S&P Global
Ratings

Research

Presale:

Wendy's Funding LLC (Series 2021-1)

June 9, 2021

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Preliminary Ratings

Class	Preliminary rating	Balance (mil. $)	Anticipated maturity	Legal maturity (years)
A-1	BBB (sf)	300	September 2026	30
A-2-I(i)	BBB (sf)	450	March 2029	30
A-2-II(i)	BBB (sf)	450	June 2031	30

Note: This presale report is based on information as of June 9, 2021. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. (i)The aggregate class A-2 amount will be at least $900 million. In our analysis, we assumed an additional $350 million, as well as a full draw on the $300 million variable-funding notes.

Executive Summary

Wendy's Funding LLC's series 2021-1 issuance is a $1.20 billion corporate securitization of The Wendy's Co. (Wendy's) business. The company intends to use the proceeds to prepay in full the outstanding series 2015-1 class A-2-III and series 2018-1 class A-2-I notes, which totaled approximately $472.5 million and $435.4 million, respectively, as of March 2021. The remaining amount after transaction expenses will be used for general corporate purposes, which may include funding for growth initiatives, return of capital to shareholders, and additional debt retirement. Assuming a full drawdown on the series 2021-1 class A-1 variable-funding notes (VFN) (not offered) and the added $350 million issuance capacity, the total note issuance will result in a trailing 12-month total debt to adjusted EBITDA of 7.6x. Without the VFN drawdown, the trailing 12-month total debt to adjusted EBITDA of 6.9x. Debt repayment is supported by franchisee payments, license payments, net rental income, and profits from contributed company-owned stores. There were 6,838 stores in the Wendy's system as of April 4, 2021.

The transaction's key credit features include:

- The manager's long operating history of over 50 years.
- The highly franchised (approximately 95% of stores) nature of the Wendy's business, which results in a less volatile cash flow stream.
- The stable historical systemwide sales, with a three-year compound average growth rate (CAGR) of 3%.
- The moderate systemwide store count and domestic average unit volume (AUV) growth,

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reflecting a return to growth following the conclusion of Wendy's refranchising initiative.

- International operations revenue (approximately 10% of systemwide sales) that isn't hedged for foreign exchange fluctuation, which leaves cash flows vulnerable to swings in exchange rates.
- Geographic concentration, with the three largest U.S. states accounting for approximately 20% of the global systemwide store count as of March 2021.
- The stable performance in 2020. Total systemwide sales increased 3.7% mainly due to a 4.8% increase in U.S. total sales and was offset by a 5.5% decline in international sales.
- The resolution of the large Wendy's and Pizza Hut franchisee, NPC International, bankruptcy filed in July 2020, after which about half of the affected Wendy's locations were sold to the Flynn Restaurant Group and the remainder went to pre-approved operators. NPC represented about 4% of sales at the time of the bankruptcy in 2020, and only seven of the 395 restaurants involved in the proceeds remained closed as a result of the restructuring.

Transaction Timeline/Participants

Transaction Timeline

Expected closing date	June 2021.
First payment date	September 2021.
A-2-I ARD	March 2029.
A-2-II ARD	June 2031.
A-2-I legal maturity date	June 2051.
A-2-II legal maturity date	June 2051.
Note payment frequency	Quarterly.

ARD--Anticipated repayment date.

Participants

Arranger (lead)	Guggenheim Securities LLC.
Master issuer	Wendy's Funding LLC.
Guarantors	Quality Is Our Recipe LLC, Wendy's Properties LLC, and Wendy's SPV Guarantor LLC.
Trustee	Citibank N.A.
Servicer/Control Party	Midland Loan Services (a division of PNC Bank N.A.).
Manager	Wendy's International LLC.
Backup manager	FTI Consulting Inc.

Rating Rationale

The preliminary ratings assigned to Wendy's Funding LLC's senior secured notes series 2021-1 reflect our assessment of:

- The brand strength. This includes the strength of the Wendy's brand, the likelihood for the brand to survive through a Wendy's bankruptcy, and the brand's resulting capacity to continue generating sufficient cash flows from business operations, provided that adequate servicing remains in place.
- The replaceable manager. The manager's responsibilities are generally limited to sales and general and administrative (SG&A) functions, which we believe increases the likelihood of successful replacement following a termination of the current manager. In addition, the transaction has a backup manager, FTI Consulting Inc. (established in the initial series 2015-1 securitization), that has reviewed the business' cost structure relative to the sizing of the management fee and believes it is adequate should it need to step in.
- The legal isolation of the assets. As of the initial series 2015-1 transaction, the manager will no longer own substantially all of the business' cash-generating assets. They have been sold

through a true sale to the securitization issuer and guarantors, which are bankruptcy-remote entities. This should decrease the likelihood that existing Wendy's creditors could disrupt cash flow to the securitization following a manager bankruptcy. Legal opinions related to true sale and nonconsolidation have been or will be provided before this transaction's closing.

