or escalations in payments over the base lease term, as well as renewal periods. The effects of the holidays and escalations have been reflected in rent expense on a straight-line basis over the expected lease term, which includes cancelable option periods when appropriate. The lease term commences on the date when the Company has the right to control the use of the leased property, which can occur before rent payments are due under the terms of the lease. Contingent rent is generally based on sales levels and is accrued at the point in time it is probable that such sales levels will be achieved.

Stock-Based Compensation

The Company grants incentive stock options ("ISOs"), non-qualified stock options ("NQs") and restricted stock units ("RSUs"). For grants of NQs and RSUs, the Company expects to recognize a tax benefit upon exercise of the option or vesting of the RSU. As a result, a tax benefit is recognized on the related stock-based compensation expense for these types of awards. For grants of ISOs, a tax benefit only results if the option holder has a disqualifying disposition. As a result of the limitation on the tax benefit for ISOs, the tax benefit for stock-based compensation will generally be less than the Company's overall tax rate and will vary depending on the timing of employees' exercises and sales of stock.

Stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense on a straight-line basis over the requisite service period of the award, generally the vesting period of the grant. For additional information on stock-based compensation see note 13 - Stockholders' Equity.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the enactment date.

Income tax benefits credited to equity relate to tax benefits associated with amounts that are deductible for income tax purposes but do not affect earnings. These benefits are principally generated from employee exercises of NQs, the vesting of RSUs, and disqualifying dispositions of ISOs.

The threshold for recognizing the financial statement effects of a tax position is when it is more likely than not, based on the technical merits, that the position will be sustained upon examination by a taxing authority. Recognized tax positions are initially and subsequently measured as the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority. Interest and penalties related to unrecognized tax benefits are included in income tax expense.

Additional information regarding the Company's unrecognized tax benefits is provided in note 12 - Income Taxes.

Fair Value Measurements

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts and notes receivable, accounts payable and long-term debt. The fair value of cash and cash equivalents, accounts receivable and accounts payable approximates their carrying amounts due to the short-term nature of these assets and liabilities.

The following methods and assumptions were used by the Company in estimating fair values of its financial instruments:

- *Notes receivable* - As of August 31, 2015 and 2014, the carrying amounts of notes receivable (both current and non-current) approximate fair value due to the effect of the related allowance for doubtful accounts.
- *Long-term debt* - The Company prepares a discounted cash flow analysis for its fixed rate borrowings to estimate fair value each quarter. This analysis uses 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. The fair value estimate required significant assumptions by management. Management believes this fair value is a reasonable estimate. For more information regarding the Company's long-term debt, see note 10 - Debt and note 11 - Fair Value of Financial Instruments.

Certain nonfinancial assets and liabilities are measured at fair value on a nonrecurring basis, which means these assets and liabilities are not measured at fair value on an ongoing basis but are subject to periodic impairment tests. For the Company, these items primarily include long-lived assets, goodwill and other intangible assets. Refer to sections "Accounting for Long-Lived Assets" and "Goodwill and Other Intangible Assets," discussed above, for inputs and valuation techniques used to measure the fair value of these nonfinancial assets. The fair value was based upon management's assessment as well as independent market value assessments which involved Level 2 and Level 3 inputs.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers," which requires entities to recognize revenue in the way it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most of the existing revenue recognition requirements in U.S. GAAP when it becomes effective. This pronouncement is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The update permits the use of either the retrospective or cumulative effect transition method, with early application not permitted. The Company is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

In April 2015, 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 an asset. This pronouncement is effective for reporting periods beginning after December 15, 2015, including interim periods within that reporting period, and is to be applied retrospectively; early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

August 31, 2015, 2014 and 2013 (In thousands, except per share data)

In April 2015, FASB issued ASU No. 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The guidance 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 reporting periods beginning after December 15, 2015. The Company is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

2. Earnings Per Share

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

	Year Ended August 31,		
	2015	**2014**	**2013**
Numerator:			
Net income	**$ 64,485**	$ 47,916	$ 36,701
Denominator:			
Weighted average common shares outstanding– basic	**52,572**	55,164	56,384
Effect of dilutive employee stock options and unvested restricted stock units	**1,381**	1,455	807
Weighted average common shares – diluted	**53,953**	56,619	57,191
Net income per common share – basic	**$ 1.23**	$ 0.87	$ 0.65
Net income per common share – diluted	**$ 1.20**	$ 0.85	$ 0.64
Anti-dilutive securities excluded[1]	**342**	988	3,278

(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.

3. Impairment of Long-Lived Assets

During the fiscal year ended August 31, 2015, the Company identified impairments for certain drive-in assets and surplus property through regular quarterly reviews of long-lived assets. During the fiscal years ended August 31, 2014 and 2013, the Company identified impairments for certain brand technology assets and surplus property through regular quarterly reviews of long-lived assets. The recoverability of Company Drive-Ins is assessed by estimating the undiscounted net cash flows expected to be generated over the remaining life of the Company Drive-Ins. This involves estimating same-store sales and margins for the cash flow periods. When impairment exists, the carrying value of the asset is written down to fair value.

In fiscal years 2015, 2014 and 2013, the Company recorded $1.4 million, $0.1 million and $1.8 million, respectively, in provisions for impairment resulting from the assessment of certain drive-in assets and surplus properties. These write-downs were completed to reduce the carrying amount of these properties to fair value.

The Company's assessment in fiscal year 2013 resulted in provisions for impairment totaling $1.8 million. Of this total, $1.6 million related to the write-off of assets associated with a change in the vendor providing technology for the Sonic system's new point-of-sale technology. The remaining $0.2 million reflects reducing the carrying amount of surplus properties to fair value.

