

SONIC CORP  
Form DEF 14A  
December 20, 2006

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934  
(Amendment No. \_\_)**

Filed by the Registrant ☒ [ X ]

Filed by a party other than the Registrant ☐ [ ]

Check the appropriate box:

☐ [ ] Preliminary Proxy Statement

☐ [ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☒ [ X ] Definitive Proxy Statement

☐ [ ] Definitive Additional Materials

☐ [ ] Soliciting Material Pursuant to Section 240.14a-12

**Sonic Corp.**

(Name of Registrant as Specified In Its Charter)

\_\_\_\_\_  
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ [ X ] No fee required

☐ [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11

1) Title of each class of securities to which transaction applies:

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4)Date Filed:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held January 31, 2007**

**SONIC CORP.**

**300 Johnny Bench Drive  
Oklahoma City, Oklahoma 73104**

Dear Stockholder:

It is my pleasure to invite you to the annual meeting of the stockholders of Sonic Corp. (the "Company"). We will hold the meeting on Wednesday, January 31, 2007, at 1:30 p.m. on the Fourth Floor of the Sonic Headquarters Building, located at 300 Johnny Bench Drive, Oklahoma City, Oklahoma, for the following purposes:

1. To elect four directors;
2. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm; and
3. To act upon any such other matters as may properly come before the meeting or any adjournments or postponements thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. The Board of Directors has chosen the close of business on December 4, 2006, as the date used to determine the stockholders who will be able to attend and vote at the Annual Meeting. If you own stock in Sonic Corp. at the close of business on that date, you are cordially invited to attend the meeting.

Your vote is important. If you decide not to attend the annual meeting in person, you may vote on these proposals by proxy. To do so, please complete, date, sign, and return the enclosed proxy card promptly. We have enclosed a postage-prepaid envelope to expedite the return of your completed proxy card. If you have voted by mail and later decide to attend the annual meeting, you may revoke your proxy by coming to the meeting and voting in person.

We look forward to seeing you at the meeting.

By order of the Board of  
Directors,

/s/ Ronald L. Matlock

Ronald L. Matlock, Secretary

Oklahoma City,  
Oklahoma  
December 20, 2006



## TABLE OF CONTENTS

### SOLICITATION OF

#### PROXIES.....

Solicitation.....

Reimbursement of Nominees.....

Revocation of Proxy.....

Mailing of Proxy Statement and Proxy Card.....

Stockholder Proposals.....

### VOTING RIGHTS AND

#### PROCEDURE.....

### PROPOSAL NO. 1 - ELECTION OF

#### DIRECTORS.....

General.....

Nominees.....

Other Directors.....

Directors Emeritus.....

Committees, Compensation, and Meetings.....

Corporate Governance.....

Communications with Directors.....

### PROPOSAL NO. 2 - RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING

#### FIRM.....

General.....

Principal Accountant Fees and Services.....

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Acco

### EXECUTIVE

#### COMPENSATION.....

### CERTAIN RELATIONSHIPS AND RELATED

#### TRANSACTIONS.....

### REPORT OF COMPENSATION

#### COMMITTEE.....

Independent Compensation Consultant Report.....

Compensation Policy and Overall Objectives.....

Discussion of Compensation Components.....

Compensation of Chief Executive Officer.....

### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER

#### PARTICIPATION.....

### REPORT OF AUDIT

#### COMMITTEE.....

### STOCK PERFORMANCE

#### GRAPH.....

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND

#### MANAGEMENT.....

### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING

#### COMPLIANCE.....

### OTHER

#### MATTERS.....

### 2006 ANNUAL REPORT AND FORM

#### 10-K.....

**PROXY STATEMENT  
FOR THE ANNUAL MEETING OF STOCKHOLDERS OF  
SONIC CORP.**

**To Be Held Wednesday, January 31, 2007**

**SOLICITATION OF PROXIES**

**Solicitation**

Sonic Corp. (sometimes referred to herein as “Sonic,” “we,” “us,” “our,” or the “Company”) is furnishing this proxy statement to the stockholders of the Company to solicit their proxies for use at the annual meeting of stockholders to take place on Wednesday, January 31, 2007, and at any adjournment of the meeting. We also may use the services of our directors, officers, and employees to solicit proxies personally or by telephone. We regularly retain the services of Corporate Communications, Inc., 523 Third Avenue South, Nashville, Tennessee, to assist with our investor relations and other stockholder communications issues. Corporate Communications, Inc. may assist in the solicitation of the proxies and will not receive any additional compensation for those services. Sonic will bear all of the costs of preparing, printing, assembling, and mailing this proxy statement and the proxy card and all of the costs of the solicitation of the proxies.