- Asset performance not fully correlated with manager performance. A system of franchised restaurants will likely continue to generate cash flow following the manager's bankruptcy because individual franchisees generally operate independently from the manager (aside from SG&A functions, which we believe can be transferred to a backup).
- Cash flow coverage. Given the brand's strength, the replaceable nature of the manager, and the legal isolation of the assets from the manager, we have projected long-term cash flows for the business. Our analysis incorporates cash flow haircuts that reflect our view of how the business' assets could weaken in adverse economic conditions. Under these conditions, our analysis shows that the cash flows the business generates are sufficient to meet all debt service obligations of the rated notes.
- Liquidity. The liquidity comprises a reserve account funded with three months of interest expenses and/or a letter of credit.

S&P Global Ratings believes there remains high, albeit moderating, uncertainty about the evolution of the coronavirus pandemic and its economic effects. Vaccine production is ramping up and rollouts are gathering pace around the world. Widespread immunization, which will help pave the way for a return to more normal levels of social and economic activity, looks to be achievable by most developed economies by the end of the third quarter. However, some emerging markets may only be able to achieve widespread immunization by year-end or later. We use these assumptions about vaccine timing in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

The class A-1 notes contain stated interest at LIBOR plus a fixed margin. While the original deadline for LIBOR cessation was December 2021, the phase-out date is now expected after June 2023 for most U.S. dollar LIBOR maturities, such as one- and three-month maturities. In 2019, the Federal Reserve's Alternative Reference Rates Committee published recommended guidelines for fallback language in new securitizations, and the language in this transaction is generally consistent with its key principles: trigger events, a list of alternative rates, and a spread adjustment. We will continue to monitor reference rate reform and consider changes specific to this transaction when appropriate.

Table 1

Key Credit Metrics And Peer Comparisons

Brands	Series	S&P Global Ratings' credit rating(i)	Store count (no.)	AUV (mil. $)	Franchised (%)(ii)	International (%)(ii)	Operating history (from founding)	Concept type	Leverage (total debt/adjusted EBITDA)(iii)	S&P Global Ratings' min. base-case DSCR(iv)	S&P Global Ratings' min. downside DSCR(iv)
Wendy's(v)	2021-1	BBB (sf)	6,838	1.8	95	14.0	Over 30 years	QSR	6.9	1.8	1.5
Domino's	2021-1	BBB+ (sf)	17,644	0.9	98	64.0	Over 30 years	QSR	6.4	1.8	1.4
SERVPRO	2021-1	BBB- (sf)(ii)	1,860	1.5	100	0.0	Over 30 years	Restoration services	8.1	1.7	1.4

Table 1

Key Credit Metrics And Peer Comparisons (cont.)

Brands	Series	S&P Global Ratings' credit rating(i)	Store count (no.)	AUV (mil. $)	Franchised (%)(ii)	International (%)(ii)	Operating history (from founding)	Concept type	Leverage (total debt/adjusted EBITDA)(iii)	S&P Global Ratings' min. base-case DSCR(iv)	S&P Global Ratings' min. downside DSCR(iv)
ServiceMaster Brands	2020-1	BBB- (sf)	2,392	1.1	99	31.0	Over 30 years	R/R	7.1	1.7	1.3
Hardee's/Carl's Jr.	2020-1	BBB (sf)	3,840	1.2	93	25.0	Over 30 years	QSR	6.8	1.8	1.5
Driven Brands	2020-2	BBB- (sf)	3,229	1.0	84	19.0	Over 30 years	Auto services	6.7	1.9	1.6
Sonic	2020-1	BBB (sf)	3,583	1.3	94	0.0	Over 30 years	QSR	5.9	1.8	1.6
Jersey Mike's	2019-1	BBB (sf)	1,615	0.8	99	0.3	Over 30 years	QSR	6.4	2.2	1.7
Planet Fitness	2019-1	BBB- (sf)	1,899	2.1	96	2.7	29 years	Fitness	6.5	1.7	1.3
Wendy's	2019-1	BBB (sf)	6,710	1.6	95	8.0	Over 30 years	QSR	6.6	1.7	1.4
Jack in the Box	2019-1	BBB (sf)	2,240	1.5	94	0.0	Over 30 years	QSR	4.9	1.9	1.6
Applebee's/IHOP	2019-1	BBB (sf)	3,652	2.2	98	7.0	Over 30 years	CDR	6.0	1.7	1.4
Dunkin' Brands	2019-1	BBB (sf)	20,912	0.8	100	43.0	Over 30 years	QSR	6.2	1.6	1.4
Taco Bell	2018-1	BBB (sf)	6,505	1.6	91	6.0	Over 30 years	QSR	5.3	1.6	1.5
Jimmy John's	2017-1	BBB (sf)	2,690	0.8	98	0.0	Over 30 years	QSR	5.2	1.8	1.7
Cajun Global	2017-1	BBB- (sf)	1,588	0.7	85	32.0	Over 30 years	QSR	5.2	1.8	1.4
Five Guys	2017-1	BBB- (sf)	1,437	1.2	69	5.0	Over 30 years	QSR	6.7	1.6	1.5
TGIF	2017-1	B (sf)	903	2.7	94	48.0	Over 30 years	CDR	5.6	1.3	1.0
Arby's	2015-1	BBB- (sf)	3,335	1.0	72	1.0	Over 30 years	QSR	5.3	1.6	1.2