August 31, 2015, 2014 and 2013 (In thousands, except per share data)

4. Accounts and Notes Receivable

Accounts and notes receivable consist of the following:

	August 31, 2015	August 31, 2014
Current Accounts and Notes Receivable:		
Royalties and other trade receivables	**$ 19,713**	$ 18,292
Notes receivable from franchisees	**996**	1,468
Receivables from advertising funds	**4,965**	5,597
Other	**6,977**	9,068
Accounts and notes receivable, gross	**32,651**	34,425
Allowance for doubtful accounts and notes receivable	**(1,074)**	(1,592)
Accounts and notes receivable, net	**$ 31,577**	$ 32,833
Noncurrent Notes Receivable:		
Receivables from franchisees	**$ 5,676**	$ 4,688
Receivables from advertising funds	**1,571**	3,646
Allowance for doubtful notes receivable	**(31)**	(179)
Notes receivable, net	**$ 7,216**	$ 8,155

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.

5. Goodwill and Other Intangibles

As of August 31, 2015, the Company had $77.1 million of goodwill.

The changes in the carrying amount of goodwill were as follows:

	August 31, 2015	August 31, 2014
Balance at beginning of year	**$ 77,093**	$ 77,093
Goodwill acquired during the year	**65**	–
Goodwill disposed of related to the sale of Company Drive-Ins	**(82)**	–
Balance at end of year	**$ 77,076**	$ 77,093

The gross carrying amount of franchise agreements, intellectual property, franchise fees and other intangibles subject to amortization was $10.4 million and $10.3 million at August 31, 2015 and 2014, respectively, and is included in other assets in the accompanying consolidated balance sheets. Accumulated amortization related to these intangible assets was $5.9 million and $5.0 million at August 31, 2015 and 2014, respectively. Intangible assets amortization expense was $0.9 million for each of the fiscal years ended August 31, 2015, 2014 and 2013. At August 31, 2015, the remaining weighted-average life of amortizable intangible assets was approximately 10 years. Estimated intangible assets amortization expense is $0.9 million annually for fiscal years 2016 and 2017 and $0.3 million for fiscal years 2018, 2019 and 2020.

6. Other Operating Income and Expenses

During fiscal year 2013, the Company completed an assessment in advance of capital expenditures for planned technology initiatives and closed 12 lower-performing Company Drive-Ins as of August 31, 2013, resulting in a loss of $2.4 million. The loss included rent accruals for the remaining lease term, write-down of real estate and other costs associated with store closures. Additionally, in the second quarter of fiscal year 2013, a franchisee purchased land and buildings leased or subleased from the Company relating to previously refranchised drive-ins. At the time of the sale, these assets had a carrying value of $38.4 million. The Company received $29.7 million in cash at closing and received the remaining $8.7 million through the combination of a note receivable and a direct financing lease, all of which were repaid as of August 31, 2014. In conjunction with the sale and the assignment of third-party leases, the Company removed its escalating lease liability related to the sold properties, which resulted in a small gain and partially offset the drive-in closure loss described above.

August 31, 2015, 2014 and 2013 (In thousands, except per share data)

7. Leases

Leasing Arrangements as a Lessor

The Company's leasing activities consist principally of leasing certain land and buildings as well as subleasing certain buildings to franchise operators. The land and building portions of all leases are classified as operating leases with lease terms expiring through September 2030. These leases include provisions for contingent rentals that may be received on the basis of a percentage of sales in excess of stipulated amounts. Income is not recognized on contingent rentals until sales exceed the stipulated amounts. Some leases contain escalation clauses over the lives of the leases. For property owned by third parties, the lease term runs concurrently with the term of the third-party lease arrangement. Most of the leases contain renewal options at the end of the initial term for periods of five years.

Future minimum rental payments receivable as of August 31, 2015, are as follows:

	Operating
Years ended August 31:	
2016	$ 5,905
2017	6,245
2018	6,667
2019	7,084
2020	7,440
Thereafter	36,481
	$ 69,822

Leasing Arrangements as a Lessee

Certain Company Drive-Ins lease land and buildings from third parties. These leases, with lease terms expiring through August 2030, include provisions for contingent rents that may be paid on the basis of a percentage of sales in excess of stipulated amounts. For the majority of leases, the land portions are classified as operating leases, and the building portions are classified as capital leases.

Future minimum rental payments required under operating leases and maturities under capital leases that have initial or remaining noncancelable lease terms in excess of one year as of August 31, 2015, are as follows:

	Operating	Capital
Years ended August 31:		
2016	$ 11,374	$ 5,254
2017	10,992	5,004
2018	11,058	4,401
2019	10,767	3,517
2020	10,207	3,177
Thereafter	68,998	9,883
Total minimum lease payments[1]	$ 123,396	31,236
Less amount representing interest averaging 6.3%		(6,796)
Present value of net minimum lease payments		24,440
Less amount due within one year		(3,677)
Amount due after one year		$ 20,763

[1] Minimum payments have not been reduced by future minimum rentals receivable under noncancelable operating and capital subleases of $9.5 million and $1.4 million, respectively. They also do not include contingent rentals which may be due under certain leases. Contingent rentals for capital leases amounted to $1.0 million in fiscal year 2015 and to $0.8 million in fiscal years 2014 and 2013.