**Reimbursement of Nominees**

Sonic will reimburse any bank, broker-dealer, or other custodian, nominee, or fiduciary for its reasonable expenses incurred in completing the mailing of proxy materials to the beneficial owners of Sonic’s voting common stock.

**Revocation of Proxy**

Any proxy given pursuant to this solicitation may be revoked by the stockholder at any time prior to the voting of the proxy by giving written notice to Ronald L. Matlock, Secretary of the Company. The persons named on the proxy card will vote the proxies at the annual meeting, if received in time and not revoked.

**Mailing of Proxy Statement and Proxy Card**

Sonic has had this proxy statement and the proxy card mailed to its stockholders on or about December 20, 2006.

**Stockholder Proposals**

In order for the Company to include a stockholder proposal in the proxy materials for the next annual meeting of stockholders, a stockholder must deliver the proposal to the Secretary of the Company no later than August 21, 2007.

**VOTING RIGHTS AND PROCEDURE**

*All share numbers reflect the Company’s three-for-two stock split implemented as a share dividend effective April 28, 2006 to stockholders of record on April 17, 2006.*

Only the record holders of shares of the voting common stock of the Company as of the close of business on December 4, 2006, will have the right to vote at the annual meeting. As of the close of business on that date, the Company had 68,178,787 shares of common stock issued and outstanding (excluding 47,004,999 shares of common stock held as treasury stock). Each stockholder of record will have one vote for each share of common stock of the

Company that the stockholder owned as of the record date. All shares of common stock may vote on all matters coming

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before the annual meeting, and a majority of all of the outstanding shares of common stock of the Company entitled to vote at the meeting, represented in person or by proxy, will constitute a quorum for the meeting. The Company will treat all abstentions and broker non-votes as present or represented at the meeting for the purposes of determining whether a quorum exists for the meeting.

With respect to the election of directors, the four nominees receiving the greatest number of votes will be elected. Abstentions and broker non-votes (discussed below) will not affect the outcome of the election because only a plurality of the votes actually cast is needed to elect directors.

With respect to the ratification of the independent registered public accounting firm and any other matter properly brought before the meeting, a majority of the shares represented at the meeting and entitled to vote is required for approval. Therefore, abstentions will have the effect of a vote against approval. Broker non-votes will not affect the outcome of the vote.

Proxies submitted by brokers that do not indicate a vote because they do not have discretionary authority and have not received instructions as to how to vote on a proposal (so-called "broker non-votes") will be considered as present for quorum purposes but not as shares counted for determining the outcome of the vote.

## PROPOSAL NO. 1 - ELECTION OF DIRECTORS

### General

Our certificate of incorporation provides for a classified board of directors, with three classes of directors each nearly as equal in number as possible. Each class serves for a three-year term and one class is elected each year. The Board of Directors is authorized by our bylaws to fix from time to time the number of directors that constitute the whole Board of Directors. The Board size has been set at nine members. The Nominating and Corporate Governance Committee has recommended to the Board of Directors, and the Board of Directors has nominated for election by the stockholders, the four individuals listed below. J. Clifford Hudson, Federico F. Peña and Robert M. Rosenberg have been nominated to serve as directors for a three-year term expiring at the annual meeting to be held in 2010. J. Larry Nichols has been nominated to serve as a director for a two-year term expiring at the annual meeting to be held in 2009. The director position for which Mr. Nichols is being nominated was previously vacant. One other board position for a term expiring at the annual meeting to be held in January 2008 is vacant. The Board of Directors has initiated its search for a qualified candidate to fill the vacant Board position.

All nominees will hold office until the stockholders elect their qualified successors. If any nominee becomes unable or unwilling to accept the election or to serve as a director (an event which the Board of Directors does not anticipate), the person or persons named in the proxy will vote for the election of the person or persons recommended by the Board of Directors.

### Nominees

The following table sets forth the name, principal occupation, age, year in which the individual first became a director, and year in which the director's term will expire (if elected) for each nominee for election as a director at the annual meeting of stockholders.