(i)Rating for the senior-most securitization note issued (closed transactions). (ii)Percentage of total store count. (iii)As reported. (iv)As of each series' closing date unless otherwise noted. (v)Preliminary. AUV--Average unit volume. DSCR--Debt service coverage ratio. QSR--Quick-service restaurant. CDR--Casual dining restaurant. R/R--Remediation/reconstruction. Hardee's/Carl's Jr.--Hardee's Funding LLC/Carl's Jr. Funding LLC. Driven Brands--Driven Brands Funding LLC (Maaco, Meineke, and others). Sonic--Sonic Capital LLC. Jersey Mike's--Jersey Mike's Funding LLC. Planet Fitness--Planet Fitness Master Issuer LLC. Domino's--Domino's Pizza Master Issuer LLC. ServPro--ServPro Master Issuer LLC. Wendy's--Wendy's Funding LLC. Jack in the Box--Jack in the Box Funding LLC. Applebee's/IHOP--Applebee's Funding LLC/IHOP Funding LLC (Dine Brands Global). Dunkin' Brands--DB Master Finance LLC (AUV represents domestic for both brands, leverage assumes no variable-funding note). Taco Bell--Taco Bell Funding LLC. Jimmy John's--Jimmy John's Funding LLC. Cajun Global--Cajun Global LLC (Church's Chicken). Five Guys--Five Guys Funding LLC. TGIF--TGIF Funding LLC. Arby's--Arby's Funding LLC.

Industry Outlook

The restaurant industry is highly competitive in price and product offerings. Many operators focus on altering the menu mix and new products toward value offerings to drive guest traffic. Leading into 2020, the sector's performance was mixed due to tepid economic conditions and meaningful weakness at certain restaurant operators. Amid the COVID-19 pandemic, there was a large shift toward delivery options as consumers obeyed stay-at-home orders. This led to a pick-up in delivery orders and ticket sizes due to the influx of people working from home.

However, with the rollout of several vaccines globally and the easing of lockdown, we expect this shift to delivery to slow in 2021. In addition, many independently owned businesses closed during the pandemic-induced lockdowns, creating opportunities for larger players to increase their market share. However, this trend likely won't continue as restrictions ease.

Quick-service restaurants (QSRs) have been performing well overall, while casual dining restaurants continue to face challenges. We expect limited domestic growth and believe restaurants' ability to take market share will drive revenue and profit growth. We also expect slow economic growth to continue to limit guest traffic gains, and any cost inflation would pressure operating margins over the near term because it likely will not be fully passed along to customers. And while labor inflation would affect store profits, the impact may not be meaningful for the highly franchised models. Companies with an international presence have expansion opportunities in various markets.

Environmental, Social, And Governance (ESG)

Our rating analysis considered the potential exposure of the transaction to ESG credit factors. We have not identified any material ESG credit factors in our analysis. Therefore, ESG credit factors do not influence our assessment of the transaction's credit quality.