August 31, 2015, 2014 and 2013 (In thousands, except per share data)

Total rent expense for all operating leases consists of the following for the years ended August 31:

	2015	2014	2013
Minimum rentals	**$ 12,659**	$ 12,449	$ 13,154
Contingent rentals	**174**	161	93
Total rent expense	**12,833**	12,610	13,247
Less sublease rentals	**(2,235)**	(1,905)	(1,747)
Net rent expense	**$ 10,598**	$ 10,705	$ 11,500

8. Property, Equipment and Capital Leases

Property, equipment and capital leases consist of the following at August 31:

	Estimated Useful Life	2015	2014
Property, equipment and capital leases:			
Land		**$ 157,861**	$ 156,336
Buildings and improvements	8 – 25 yrs	**343,256**	345,309
Drive-In equipment	5 – 7 yrs	**139,801**	136,556
Brand technology development and other equipment	2 – 5 yrs	**92,860**	82,575
Property and equipment, at cost		**733,778**	720,776
Accumulated depreciation		**(330,219)**	(298,580)
Property and equipment, net		**403,559**	422,196
Capital leases	Life of lease	**48,079**	50,243
Accumulated amortization		**(30,232)**	(30,470)
Capital leases, net		**17,847**	19,773
Property, equipment and capital leases, net		**$ 421,406**	$ 441,969

Depreciation expense for property and equipment was $41.7 million, $37.6 million and $35.6 million for fiscal years 2015, 2014 and 2013, respectively. Land, buildings and equipment with a carrying amount of $165.8 million at August 31, 2015, were leased under operating leases to franchisees and other parties. The accumulated depreciation related to these buildings and equipment was $63.1 million at August 31, 2015. Amortization expense related to capital leases is included within "Depreciation and amortization" on the Consolidated Statements of Income. As of August 31, 2015, the Company had three drive-ins under construction with costs to complete.

Interest incurred in connection with the construction of new drive-ins and technology projects is capitalized. Capitalized interest was $0.4 million, $0.5 million and $0.7 million for fiscal years 2015, 2014 and 2013, respectively.

9. Accrued Liabilities

Accrued liabilities consist of the following at August 31:

	2015	2014
Wages and employee benefit costs	**$ 20,501**	$ 14,302
Property taxes, sales and use taxes and employment taxes	**9,282**	9,570
Unredeemed gift cards	**9,285**	8,577
Dividend payable	**13**	4,852
Other	**11,633**	6,380
	$ 50,714	$ 43,681

August 31, 2015, 2014 and 2013 (In thousands, except per share data)

10. Debt

Long-term debt consists of the following at August 31:

	2015	2014
Class A-2 2013-1 senior secured fixed rate notes	**$ 155,000**	$ 155,000
Class A-2 2011-1 senior secured fixed rate notes	**272,488**	282,238
Class A-1 2011-1 senior secured variable funding notes	**10,500**	–
Other	**40**	80
	438,028	437,318
Less long-term debt due within one year	**(9,790)**	(9,791)
Long-term debt due after one year	**$ 428,238**	$ 427,527

At August 31, 2015, future maturities of long-term debt were $9.8 million for fiscal year 2016, $9.7 million for fiscal year 2017, $263.5 million for fiscal year 2018, no maturities for fiscal year 2019 and $155.0 million for fiscal year 2020.

On May 20, 2011, in a private transaction, various subsidiaries of the Company (the "Co-Issuers") issued $500 million of Series 2011-1 Senior Secured Fixed Rate Notes, Class A-2 (the "2011 Fixed Rate Notes"), which bear interest at 5.4% per annum. The 2011 Fixed Rate Notes have an expected life of seven years with an anticipated repayment date in May 2018. The Co-Issuers also entered into a securitized financing facility of Series 2011-1 Senior Secured Variable Funding Notes, Class A-1 (the "2011 Variable Funding Notes" and, together with the 2011 Fixed Rate Notes, the "2011 Notes"). This revolving credit facility allows for the issuance of up to $100 million of 2011 Variable Funding Notes and certain other credit instruments, including letters of credit. Interest on the 2011 Variable Funding Notes is based on the one-month London Interbank Offered Rate ("LIBOR") or Commercial Paper ("CP"), depending on the funding source, plus the base spread mentioned below, per annum. There is a 0.5% annual commitment fee payable monthly on the unused portion of the 2011 Variable Funding Notes facility.

In the second quarter of fiscal year 2013, the Co-Issuers made a debt prepayment, at par, of $20.0 million on the 2011 Fixed Rate Notes. In the fourth quarter of fiscal year 2013, in a private transaction the Co-Issuers refinanced and paid $155 million of the 2011 Fixed Rate Notes with the issuance of $155 million of Series 2013-1 Senior Secured Fixed Rate Notes, Class A-2 (the "2013 Fixed Rate Notes"), which bear interest at 3.75% per annum. The 2013 Fixed Rate Notes have an expected life of seven years, interest payable monthly, no scheduled principal amortization and an anticipated repayment date in July 2020. Additionally, the Co-Issuers extended the 2011 Variable Funding Notes' renewal date by two years to May 2018 and decreased the base spread from 3.75% to 3.50% in the fourth quarter of fiscal year 2013.

As of August 31, 2015, the weighted-average interest cost of the 2011 Fixed Rate Notes, 2011 Variable Funding Notes and 2013 Fixed Rate Notes was 5.9%, 4.1% and 4.1%, respectively. The weighted-average interest cost includes the effect of the loan origination costs.

In fiscal year 2013, the debt prepayment and the partial debt refinancing resulted in a pro-rata write-off of loan origination costs from the 2011 Fixed Rate Notes, representing a majority of the $4.4 million loss which is reflected in "Net loss from early extinguishment of debt" on the Consolidated Statements of Income. An additional $4.1 million in debt origination costs was capitalized in conjunction with the 2013 Fixed Rate Notes. Loan costs are being amortized over each note's expected life.

While the 2011 Notes and the 2013 Fixed Rate Notes are structured to provide for seven-year lives from their original issuance dates, they have legal final maturity dates of May 2041 and July 2043, respectively. The Company intends to repay or refinance the 2011 Notes and the 2013 Fixed Rate Notes on or before the end of their expected lives. If the Company prepays the debt prior to the anticipated repayment date the Company may be required to pay a prepayment penalty under certain circumstances. In the event the 2011 Notes and the 2013 Fixed Rate Notes are not paid in full by the end of their expected lives, they are subject to an upward adjustment in the interest rate of at least 5% per annum. In addition, principal payments will accelerate by applying all of the royalties, lease revenues and other fees securing the debt, after deducting certain expenses, until the debt is paid in full. Also, any unfunded amount under the 2011 Variable Funding Notes will become unavailable.