Name and Principal Occupation	First Became a Director	Term Expires	Age
J. Clifford Hudson <sup>1</sup>	August 1993	2010	52
Federico F. Peña <sup>2</sup>	January 2001	2010	59
Robert M. Rosenberg <sup>3</sup>	April 1993	2010	68



J. Larry Nichols <sup>4</sup>

Nominee

2009

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2

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<sup>1</sup>Mr. Hudson has served as the Company's Chairman of the Board and Chief Executive Officer since January 2000. Mr. Hudson served as Chief Executive Officer and President of the Company from April 1995 to January 2000, and reassumed the position of President in November 2004. He has served in various other offices with the Company since 1984. Mr. Hudson has served on the Board of Trustees of the Ford Foundation since January 2006 and on the Board of Trustees of the National Trust for Historic Preservation since January 2001. He served as Chairman of the Board of the Securities Investor Protection Corporation, the federally-chartered organization which serves as the insurer of customer accounts with brokerage firms, from 1994 to 2001.

<sup>2</sup>Mr. Peña has served as a Managing Director of Vestar Capital Partners since January 1999. He served as a Senior Advisor of Vestar Capital Partners from August 1998 until January 1999. Mr. Peña served as the U.S. Secretary of Energy from April 1997 through July 1998 and as the U.S. Secretary of Transportation from January 1993 through January 1997. He served as the Mayor of the city and county of Denver, Colorado from 1983 through 1991 and in the Colorado House of Representatives from 1979 until 1982. Mr. Peña currently serves as a Director of Border Media Partners, a privately-held radio company. He has been a member of Toyota's North American Diversity Advisory Board since January 2002.

<sup>3</sup>Mr. Rosenberg served as President and Chief Executive Officer of Allied Domecq Retailing USA ("Allied") from May 1993 until his retirement in August 1998. Allied is the parent company of Dunkin' Donuts, Inc. and Baskin-Robbins, Inc. Mr. Rosenberg served as President and Chief Executive Officer of Dunkin' Donuts, Inc. from 1963 until May 1993, and he served as President and Chief Executive Officer of Baskin-Robbins, Inc. from December 1992 until May 1993. Mr. Rosenberg currently serves as an honorary Director of the National Restaurant Association, as well as a trustee of the educational foundation of the International Franchise Association ("IFA"). He is a past president of the IFA. Mr. Rosenberg also serves as a Director of Dominos, Inc. and Buffets, Inc.

<sup>4</sup>Mr. Nichols is a co-founder of Devon Energy Corporation ("Devon") and has served as Chairman of the Board of Directors of Devon since 2000 and as Chief Executive Officer since 1980. He served as President of Devon from 1976 until 2003. Mr. Nichols also serves as a Director of Baker Hughes Incorporated. He serves as a Director of the Domestic Petroleum Council, the National Association of Manufacturers, the Independent Petroleum Association of America, and the National Petroleum Council.

Proxies cannot be voted for more than four nominees.

**The Board of Directors recommends a vote "For" the election of each of the four nominees as a director.**

#### Other Directors

The following table sets forth the name, principal occupation, age, year in which the individual first became a director, and year in which the director's term will expire for each director who will continue as a director after the annual meeting of stockholders.

<b>Name and Principal Occupation</b>	<b>First Became a Director</b>	<b>Term Expires</b>	<b>Age</b>
Michael J. Maples <sup>1</sup>	June 2005	2009	64
Frank E. Richardson <sup>2</sup>	March 1991	2009	67
Leonard Lieberman <sup>3</sup>	December 1988	2008	77
H.E. "Gene" Rainbolt	January 1996	2008	77

<sup>1</sup>Mr. Maples has over 40 years of experience in the computer industry. He held various management positions at Microsoft Corporation from 1988 to 1995, the most recent of which was Executive Vice President of the Worldwide Products Group and a member of the Office of the President. Before joining Microsoft, Mr. Maples worked for IBM

Corporation for over 23 years where he served as Director of Software Strategy. After retiring from Microsoft in 1995, Mr. Maples has primarily devoted his time to private investments and ranching. Mr. Maples also serves as a director of Lexmark Corp., Motive, Inc., and Multimedia Games, Inc.

3

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<sup>2</sup>Mr. Richardson has served as Chairman of F. E. Richardson & Co., Inc. of New York City, a firm specializing in acquisitions of and investments in growth companies, since June 1995. From 1986 to June 1995, Mr. Richardson served as President of Wesray Capital Corporation, a firm which also specialized in acquisitions of and investments in growth companies. From 1997 to June 2006, he served as Chairman of Enterprise News Media, Inc., which owned newspapers in Brockton, Quincy, Plymouth, and several other towns in Massachusetts.