Summary Of The Business

Wendy's is the second-largest QSR company in the hamburger sandwich segment. The company is primarily engaged in operating, developing, and franchising a system of distinctive QSRs, with an emphasis on fresher ingredients than many of its traditional QSR competitors. Wendy's opened its first restaurant in Columbus, Ohio in 1969. As of April 4, 2021, there were 5,885 Wendy's brand restaurants in the U.S., including 362 operated by Wendy's and 5,523 were managed by 228 franchisees. There were 953 international franchised Wendy's brand restaurants, located in 29 countries and U.S. territories, as of April 4, 2021.

Cash flows from Wendy's restaurant business are derived from two principal sources:

- Sales at company-owned restaurants, and
- Franchise-related revenues, including royalties, rents, and franchise fees.

Approximately 95% of Wendy's restaurants were franchised as of April 4, 2021, including all of the 953 of the business' international restaurants. Each franchised location operates under a franchise agreement that requires an initial franchise fee (unless waived) payment to Wendy's, and a recurring royalty fee of approximately 4% for both U.S. and international locations.

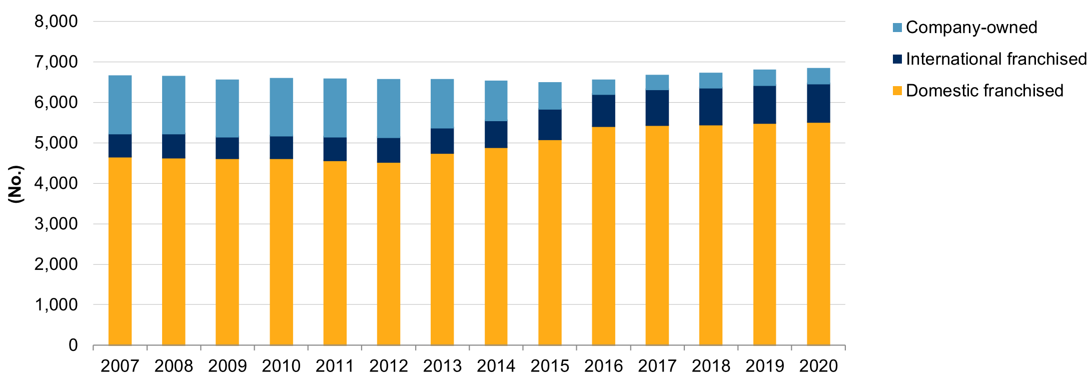
Systemwide store count growth remains stable, with a CAGR of 1.5% since 1995 moderating to

0.2% since 2007 (see chart 1). The U.S. franchises and international franchises have reported CAGRs of 1.3% and 4.0%, respectively, since 2007. However, the company-owned locations (which comprise about 5% of total restaurants) saw a nearly 10% decrease during that time. This was largely driven by Wendy's system optimization initiative to reach an approximately 5% company ownership of the total system by shifting company-owned restaurants to franchisees.

In 2020, Wendy's saw net openings in each of its three operating segments. Company-owned restaurants increased by 4 locations, while international franchises and U.S. franchises grew by 11 and 25 locations, respectively. Systemwide sales rose for both company-owned and U.S. franchised segments by about 2.0% and 4.8%, respectively. However, Wendy's international sales decreased by about 5.5%. Wendy's introduced its breakfast menu in March 2020, and it currently represents about 7% of total sales.

Chart 1

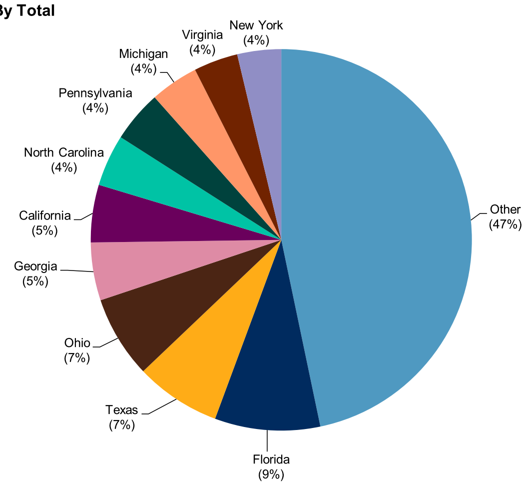
Historical Store Count
Systemwide restaurant count



Source: The Wendy's Co.