The Co-Issuers and Sonic Franchising LLC (the "Guarantor") are existing special purpose, bankruptcy remote, indirect subsidiaries of Sonic Corp. that hold substantially all of Sonic's franchising assets and real estate. As of August 31, 2015, assets for these combined indirect subsidiaries totaled $318.2 million, including receivables for royalties, certain Company and Franchise Drive-In real estate, intangible assets and restricted cash balances of $19.8 million. The 2011 Notes and the 2013 Fixed Rate Notes are secured by franchise fees, royalty payments and lease payments, and the repayment of the 2011 Notes and the 2013 Fixed Rate Notes is expected to be made solely from the income derived from the Co-Issuer's assets. In addition, the Guarantor, a Sonic Corp. subsidiary that acts as a franchisor, has guaranteed the obligations of the Co-Issuers under the 2011 Notes and the 2013 Fixed Rate Notes and pledged substantially all of its assets to secure those obligations.

Neither Sonic Corp., the ultimate parent of the Co-Issuers and the Guarantor, nor any other subsidiary of Sonic, guarantees or is in any way liable for the obligations of the Co-Issuers under the 2011 Notes and the 2013 Fixed Rate Notes. The Company has, however, agreed to cause the performance of certain obligations of its subsidiaries, principally related to managing the assets included as collateral for the 2011 Notes and the 2013 Fixed Rate Notes and certain indemnity obligations relating to the transfer of the collateral assets to the Co-Issuers.

The 2011 Notes and the 2013 Fixed Rate Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) required actions to better secure collateral upon the occurrence of certain performance-related events, (ii) application of certain disposition proceeds as note prepayments after a set time is allowed for reinvestment, (iii) maintenance of specified reserve accounts, (iv) maintenance of certain debt service coverage ratios, (v) optional and mandatory prepayments upon change in control, (vi) indemnification payments for defective or ineffective collateral, and (vii) covenants relating to recordkeeping, access to information and similar matters. If certain covenants or restrictions are not met, the 2011 Notes and the 2013 Fixed Rate Notes are subject to customary accelerated repayment events and events of default. Although management does not anticipate an event of default or any other event of noncompliance with the provisions of the debt, if such event occurred, the unpaid amounts outstanding could become immediately due and payable.

11. Fair Value of Financial Instruments

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

The Company categorizes its assets and liabilities recorded at fair value based upon the following fair value hierarchy established by 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 are carried at cost which approximates fair value and totaled $41.1 million and $34.4 million at August 31, 2015 and 2014, respectively. This fair value is estimated using Level 1 methods.

At August 31, 2015, the fair value of the Company's 2011 Fixed Rate Notes and 2013 Fixed Rate Notes approximated the carrying value of $428.1 million, including accrued interest. The fair value of the Company's 2011 Variable Funding Notes at August 31, 2015 approximated the carrying value of $10.5 million, including accrued interest. The fair value of the 2011 Fixed Rate Notes, 2013 Fixed Rate Notes and the 2011 Variable Funding 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.

August 31, 2015, 2014 and 2013 (In thousands, except per share data)

12. Income Taxes

The Company's income before the provision for income taxes is classified by source as domestic income.

The components of the provision for income taxes consist of the following for the years ended August 31:

	2015	2014	2013
Current:			
Federal	**$ 14,597**	$ 16,580	$ 16,741
State	**3,576**	3,490	2,688
	18,173	20,070	19,429
Deferred:			
Federal	**10,592**	5,328	439
State	**(1,528)**	450	(270)
	9,064	5,778	169
Provision for income taxes	**$ 27,237**	$ 25,848	$ 19,598

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate due to the following for the fiscal years ended August 31:

	2015	2014	2013
Amount computed by applying a tax rate of 35%	**$ 32,103**	$ 25,818	$ 19,705
State income taxes (net of federal income tax benefit)	**1,330**	2,562	1,572
Employment related and other tax credits, net	**(2,096)**	(1,537)	(1,572)
Federal tax benefit of statutory tax deduction	**(4,093)**	–	–
Other	**(7)**	(995)	(107)
Provision for income taxes	**$ 27,237**	$ 25,848	19,598

Deferred tax assets and liabilities consist of the following at August 31:

	2015	2014
Deferred tax assets:		
Allowance for doubtful accounts and notes receivable	**$ 411**	$ 677
Leasing transactions	**3,260**	3,252
Deferred income	**2,810**	1,773
Accrued liabilities	**5,630**	3,399
Stock compensation	**2,831**	4,921
Other	**541**	688
State net operating losses	**14,222**	11,305
Total deferred tax assets	**29,705**	26,015
Valuation allowance	**(12,041)**	(11,305)
Total deferred tax assets after valuation allowance	**$ 17,664**	$ 14,710
Deferred tax liabilities:		
Prepaid expenses	**$ (1,315)**	$ (1,498)
Investment in partnerships, including differences in capitalization, depreciation and direct financing leases	**(3,711)**	(2,954)
Property, equipment and capital leases	**(31,167)**	(24,655)
Intangibles and other assets	**(20,341)**	(19,514)
Debt extinguishment	**(2,515)**	(3,353)
Total deferred tax liabilities	**(59,049)**	(51,974)
Net deferred tax liabilities	**$ (41,385)**	$ (37,264)
Net deferred tax assets and liabilities are classified as follows:		
Current	**$ 2,164**	$ 347
Noncurrent	**(43,549)**	(37,611)
Total	**$ (41,385)**	$ (37,264)

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State net operating loss carryforwards expire beginning in December 2015 through May 2036. Management does not believe the Company will be able to realize the state net operating loss carryforwards utilizing future income exclusive of the reversal of existing deferred tax liabilities and therefore has provided a valuation allowance of $12.0 million and $11.3 million as of August 31, 2015 and 2014, respectively.