<sup>3</sup>Mr. Lieberman served as the Chief Executive Officer and a Director of Supermarkets General Corporation from 1983 to 1987. From 1987 to the present, Mr. Lieberman has primarily devoted his time to private investments. From January through April 1991, he served as Chairman, President and Chief Executive Officer of Outlet Communications, Inc. From 2002 to June 2006, Mr. Lieberman served as a Director of Enterprise News Media, Inc. He currently serves as a member of the Management Committee of Consolidated Container Company, LLC and as a director of Modern Bank, N.A.

<sup>4</sup>Mr. Rainbolt has served as Chairman of the Board of BancFirst Corp. of Oklahoma City, Oklahoma, since 1989. From 1985 to 1989, he served as Chairman of the Board of Directors of United Community Corp., a bank holding company in Oklahoma City, Oklahoma, and a predecessor of BancFirst Corp. From 1974 to 1985, Mr. Rainbolt served as Chairman of the Board of Federal National Bank of Shawnee, Oklahoma.

## **Directors Emeritus**

Troy N. Smith, Sr., founder of the Company, has served as Chairman Emeritus of the Board of Directors since May 1991. As Chairman Emeritus, Mr. Smith has the right to attend and participate on a non-voting basis at all meetings of the Board of Directors and receives the same director fees as the other independent directors. E. Dean Werries, who served as a director from 1991 until 2005 (and Chairman of the Board from 1995 until 2000), was named Director Emeritus in January 2005. Mr. Werries has the right to attend and participate on a non-voting basis at all meetings of the Board of Directors.

## **Committees, Compensation, and Meetings**

The Board of Directors has three standing committees: the Nominating and Corporate Governance Committee, the Audit Committee, and the Compensation Committee. The charters for each of these committees are available at no charge in the Corporate Governance section of the Company's website at [www.sonicdrivein.com](http://www.sonicdrivein.com). The Board has affirmatively determined that each director who serves on the committees is independent as that term is defined by applicable rules of the Securities and Exchange Commission ("SEC") and NASDAQ listing standards.

The independent directors of the Company meet without the management directors at executive sessions in conjunction with each quarterly board meeting and at other appropriate times. The independent directors have designated Frank E. Richardson as the lead director to preside at all meetings of the independent directors.

*Nominating and Corporate Governance Committee.* In accordance with its written charter adopted by the Board of Directors, the Nominating and Corporate Governance Committee identifies individuals qualified to become Board members, recommends to the Board director nominees, and monitors significant developments in the law and practice of corporate governance. On October 23, 2006, the Nominating and Corporate Governance Committee nominated the four individuals named above for election as directors at the annual meeting of stockholders. The members of the Nominating and Corporate Governance Committee consist of all of the independent directors of the Company. Frank E. Richardson is the Chair of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee held four meetings during the Company's last fiscal year. The Nominating and Corporate Governance Committee will consider nominees recommended by the Company's stockholders. In order to recommend a nominee for the next annual meeting, stockholders must deliver the recommendation in writing to the Company on or before August 21, 2007, addressed to the attention of Ronald L. Matlock, Secretary of the Company, and must provide the full name, address, and business history of the recommended nominee.

*Audit Committee.* In accordance with its written charter adopted by the Board of Directors, the Audit Committee provides assistance to the Board in fulfilling its oversight responsibility relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and compliance by the

4

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Company with certain legal and regulatory requirements. The committee encourages free and open communication among the committee members, Ernst & Young LLP, the Company's independent registered public accounting firm, and management of the Company. In accordance with its charter, the Audit Committee pre-approves all audit and permissible non-audit services. Throughout the year, the committee periodically meets with representatives of Ernst & Young LLP and also meets with representatives of the internal audit function, without management present. The members of the Audit Committee are H. E. Rainbolt (Chair), Frank E. Richardson, and Robert M. Rosenberg. Each of the members of the Audit Committee is "independent," as defined by the rules of the SEC and the NASDAQ stock market listing standards. The Board of Directors has determined that Mr. Rainbolt is an "audit committee financial expert" as defined in Item 401(h) of Regulation S-K. In fiscal 2006, the Audit Committee met eight times, including meetings to review the quarterly financial statements prior to the releases of earnings to the public. A copy of the written charter for the Audit Committee was attached to the proxy statement for the January 2006 annual meeting and is also posted in the Corporate Governance section of the Company's website at [www.sonicdrivein.com](http://www.sonicdrivein.com).