Chart 2

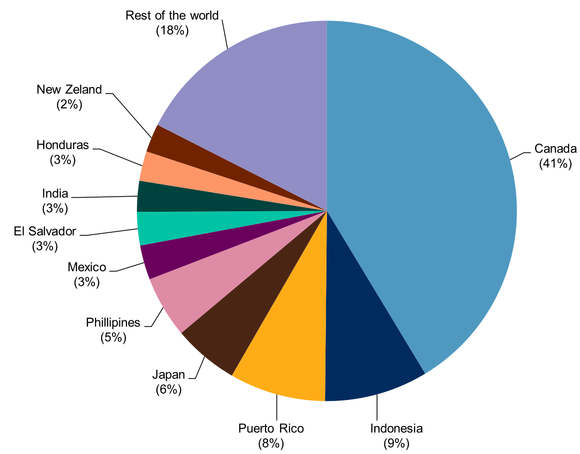
Top 10 States By Total



Source: The Wendy's Co.

Chart 3

Top 10 International Markets By Total Restaurants

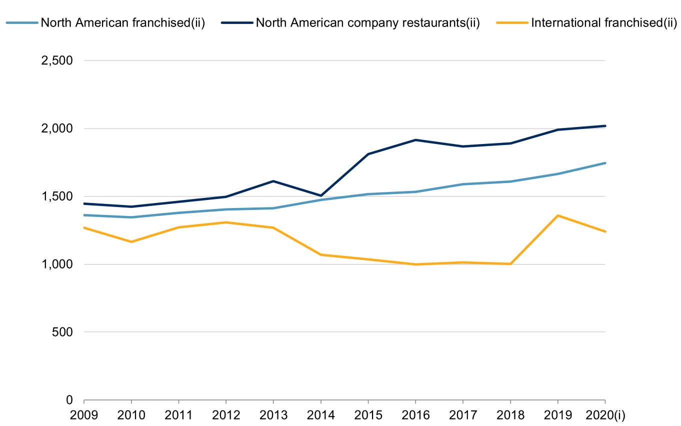


(i)As of March 31, 2021. Source: The Wendy's Co.

AUV has been generally stable since 2009. The company's international AUVs declined and moderated from 2013 through 2018, while the U.S. franchised and company-owned AUVs generally trended positively. The average franchise royalty rate has remained stable for both domestic and international franchised restaurants in recent years and was approximately 4% for both as of April 4, 2021.

Chart 4

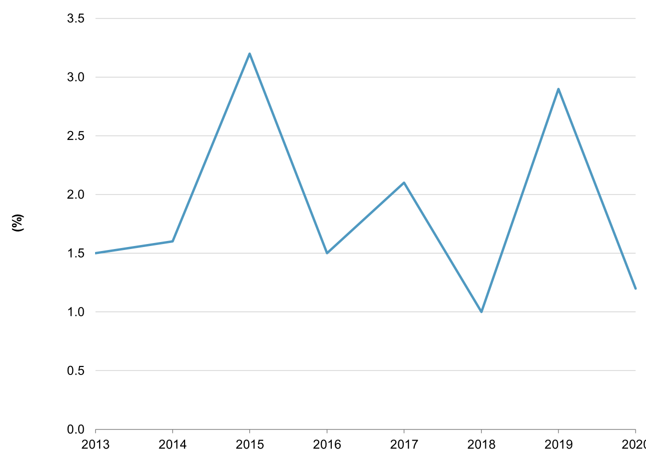
Historical Average Unit Volume



Source: The Wendy's Co. (i)Excludes impact of 53rd week in 2020. (ii)Due to reporting change, North American represents U.S. only after 2018, while international includes Canadian after 2018.

Chart 5

Global Historical Same-Store Sales Growth



Source: The Wendy's Co.

Collateral

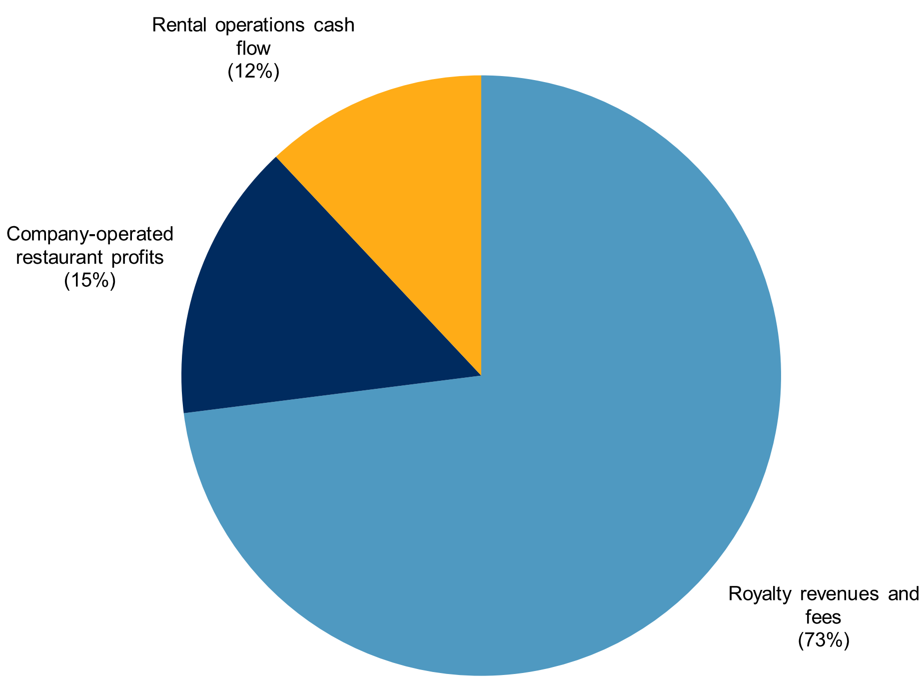
The notes will be secured by a security interest in substantially all of the coissuers' and guarantors' assets, which include:

- Contributed and new franchise and development agreements and the related franchisee payments (domestic and international, excluding Canada);
- Securitization intellectual property (IP) and IP license agreements;
- After the mortgages have been recorded, contributed and new owned real property and franchisee lease payments;
- Transaction accounts;
- Any interest reserve letter of credit;
- Membership interests in the securitization entities;
- Identified contributed company-operated restaurants; and
- U.S. franchisee notes.

Chart 6 illustrates the relative initial contributions of the various cash flow streams to the transaction (see the Cash Flow Assumptions table below [table 4] for more details on each category of securitization collections).

Chart 6

Securitized Net Cash Flow(i)



(i)As of March 31, 2021. Source: The Wendy's Co.

Key Credit Considerations

Table 2 outlines the key credit factors we considered in our analysis.

Table 2

Key Credit Considerations

Long operating history	The first Wendy's restaurant opened in Columbus, Ohio in 1969, and the brand has survived multiple economic downturns and built a loyal customer base. This supports the likelihood that brand loyalty, and thus sales, will continue even if Wendy's International LLC is replaced as the manager.
High franchised percentage	As of March 31, 2021, approximately 95% of Wendy's system is operated by franchisees. The increase in franchised restaurants is part of Wendy's systemwide optimization initiative to strengthen the franchisee base and drive new restaurant growth. This involved the transfer of restaurants between franchisees and the disposition of company-operated restaurants to existing and new franchisees. We believe a high franchised percentage provides better cash flow stability and independence from the manager than a lower percentage of franchised stores.
Unhedged revenue from international operations	Revenues from international operations are not hedged for foreign exchange fluctuation, leaving cash flows vulnerable to potential swings in exchange rates.
Large domestic geographic concentrations	Geographic concentration in the three largest states accounts for more than 20% of the company's U.S. store count.

Credit Rating Methodology

Our conclusions for each of the five analytical steps in our rating process for the series 2021-1 transaction are shown in table 3.

Table 3

Credit Rating Step

Step	Result	Comment
Step 1		
Eligibility analysis	Pass	We believe a system of franchised restaurants will likely continue to generate cash flow following the manager's bankruptcy because individual franchisees generally operate independently from the manager (aside from their reliance on the manager's SG&A functions, which we believe can be transferred to a backup manager). As long as a brand has sufficient customer loyalty, royalty revenues can remain available to service securitization debt, assuming the assets have been isolated via a true sale to a bankruptcy-remote special-purpose entity. Because we do not believe substantially all cash flow from the system will be at risk following a manager bankruptcy, our subsequent analysis quantifies the impact of the correlated cash flow decline from the Wendy's system and compares that to ongoing required interest and principal payments to the rated debt.
Step 2		
Business volatility score (BVS)	3(i)	Wendy's business risk profile (BRP) is fair, which maps to an unadjusted BVS of 4(i). We adjusted the BVS upward by one notch to 3 because the cash flows are revenue-based, and the system has demonstrated stability over more than 20 years.
Cash flow assumptions	See table 4, below	
Min. base DSCR	1.76x	Principal and interest are fully paid in this scenario.

Table 3

Credit Rating Step (cont.)