As of August 31, 2015 and 2014, the Company had approximately $3.7 million and $2.5 million of unrecognized tax benefits, including approximately $0.4 million and $0.4 million of accrued interest and penalty, respectively. If recognized, these benefits would favorably impact the effective tax rate. The liability for unrecognized tax benefits increased $1.2 million in fiscal year 2015. The increase was primarily related to recognition of an uncertain position related to current and prior years' federal tax deductions. This entire change in balance impacted the Company's tax rate.

The Company recognizes estimated interest and penalties as a component of its income tax expense, net of federal benefit, as a component of "Provision for income taxes" in the Consolidated Statements of Income. During the year ended August 31, 2015, the Company recognized net expenses of $0.1 million. The Company recognized negligible net expenses in fiscal year 2014 and a net benefit of $0.4 million in fiscal year 2013.

A reconciliation of unrecognized tax benefits is as follows for fiscal years ended August 31:

	2015	2014
Balance at beginning of year	**$ 2,461**	$ 2,583
Additions based on tax positions related to the current year	**254**	255
Additions for tax positions of prior years	**937**	115
Reductions for tax positions of prior years	**–**	(492)
Balance at end of year	**$ 3,652**	$ 2,461

The Company or one of its subsidiaries is subject to U.S. federal income tax and income tax in multiple U.S. state jurisdictions. At August 31, 2015, the Company was subject to income tax examinations for its U.S. federal income taxes and for state and local income taxes generally after fiscal year 2009. The Company anticipates that the results of any examinations or appeals, combined with the expiration of applicable statutes of limitations and the additional accrual of interest related to unrecognized benefits on various return positions taken in years still open for examination, could result in a change to the liability for unrecognized tax benefits during the next 12 months ranging from an increase of $0.1 million to a decrease of $3.0 million depending on the timing and terms of the examination resolutions.

13. Stockholders' Equity

Employee Stock Purchase Plan

The Company has an employee stock purchase plan ("ESPP") that permits eligible employees to purchase the Company's common stock at a 15% discount from the stock's fair market value. Participating employees may purchase shares of common stock each year up to the lesser of 10% of their base compensation or $25 thousand in the stock's fair market value. At August 31, 2015, 0.8 million shares were available for grant under the ESPP.

Stock-Based Compensation

The Sonic Corp. 2006 Long-Term Incentive Plan (the "2006 Plan") provides flexibility to award various forms of equity compensation, such as stock options, stock appreciation rights, performance shares, restricted stock units ("RSUs") and other share-based awards. At Sonic's annual meeting of stockholders on January 16, 2014, the stockholders approved an amendment to the 2006 Plan which added an additional 6.6 million shares of common stock available for issuance. At August 31, 2015, 7.6 million shares were available for grant under the 2006 Plan. The Company grants stock options with contractual terms of seven to 10 years and a vesting period of three years and RSUs also with a vesting period of three years. Effective in January 2013, awards granted to the Company's Board of Directors vest over one year. The Company's policy is to issue shares from treasury stock to satisfy stock option exercises, the vesting of RSUs and shares issued under the ESPP.

Total stock-based compensation cost recognized for fiscal years 2015, 2014 and 2013 was $3.5 million, $3.7 million and $3.6 million, respectively, net of related income tax benefits of $1.0 million, $1.7 million and $1.2 million, respectively. At August 31, 2015, total remaining unrecognized compensation cost related to unvested stock-based arrangements was $6.3 million and is expected to be recognized over a weighted average period of 2.1 years.

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The Company measures the compensation cost associated with stock option-based payments by estimating the fair value of stock options as of the grant date using the Black-Scholes option pricing model. The Company believes the valuation technique and approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company's stock options granted during 2015, 2014 and 2013. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the employees who receive equity awards. The fair value of RSUs granted is equal to the Company's closing stock price on the date of the grant.

The per share weighted average fair value of stock options granted during 2015, 2014 and 2013 was \$8.83, \$6.82 and \$4.69, respectively. In addition to the exercise and grant date prices of the awards, certain weighted average assumptions that were used to estimate the fair value of stock option grants in the respective periods are listed in the table below:

	2015	**2014**	**2013**
Expected term (years)	**5.0**	4.7	4.9
Expected volatility	**34%**	37%	48%
Risk-free interest rate	**1.3%**	1.5%	0.8%
Expected dividend yield	**1.2%**	–%	–%

The Company estimates expected volatility based on historical daily price changes of the Company's common stock for a period equal to the current expected term of the options. The risk-free interest rate is based on the United States treasury yields in effect at the time of grant corresponding with the expected term of the options. The expected option term is the number of years the Company estimates that options will be outstanding prior to exercise considering vesting schedules and historical exercise patterns.

Stock Options

A summary of stock option activity under the Company's stock-based compensation plans for the year ended August 31, 2015, is presented in the following table:

	Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (Yrs.)**	**Aggregate Intrinsic Value**
Outstanding September 1, 2014	**4,160**	**\$ 12.73**		
Granted	**424**	**31.08**		
Exercised	**(1,519)**	**14.56**		
Forfeited or expired	**(192)**	**19.77**		
Outstanding at August 31, 2015	**2,873**	**\$ 14.00**	**3.38**	**\$ 38,892**
Exercisable at August 31, 2015	**2,119**	**\$ 10.46**	**2.55**	**\$ 35,035**

Proceeds from the exercise of stock options for fiscal years 2015, 2014 and 2013 were \$18.7 million, \$17.4 million and \$16.3 million, respectively. The total intrinsic value of options exercised during the years ended August 31, 2015, 2014 and 2013 was \$21.8 million, \$13.0 million and \$3.8 million, respectively.