*Compensation Committee.* In accordance with its written charter adopted by the Board of Directors, the Compensation Committee's functions include reviewing and approving the base salary, annual incentive bonus awards, and other compensation awards to the executive officers of the Company, as well as overseeing, reviewing, and administering the Company's various equity benefit plans. The members of the Compensation Committee are Leonard Lieberman (Chair), Michael J. Maples, and Federico F. Peña. The Compensation Committee held six meetings during the Company's last fiscal year.

*Compensation of Directors.* During the last fiscal year, the Company compensated the independent directors for their services in the amount of \$20,000 per year, plus \$2,500 for every meeting of the Board of Directors attended and an additional \$1,000 for any special telephonic meetings. Audit Committee members received an additional \$1,000 per quarter for regularly scheduled earnings release telephonic meetings and the Chair of the Audit Committee received additional annual compensation of \$7,000. The Chair of each of the Nominating and Corporate Governance and the Compensation Committees received additional annual compensation of \$2,500. Other than the compensation described above, the Company did not pay any additional fees to directors for serving on its standing committees. The Company does not compensate directors who also serve as an officer or employee of the Company or its subsidiaries for their services as a director. Independent directors receive seven-year, non-qualified stock options to purchase 75,938 shares of common stock of the Company upon the individual's initial election as a director, and an annual grant of seven-year, non-qualified stock options to purchase 10,125 shares of common stock of the Company to each independent director of the Company beginning with the fourth year of the director's term and continuing annually for so long as the individual serves on the Board. The exercise price of the stock options equals the market value of the common stock at the date of the grant, and the stock options become exercisable with regard to one-third of the shares of common stock underlying the option on each of the first three anniversary dates of the grant of the stock option. In January 2006, the Company granted options to purchase 10,125 shares of common stock of the Company at \$19.30 per share to Messrs. Lieberman, Peña, Rainbolt, Richardson, and Rosenberg.

*Meetings of the Board of Directors.* The Board of Directors of the Company held eight meetings during the Company's last fiscal year. The independent directors met in executive session at each quarterly meeting. Each incumbent director attended at least 75% of the meetings of the Board and the Board committees on which he served. The Company encourages its Board members to attend the Annual Meeting of Stockholders and schedules Board and committee meetings to coincide with the stockholder meeting to facilitate the directors' attendance at the Annual Meeting of Stockholders. All of the incumbent directors attended the Annual Meeting of Stockholders held in January 2006.

## Corporate Governance

Sonic's policies and practices reflect corporate governance initiatives that are compliant with the listing standards of NASDAQ and the corporate governance regulations of the Sarbanes-Oxley Act of 2002. The Board of Directors has documented its corporate governance practices and adopted Corporate Governance Guidelines, which are designed to formalize these practices and enhance governance efficiency and effectiveness. The Corporate Governance Guidelines

may be found in the corporate governance section of Sonic's website, [www.sonicdrivein.com](http://www.sonicdrivein.com). Among other things, these guidelines address the following:

5

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- The Nominating and Corporate Governance Committee is required to review with the Board annually the composition of the Board as a whole, including the directors' independence, skills, experience, age, diversity, and availability of service to the Company.
- The Board is required to conduct periodic self-evaluation through the Nominating and Corporate Governance Committee.
- The Nominating and Corporate Governance Committee is required to review and report to the Board at least annually on succession planning for the Chief Executive Officer and the Chief Executive Officer is required at all times to make available to the Board his or her recommendations of potential successors.
- The independent directors are required to meet in conjunction with each regularly scheduled quarterly board meeting and at other appropriate times.
  - The Board and all committees are authorized to hire their own advisors.
- Directors who change job responsibilities are required to notify the Board and give the Board the opportunity to review whether they should continue to serve as Board members.

Annually, the Nominating and Corporate Governance Committee follows a process designed to consider the re-election of existing directors and seek individuals qualified to become new Board members for recommendation to the Board for any vacancies.