Step	Result	Comment
Anchor	'bbb-'	Determined according to table 1 of our corporate securitization criteria, "Global Methodology And Assumptions For Corporate Securitizations," published June 22, 2017.
Min. downside run DSCR	1.45x	Principal and interest are fully paid in this scenario.
Step 3		
Resiliency score	Satisfactory	Determined according to table 3 of our Corporate Securitization criteria.
Resiliency adjusted anchor	'bbb'	Determined according to table 4 of our Corporate Securitization criteria.
Step 4		
Modifier analysis	No adjustment	This structure is not an outlier from a leverage perspective. The anticipated repayment dates and the liquidity and deleveraging triggers are all comparable to those of other rated transactions.
Step 5		
Comparable rating analysis	No adjustment	Wendy's overall profile, including its system size, AUV, royalty rates, franchised percentage, and recent performance are typical of its peer group. Therefore, we do not believe any upward or downward notching is necessary, and our preliminary ratings are 'BBB (sf)'.

(i)The mappings from BRP to BVS are: Excellent=1; Strong=2; Satisfactory=3; Fair=4; Weak=5; and Vulnerable=6. SG&A--Sales, general, and administrative. Wendy's--The Wendy's Co. DSCR--Debt service coverage ratio. LTM--Last 12 months. AUV--Average unit volume. BRP--Business risk profile.

Table 4 shows our cash flow assumptions.

Table 4

Cash Flow Assumptions

	Cumulative decline (%)		
Asset cash flow category	Base case	Downside case(i)	Description
Royalty revenue and fees	0	15	Franchise and company-owned store royalties, which comprise most of the overall projected cash flow, are a function of store count, AUV, and royalty rates.
All other securitization collections	0	30	All other securitization collections.

(i)For the downside case, we applied periodic stresses to non-U.S. store revenue to address the risk of foreign exchange rate volatility. We assumed foreign currency depreciation rates consistent with our criteria, "Foreign Exchange Risk In Structured Finance--Methodology And Assumptions," published April 21, 2017. AUV--Average unit volume.

Sensitivity Analysis

Sensitivity run 1: management fee stress

Using the base-case assumptions in table 4, we determined that the management fee could increase by as much as 130.0% (translating to an approximately 45.0% reduction in net securitized cash flow relative to the base case) without any impact on the transaction's ability to pay timely interest and full principal payments by the legal final maturity date. We believe the additional management fee stresses what could occur if Wendy's experiences a bankruptcy. While the management fee is outlined in the transaction documents, we believe it could be renegotiated in a bankruptcy scenario.

Sensitivity run 2: event-driven stress

Starting with the base-case scenario assumptions, we determined the maximum haircut to cash flow that would allow timely interest and full principal payments by the transaction's legal final maturity date. This haircut to cash flow after fees is approximately 58.0%. We examined several event risks associated with cash flow losses, including royalty losses from the top three geographies by store count (Florida, Texas, and Ohio) and from the top 10 domestic franchisees. Under these scenarios, our analysis showed that the transaction could pay timely interest and full principal by legal final maturity.

Structural Protection Summary

The transaction's structural features and credit enhancements (see table 5) are generally consistent with those of other recently rated corporate securitizations.

Table 5

Structural Features

Test	Wendy's Funding LLC (Series 2019-1)
Rapid amortization DSCR trigger (P&I)	1.20x.
Cash flow sweep DSCR trigger (P&I)	1.75x (50% trap) and 1.5x (100% trap)
Holding company leverage ratio non-amortization test (total debt/EBITDA)	5.00x (no scheduled amortization if the holding company leverage ratio is less than or equal to this level).
ARD horizon(i)	7.75 and 10 years for classes A-2-I and A-2-II, respectively.
Scheduled amortization through ARD (%)	1.00.
Manager termination DSCR trigger (IO)	1.20x.
Event-of-default DSCR trigger (IO)	1.10x.
Management fee	The management fee, which includes both fixed and variable components, is a function of the total stores in operation. According to the transaction documents, the fixed component is assumed to be $46 million annually, and the variable component is assumed to be $13,500 for each franchise and retained company store and $28,500 for each contributed store. The management fee is also subject to a 2% annual increase if the increased amount does not exceed 35% of the retained collections in the preceding four quarterly collection periods.

(i)Failure to pay the notes in full by their applicable ARDs constitutes a rapid amortization event but not an event of default. Given a rapid amortization event, pro rata rapid amortization will begin for all class A-2 tranches. DSCR--Debt service coverage ratio. P&I--Principal and interest. ARD--Anticipated repayment date. IO--Interest only.

Additional debt incurrence covenants

The transaction also includes the following debt incurrence covenants:

- The holding company leverage ratio must be less than or equal to 7.0x (or 7.5x on and after the springing amendments implementation date);
- The senior ABS leverage ratio must be less than 6.5x (or, on and after the springing amendments implementation date, 7.0x); and
- The DSCR must be greater than or equal to 2.0x, among other conditions.