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Restricted Stock Units

A summary of the Company's RSU activity during the year ended August 31, 2015 is presented in the following table:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding September 1, 2014	**46**	**$ 16.78**
Granted	**53**	**30.26**
Vested	**(33)**	**15.19**
Forfeited	**–**	
Outstanding at August 31, 2015	**66**	**$ 28.49**

The aggregate fair value of RSUs that vested was $1.1 million during the years ended August 31, 2015 and 2014 and was $0.9 million for the year ended August 31, 2013.

Stock Repurchase Programs

In August 2012, the Company's Board of Directors approved a share repurchase program authorizing the Company to purchase up to $40 million of its outstanding shares of common stock. In January 2013, the Board of Directors increased the repurchase program to $55 million in authorized purchases through August 31, 2013. During fiscal year 2013, approximately 3.3 million shares were acquired pursuant to this program for a total cost of $35.5 million; this is in addition to the approximately 0.1 million shares that were acquired for a total cost of $1.1 million during the fourth quarter of fiscal year 2012.

In August 2013, the Board of Directors extended the share repurchase program through August 31, 2014, with a total authorization of up to $40 million of its outstanding shares of common stock. In January 2014, the Company's Board of Directors approved an incremental $40 million authorization for the program that allowed for up to $80 million of common stock to be repurchased through August 31, 2014. As part of this program, in February 2014, the Company entered into an accelerated share repurchase ("ASR") agreement with a financial institution to purchase $40 million of the Company's common stock. In exchange for a $40 million up-front payment, the financial institution delivered approximately 2.1 million shares. During March 2014, the ASR purchase period concluded with no additional shares delivered, resulting in an average price per share of $19.13. The Company completed this share repurchase program during fiscal year 2014, with approximately 4.1 million shares repurchased, resulting in an average price per share of $19.61.

In August 2014, the Board of Directors further extended the Company's share repurchase program, authorizing the Company to purchase up to $105 million of its outstanding shares of common stock beginning September 1, 2014 through August 31, 2015. In October 2014, the Company entered into an ASR agreement with a financial institution to purchase $15 million of the Company's common stock. In exchange for a $15 million up-front payment, the financial institution delivered approximately 0.6 million shares. During January 2015, the ASR purchase period concluded. The Company paid an additional $0.1 million with no additional shares delivered, resulting in an average price per share of $26.32. In February 2015, the Company entered into additional ASR agreements with a financial institution to purchase $75 million of the Company's common stock. In exchange for a $75 million up-front payment, the financial institution delivered approximately 2.1 million shares. The ASR transactions completed in July 2015 with 0.3 million additional shares delivered, resulting in an average price per share of $31.38. The Company reflected the ASR transactions as a repurchase of common stock for purposes of calculating earnings per share and as a forward contract indexed to its own common stock. The forward contract met all of the applicable criteria for equity classification.

In August 2015, the Board of Directors further extended the Company's share repurchase program, authorizing the Company to purchase up to $145 million of its outstanding shares of common stock through August 31, 2016.

Including shares repurchased through the ASR transactions described above, during the fiscal year 2015, approximately 4.2 million shares were repurchased for a total cost of $123.8 million, resulting in an average price per share of $29.46. The total remaining amount authorized under the share repurchase program, as of August 31, 2015, was $126.3 million.

Share repurchases will be made from time to time in the open market or otherwise, including through an accelerated share repurchase program, under the 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. We plan to fund the share repurchase program from existing cash on hand at August 31, 2015, cash flows from operations and borrowings under our 2011 Variable Funding Notes.

Dividends

In August 2014, the Company initiated a quarterly cash dividend program and paid a quarterly dividend of $0.09 per share of common stock, totaling $18.8 million for the fiscal year. Subsequent to the end of the fiscal year, the Company declared a quarterly dividend of $0.11 per share of common stock to be paid to stockholders of record as of the close of business on November 11, 2015, with a payment date of November 20, 2015. The Company did not pay any cash dividends on its common stock prior to fiscal 2015. The future declaration of quarterly dividends and the establishment of future record and payment dates are subject to the final determination of the Company's Board of Directors.

14. Employee Benefit and Cash Incentive Plans

The Company sponsors a qualified defined contribution 401(k) plan for employees meeting certain eligibility requirements. Under the plan, employees are entitled to make pre-tax contributions. The Company matches an amount equal to the employee's contributions up to a maximum of 6% of the employee's salaries depending on years of service. The Company's contributions during fiscal years 2015, 2014 and 2013 were $1.6 million, $1.3 million and $1.9 million, respectively.

The Company has short-term and long-term cash incentive plans (the "Incentive Plans") that apply to certain employees, and grants of awards under the Incentive Plans are at all times subject to the approval of the Company's Board of Directors. Under certain awards pursuant to the Incentive Plans, if predetermined earnings goals are met, a predetermined percentage of the employee's salary may be paid in the form of a bonus. The Company recognized as expense incentive bonuses of $12.4 million, $9.5 million and $8.2 million during fiscal years 2015, 2014 and 2013, respectively.

15. Commitments and Contingencies

Litigation

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.

Note Repurchase Agreement

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, and also benefits the franchisee with a lower financing rate. 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 August 31, 2015, the balance of the franchisee's loan was $6.0 million.

Lease Commitments

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 August 31, 2015, the amount remaining under these guaranteed lease obligations totaled $8.0 million. At this time, the Company does not anticipate any material defaults under the foregoing leases; therefore, no liability has been provided.