With respect to nominating existing directors, the Nominating and Corporate Governance Committee reviews relevant information available to it, including an assessment of the directors' continued ability and willingness to serve as directors. The Nominating and Corporate Governance Committee also assesses each person's contribution in light of the mix of skills and experience the Nominating and Corporate Governance Committee has deemed appropriate for the Board.

With respect to considering nominations of new directors when the opportunity arises, the Nominating and Corporate Governance Committee conducts a thorough search to identify candidates based upon criteria the Nominating and Corporate Governance Committee deems appropriate and considering the mix of skills and experience necessary to complement existing Board members. The Nominating and Corporate Governance Committee then reviews selected candidates and makes a recommendation to the Board. The Nominating and Corporate Governance Committee may seek input from other Board members or senior management in identifying candidates.

Each candidate for director must possess at least the following specific minimum qualifications:

- Each candidate shall be an individual who has demonstrated integrity and ethics in his or her professional life and has established a record of professional accomplishment in his or her chosen field.
- No candidate shall have any material personal, financial, or professional interest in any present or potential competitor of the Company.
- Each candidate shall be prepared to participate fully in activities of the Board of Directors, including active membership in at least one committee of the Board of Directors and attendance at, and active participation in, meetings of the Board of Directors and the committee(s) of the Board of which he or she is a member.

The Nominating and Corporate Governance Committee will consider nominations for the Board by stockholders the same way it evaluates other individuals for nomination as a new director. Such nominations must be made in accordance with the Company's bylaws.

### **Communications with Directors**

Stockholders may communicate with the non-employee members of the Board of Directors by writing to the Board, c/o Ronald L. Matlock, Secretary of the Company. All written submissions that appear to be good faith efforts to communicate with Board members about matters involving the interests of the Company and its stockholders are



collected and forwarded on a periodic basis to the Board. Any concerns relating to accounting, internal accounting controls, or auditing matters will be brought immediately to the attention of the Company's principal internal auditor and handled in accordance with the procedures established by the Audit Committee with respect to such communications.

6

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## PROPOSAL NO. 2 - RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### General

Sonic is asking the stockholders to ratify the Audit Committee's appointment of Ernst & Young LLP as Sonic's independent registered public accounting firm for the fiscal year ending August 31, 2007. Ernst & Young LLP has audited Sonic's consolidated financial statements annually since Sonic's 1984 fiscal year.

Representatives of Ernst & Young LLP will be present at the annual meeting and will have an opportunity to make a statement if they desire to so do. They will also be available to respond to appropriate questions presented at the annual meeting.

In the event the appointment of Ernst & Young LLP is not ratified by the affirmative vote of a majority of the shares of common stock represented at the annual meeting, the Audit Committee will reconsider this appointment.

**The Board of Directors recommends a vote "For" the ratification of the appointment of Ernst & Young LLP.**

### Principal Accountant Fees and Services

The following table sets forth the aggregate fees billed to the Company by Ernst & Young LLP for professional services rendered for the fiscal years ended August 31, 2006 and 2005:

	2006	2005
Audit Fees <sup>1</sup>	\$ 581,000	\$ 574,565
Audit-Related Fees <sup>2</sup>	37,000	21,750
Tax Fees <sup>3</sup>	67,825	31,750
Total	\$ 685,825	\$ 628,065

<sup>1</sup>Audit fees relate to professional services rendered for the annual audit of the consolidated financial statements of the Company (including internal control reporting under Section 404 of the Sarbanes-Oxley Act of 2002) and the quarterly reviews relating to Securities and Exchange Commission filings of the Company's financial statements. Audit fees also include professional services rendered for separate audits of selected subsidiaries of the Company.

<sup>2</sup>Audit-related fees relate to professional services rendered for the annual audit of the Company's benefit plan.

<sup>3</sup>Tax fees include fees for tax planning and consultations and reviews of tax returns.

### Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services to be provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services, and other services. The Audit Committee also reviews whether any of the senior audit team members receive any discretionary compensation from the audit firm with respect to non-audit services performed by the independent registered public accounting firm.

The Audit Committee has considered whether the provision of these services is compatible with maintaining the independence of the independent registered public accounting firm and has determined that such services have not adversely affected such independence. All of the fees for fiscal year 2006 and 2005 were pre-approved by the Audit

Committee and there were no instances of waiver of approval requirements during those periods.

7

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**EXECUTIVE COMPENSATION**

*Summary Compensation Table.* The following table sets forth the compensation paid for the last three fiscal years to our chief executive officer and our four other highest paid executive officers.