Payment Priority

Following the series 2021-1 issuance, the transaction will include five class A notes that will pay interest and principal quarterly from weekly distributions in the priority shown in table 6. The transaction doesn't currently include any senior subordinated or subordinated notes, but it may issue these notes if certain conditions are met.

Table 6

Payment Priority

Priority	Payment
1	Solely for amounts from indemnification, permitted asset dispositions, and insurance/condemnation payments: to the trustee and then the servicer for unreimbursed advances; then to the manager for any unreimbursed advances; then, if a class A-1 note amortization event is continuing, to the class A-1 notes; then to all other senior notes; then, if item a class A-1 note amortization event is not continuing, to the class A-1 notes; then to the senior subordinated notes, if any; and then to the subordinated notes, if any.
2	To the trustee and then the servicer for unreimbursed advances; then to the manager for unreimbursed advances; and then to the servicer for servicing, liquidation, and workout fees.
3	Successor manager transition expenses, if any.
4	Management fees.
5	Capped securitization operating expense amount; then the post-default capped trustee expense amount to the trustee; and then certain mortgage expenses.
6	Interest on the senior notes, the class A-1 note commitment fee amount, and hedge payments, if any.
7	The capped class A-1 note administrative expense amount.
8	Interest on the senior subordinated notes, if any.
9	The senior note interest reserve account deficiency amount and then the senior subordinated note interest reserve account deficiency amount, if any.
10	The senior notes scheduled principal payment amount, any senior notes scheduled principal payment deficiency amount, and any letter of credit collateralization amounts.
11	Supplemental management fee, if any.
12	If no rapid amortization has occurred and the class A-1 note amortization event is continuing, to the class A-1 notes' principal.
13	If no rapid amortization has occurred, any cash trapping amount to the cash-trap reserve account.
14	If a rapid amortization has occurred and is continuing, all remaining amounts to pay down the class A notes and then any senior subordinated notes.
15	If no rapid amortization event has occurred, any senior subordinated notes' scheduled principal payment amount; and then the senior subordinated notes' scheduled principal payment deficiency amount, if any.

Table 6

Payment Priority (cont.)

Priority	Payment
16	Uncapped securitization operating expenses.
17	Uncapped class A-1 administrative expense amounts.
18	Other class A-1 amounts.
19	Interest on the subordinated notes, if any.
20	If no rapid amortization event has occurred, the subordinated notes scheduled principal payment amount and then the subordinated notes' scheduled principal payment deficiency amount, if any.
21	If a rapid amortization has occurred and is continuing, all remaining amounts to pay down the subordinated notes, if any.
22	After the ARD, post-ARD contingent interest on the senior notes.
23	After the ARD, post-ARD contingent interest on any senior subordinated notes.
24	After the ARD, post-ARD contingent interest on any subordinated notes.
25	Hedge termination payments and any other unpaid hedge amounts, pro rata.
26	Any unpaid premiums and make-whole prepayment premiums on the senior notes.
27	Any unpaid premiums and make-whole prepayment premiums on any senior subordinated notes.
28	Any unpaid premiums and make-whole prepayment premiums on any subordinated notes.
29	Any remaining funds at the direction of the master issuer.

ARD--Anticipated repayment date.

Surveillance

We will maintain active surveillance on the rated notes until the notes mature or are retired. The purpose of surveillance is to assess whether the notes are performing within the initial parameters and assumptions applied to each rating category. The transaction terms require the issuer to supply periodic reports and notices to S&P Global Ratings for maintaining continuous surveillance on the rated notes.

While we believe the company's performance is an important part of the transaction, other factors, such as cash flow, debt reduction, and legal framework, also contribute to our analysis.

Related Criteria

- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019

- Criteria | Structured Finance | ABS: Global Methodology And Assumptions For Corporate Securitizations, June 22, 2017
- Criteria | Structured Finance | General: Foreign Exchange Risk In Structured Finance--Methodology And Assumptions, April 21, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Research: U.S. Biweekly Economic Roundup: A Break In The Action, May 21, 2021
- U.S. Restaurants And Foodservice Distributors Face A Jagged Recovery While Food And Beverage Fare Better, March 1, 2021
- Credit FAQ: The Key Ingredients For Whole Business Securitization Ratings, Feb. 22, 2019
- Restaurant Securitizations Are Structured To Survive A Big Bite, Sept. 7, 2017
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- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, Dec. 16, 2016
- The Wendy's Co., May 18, 2016