Purchase Obligations

At August 31, 2015, the Company had purchase obligations of approximately $283.2 million which primarily related to its estimated share of system-wide commitments for food products. The Company has excluded agreements that are cancelable without penalty.

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16. Selected Quarterly Financial Data (Unaudited)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Total revenues	**$ 139,856**	$ 126,652	**$ 126,219**	$ 109,741	**$ 164,748**	$ 152,187	**$ 175,266**	$ 163,769
Income from operations	**22,538**	18,359	**16,991**	12,349	**36,370**	31,681	**40,529**	36,288
Net income(1)	**$ 10,085**	$ 8,208	**$ 7,662**	$ 4,107	**$ 20,442**	$ 16,776	**$ 26,296**	$ 18,825
Basic income per share(2)	**$ 0.19**	$ 0.15	**$ 0.14**	$ 0.07	**$ 0.39**	$ 0.31	**$ 0.51**	$ 0.35
Diluted income per share(2)	**$ 0.18**	$ 0.14	**$ 0.14**	$ 0.07	**$ 0.38**	$ 0.30	**$ 0.50**	$ 0.34

(1) Includes a tax benefit of $0.7 million from the retroactive reinstatement of the Work Opportunity Tax Credit and resolution of income tax matters in the second quarter of fiscal year 2015; a federal tax benefit of $1.7 million from the recognition of a prior-year statutory tax deduction and a tax expense of $0.6 million from the retroactive effect of federal tax law change during the third quarter of fiscal year 2015; and a federal tax benefit of $1.5 million from the recognition of a prior-year statutory tax deduction and $1.7 million from a change in deferred tax valuation allowance during the fourth quarter of fiscal year 2015. Also includes a $0.5 million tax benefit resulting from the IRS's acceptance of a federal tax method change during the first quarter of fiscal year 2014.

(2) The sum of per share data may not agree to annual amounts due to rounding.

The Board of Directors and Stockholders of Sonic Corp.

We have audited the accompanying consolidated balance sheets of Sonic Corp. and subsidiaries as of August 31, 2015 and 2014, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule II as of August 31, 2015 and 2014, and for the years then ended. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sonic Corp. and subsidiaries as of August 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sonic Corp.'s internal control over financial reporting as of August 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated October 23, 2015, expressed an unqualified opinion on the effectiveness of Sonic Corp.'s internal control over financial reporting.

/s/ KPMG LLP

Oklahoma City, Oklahoma
October 23, 2015

The Board of Directors and Stockholders of Sonic Corp.

We have audited the accompanying consolidated statements of income, stockholders' equity, and cash flows of Sonic Corp. for the year ended August 31, 2013. Our audit also included the 2013 financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of Sonic Corp.'s operations and its cash flows for the year ended August 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related 2013 financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Oklahoma City, Oklahoma
October 25, 2013

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of August 31, 2015. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework - 2013. Based on our assessment, we believe that, as of August 31, 2015, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm that audited the 2015 financial statements included in this annual report has issued an attestation report on the Company's internal control over financial reporting. The report appears on the following page.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Sonic Corp.

We have audited Sonic Corp.'s internal control over financial reporting as of August 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sonic Corp.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Sonic Corp's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Sonic Corp. maintained, in all material respects, effective internal control over financial reporting as of August 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Sonic Corp. and subsidiaries as of August 31, 2015 and 2014, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and our report dated October 23, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Oklahoma City, Oklahoma
October 23, 2015

Directors and Officers

Board of Directors

J. Clifford Hudson
Chairman, Chief Executive Officer and President
Sonic Corp.

Tony D. Bartel [2]
Chief Operating Officer
Gamestop Corporation

Lauren R. Hobart [3]
Executive Vice President and Chief Marketing Officer
Dick's Sporting Goods

Kate S. Lavelle [2]
Former Executive Vice President and Chief Financial Officer
Dunkin' Brands, Inc.

J. Larry Nichols [1, 2, 4]
Executive Chairman of the Board
Devon Energy Corporation

Federico F. Peña [1, 3]
Senior Advisor
Vestar Capital Partners

Frank E. Richardson [1, 2]
Chairman
F. E. Richardson & Co., Inc.

Robert M. Rosenberg [1, 3]
Retired President and Chief Executive Officer
Allied-Domecq Retailing U.S.A.

Jeffrey H. Schutz [3]
Managing Director
Centennial Ventures

Kathryn L. Taylor [2]
Chief Executive Officer
Impact Tulsa

Susan E. Thronson [3]
Former Senior Vice President, Global Marketing
Marriott International, Inc.

[1] Member of the Nominating and Corporate Governance Committee
[2] Member of the Audit Committee
[3] Member of the Compensation Committee
[4] Lead Independent Director

Officers

J. Clifford Hudson
Chairman, Chief Executive Officer and President

Claudia S. San Pedro
Executive Vice President and Chief Financial Officer

Harold A. Ceron
President of Sonic Restaurants, Inc. (the Company's restaurant-operating subsidiary)

John H. Budd III
Senior Vice President and Chief Development and Strategy Officer