Name and Principal Position	Year	Annual Compensation			Long-term Compensation	
		Salary(\$)	Bonus(\$) <sup>1</sup>	Other Annual Compensation(\$) <sup>2</sup>	Securities Underlying Stock Options(#)	All Other Compensation(\$) <sup>3</sup>
J. Clifford Hudson Chairman of the Board, Chief Executive Officer and President	2006	571,386	429,986	--	58,487	10,631
	2005	546,044	424,676	--	60,078	10,471
	2004	525,042	419,565	--	64,046	10,439
W. Scott McLain Executive Vice President, President of Sonic Industries Inc.	2006	301,329	151,061	--	19,769	11,142
	2005	284,319	150,351	--	54,023	10,982
	2004	270,308	110,275	--	65,369	10,103
Michael A. Perry President of Sonic Restaurants, Inc.	2006	270,001	134,974	--	17,709	11,081
	2005	250,000	133,724	--	48,435	11,371
	2004	230,000	81,305	--	21,644	10,491
Ronald L. Matlock Senior Vice President, General Counsel and Secretary	2006	256,666	106,917	--	15,627	10,931
	2005	245,637	106,371	--	16,199	10,864
	2004	234,610	95,712	--	23,120	10,071
V. Todd Townsend Vice President, Chief Marketing Officer	2006	250,000	99,455	--	15,026	2,861
	2005	11,378	--	--	45,001	--
	2004	--	--	--	--	--

<sup>1</sup>The amounts include incentive bonus awards granted pursuant to the incentive bonus program described under “Report of Compensation Committee - Discussion of Compensation Components,” as well as a holiday bonus equal to one-half month’s base salary.

<sup>2</sup>The amount of other annual compensation did not exceed the lesser of \$50,000 or 10% of the annual salary and bonus reported for the named individual.

<sup>3</sup>The amounts include the Company's matching contribution to the Company's defined contribution plan and premiums for life insurance paid on behalf of the named individuals. During the last fiscal year, the Company made matching contributions to the Company's 401(k) defined contribution plan in the amounts of \$9,575 for Mr. Hudson, \$10,086 for Mr. McLain, \$10,025 for Mr. Perry, \$9,875 for Mr. Matlock, and \$1,875 for Mr. Townsend. During the last fiscal year, the Company paid life insurance premiums in the amount of \$1,056 for each of Messrs. Hudson, McLain, Perry, and Matlock, and in the amount of \$986 for Mr. Townsend.

*Stock Option Table.* The following table sets forth information regarding the stock options granted during the last fiscal year to the Company's chief executive officer and the other executive officers named above.

8

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Name	Number of Securities Underlying Options Granted (#) <sup>1</sup>	Percent of Total Options Granted to Employees in Fiscal Year (%)	Exercise Price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Price Appreciation for Option Term <sup>2</sup>	
					5% (\$)	10% (\$)
J. Clifford Hudson	15,001	7.08	19.30	1-31-16	182,077	461,420
	43,486		23.08	4-6-13	408,589	952,186
W. Scott McLain	19,769	2.39	23.08	4-6-13	185,747	432,870
Michael A. Perry	17,709	2.14	23.08	4-6-13	166,392	387,763
Ronald L. Matlock	15,627	1.89	23.08	4-6-13	146,829	342,175
V. Todd Townsend	15,026	1.82	23.08	4-6-13	141,182	329,015

<sup>1</sup>Each option becomes exercisable with regard to one-third of the shares of common stock underlying the option on each of the first three anniversary dates of the grant of the option.

<sup>2</sup>The assumed annual rates of 5% and 10% would result in the Company's common stock price increasing during the 10-year term of the option from the \$19.30 per share exercise price to \$31.44 and \$50.06 respectively, and during the seven-year term of the option from the \$23.08 per share exercise price to \$32.42 and \$44.98, respectively.

*Option Exercises and Year End Value Table.* The following table sets forth information regarding stock options exercised during the last fiscal year by the Company's chief executive officer and the other individuals named above and the value of unexercised stock options as of the end of the last fiscal year.

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Unexercised Options as of Fiscal Year End Exercisable/Unexercisable (#)	Value of Unexercised In-the-Money Options as of Fiscal Year End Exercisable/Unexercisable (\$) <sup>1</sup>
J. Clifford Hudson	255,564 <sup>2</sup>	4,191,250	781,130	\$ 11,677,162