Craig J. Miller
Senior Vice President and Chief Information Officer

Todd W. Smith
Senior Vice President and Chief Marketing Officer

Paige S. Bass
Senior Vice President and General Counsel

Andrew G. Ritger, Jr.
Senior Vice President of Development

E. Edward Saroch
Senior Vice President of Franchise Relations

Anita K. Vanderveer
Senior Vice President of People

Larry G. Archibald
Vice President of Brand Technology

Justin W. Ashby
Vice President of Design and Construction

Tanishia M. Beacham
Vice President of Franchise Operations

Sarah E. Beddoe
Vice President of National Marketing

Michelle E. Britten
Vice President and Controller

R. Douglas Cook
Vice President of Enterprise Architecture and Integration

Carolyn C. Cummins
Vice President of Compliance and Corporate Secretary

Mark W. Davis
Vice President of Enterprise Systems and Information Security

Jon C. Dorch
Vice President of Integrated Customer Engagement

John J. Doyle
Vice President of Retail Systems Management

Robert P. Franke
Vice President of Offshore Development

Christopher R. Graves
Vice President and Real Estate Counsel

Rochelle L. Guinn
Vice President of Human Resources Compliance and Technology

Ralph F. Heim
Vice President of Media and Integrated Marketing

Corey R. Horsch
Vice President of Investor Relations and Treasurer

M. Anne Hughes
Vice President of Internal Audit

Bobby L. Jones
Vice President of POS Implementation

Johnny D. Jones
Vice President of Development and Real Estate

William I. Klearman
Vice President of Retail Technology

Robert D. Moorhead
Vice President of CRM Loyalty and Brand Insights

Diane L. Prem
Vice President of Operations Services

Jeffrey D. Semler
Vice President of Customer Experience

Dail A. Smith
Vice President of Operations
Sonic Restaurants, Inc.

C. Nelson Taylor
Vice President of Technical Services

Scott B. Uehlein
Vice President of Product Innovation and Development

Michele A. Varian
Vice President of Supply Chain and Purchasing

Christina D. Vaughan
Vice President of Franchise Operations

Barbara A. Williams
Vice President of Performance Analysis

Charles B. Woods
Vice President of Tax

Christine O. Woodworth
Vice President of Public Relations

Corporate Information

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Oklahoma City, Oklahoma 73104
405-225-5000

Web Address
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Stock Transfer Agent
Computershare
211 Quality Circle, Suite 210
College Station, Texas 77845, United States
1-800-884-4225
web.queries@computershare.com
www.computershare.com/investor

Independent Registered Public Accounting Firm
KPMG LLP
Oklahoma City, Oklahoma

Annual Meeting
Our 2016 Annual Meeting of Shareholders will be held at 1:30 p.m. Central Standard Time on January 28, 2016, at our corporate offices, 4th Floor, 300 Johnny Bench Drive, Oklahoma City, Oklahoma.

Annual Report on Form 10-K
A copy of our annual report on Form 10-K for the year ended August 31, 2015, as filed with the Securities and Exchange Commission ("SEC"), may be obtained without charge upon written request to Claudia S. San Pedro, Executive Vice President and Chief Financial Officer, at our corporate offices. In addition, we make available free of charge through our website at www.sonicdrivein.com annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed with or furnished to the SEC. The reports are available as soon as reasonably practical after we electronically file such material with the SEC, and may be found on our website under "Company/Investors."

Forward-Looking Statements
This annual report contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements reflect management's expectations regarding future events and operating performance and speak only as of the date thereof. These forward-looking statements involve a number of risks and uncertainties. Factors that could cause actual results to differ materially from those expressed in, or underlying, these forward-looking statements are detailed in the Company's annual and quarterly report filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly release revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unforeseen events, except as required to be reported under the rules and regulations of the Securities and Exchange Commission.

Stock Market Information
Our common stock trades on the NASDAQ Global Select Market under the symbol SONC. At November 30, 2015, we had approximately 24,000 shareholders, including beneficial owners holding shares in nominee or "street" name.

The table below sets forth our high and low sales prices for the Company's common stock and cash dividends paid during each fiscal quarter within the two most recent fiscal years.

Fiscal Year Ended August 31, 2015

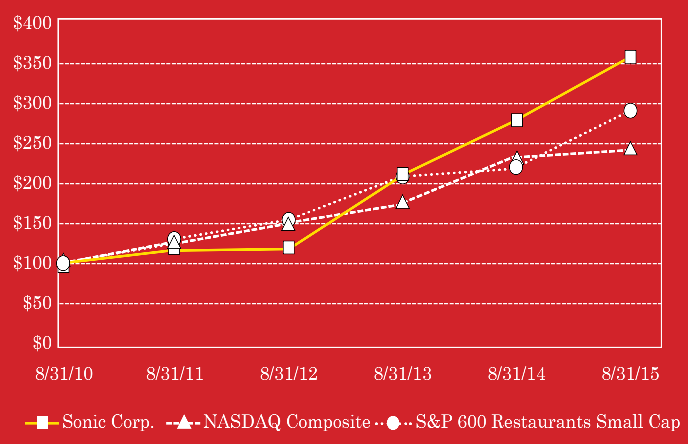
	High	Low	Dividends Per Common Share
First Quarter	$ 27.88	$ 21.10	$ 0.09
Second Quarter	$ 33.15	$ 25.91	$ 0.09
Third Quarter	$ 36.73	$ 28.53	$ 0.09
Fourth Quarter	$ 34.23	$ 24.86	$ 0.09

Fiscal Year Ended August 31, 2014

	High	Low	Dividends Per Common Share
First Quarter	$ 20.28	$ 15.64	–
Second Quarter	$ 21.48	$ 16.92	–
Third Quarter	$ 23.56	$ 18.61	–
Fourth Quarter	$ 23.74	$ 20.25	–

During the fourth quarter of 2014, the Company initiated a cash dividend program and the first dividend under this program at $0.09 per common share was paid during the first quarter of fiscal year 2015. The Company increased the quarterly rate to $0.11 per common share effective with the payment made in the first quarter of fiscal year 2016. Future payments of dividends will be considered by the Company's Board of Directors after reviewing, among other factors, returns to shareholders, profitability expectations and financing needs.

Comparison of Five-Year Cumulative Total Return
The graph below matches Sonic Corp.'s cumulative five-year total return on common stock with the cumulative total returns of the NASDAQ Composite index and the S&P 600 Restaurants Small Cap index. The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from 8/31/2010 to 8/31/2015.



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