Presale:

Jimmy John's Funding LLC (Series 2022-1)

March 7, 2022

PRIMARY CREDIT ANALYST

Christine Dalton
New York
+ 1 (212) 438 1136
christine.dalton
@spglobal.com

SECONDARY CONTACT

Jesse R Sable, CFA
New York
+ 1 (212) 438 6719
jesse.sable
@spglobal.com

ANALYTICAL MANAGER

Jay Srivats
San Francisco
+ (347) 266-5103
jay.srivats
@spglobal.com

RESEARCH ASSISTANT

Renata Garcia
Dallas

Preliminary Ratings

Class	Preliminary rating	Balance (mil. $)	Anticipated maturity	Legal maturity (years)
A-1	BBB (sf)	50.00	5.0	30.0
A-2-I	BBB (sf)	175.00	5.0	30.0
A-2-II	BBB (sf)	450.00	7.0	30.0
A-2-III	BBB (sf)	150.00	10.0	30.0

Note: This presale report is based on information as of March 7, 2022. The rating shown is preliminary. Subsequent information may result in the assignment of a final rating that differs from the preliminary rating. Accordingly, the preliminary rating should not be construed as evidence of a final rating. This report does not constitute a recommendation to buy, hold, or sell securities.

Executive Summary

Jimmy John's Funding LLC's series 2022-1 issuance is a $825 million corporate securitization of Jimmy John's Franchise, LLC business. The notes are backed by existing and future U.S. franchise agreements, development agreements, and related franchisee royalties and fees, synthetic royalties on existing and future company-owned restaurants and vendor payments and fees, and existing and future U.S. intellectual property. The company will use the proceeds from the debt issuance for payment of $485 million of Inspire Brands senior unsecured notes and general corporate purposes, with the remaining used for transaction expenses. Total securitization debt outstanding after this issuance will be $1.019 billion, which includes $775 million of series 2022-1 A-2 notes and $308 million of the outstanding 2017-1 A-2-II notes.

Today, ratings on the outstanding tranches of the Jimmy John's Funding LLC series 2017-1 notes were placed on CreditWatch with negative implications. Pro forma for the 2022-1 issuance, the debt service coverage levels are no longer projected to be in line with the current 'BBB+ (sf)' rating on the notes. Instead, the debt service coverage ratio (DSCR) is expected to correspond with the 2017-1 initial rating level of 'BBB (sf)'.

The series 2022-1 note issuance will result in 6.2x leverage on a total debt to adjusted EBITDA basis, as reported by the issuer for the 12 months ended Oct. 30, 2021. EBITDA, as calculated by the indenture, is adjusted to remove certain nonoperating and nonrecurring charge items, such as discretionary compensation and retrofit remodel expenses.

In October 2019, Jimmy Johns was purchased by Inspire Brands, which also owns other brands such as Arby's, Sonic, Buffalo Wild Wings, and Dunkin Donuts. Only the assets of Jimmy Johns are collateral for this transaction.

Key credit features of the transaction include the following:

- The 98% franchised status of Jimmy John's business, which we believe results in a less volatile cash flow stream compared with businesses that have a lower proportion of franchised restaurants.
- The backup manager's ability to maintain cash flow continuity in the event of a manager bankruptcy.
- The company's long operating history: it was originally founded in 1983.
- The modest cash flow cushion observed in cash flow stress scenarios.
- The diverse franchisee base, with the average franchisee operating approximately four units and the top 10 franchisees with average tenure of 16 years.
- The securitization structure, with Midland Loan Services, a division of PNC Bank N.A. (the servicer), acting as the control party, and the servicer's obligation to make interest and collateral protection advances to the extent deemed recoverable.
- The performance trigger, including the rapid amortization and cash trap tests.

Transaction Timeline/Participants

Transaction Timeline

Expected closing date	March 16, 2022
First interest payment date	April 2022
Class A-1 ARD	April 2027(i)
Class A-2-I ARD	April 2027
Class A-2-II ARD	April 2029
Class A-2-II ARD	April 2032
Legal maturity date	April 2052
Note payment frequency	Quarterly, beginning in April 2022.

(i)Plus two one-year extensions. ARD--Anticipated repayment date.

Participants

Sole structuring adviser	Barclays Capital Inc.
Guarantors	Jimmy John's SPV Guarantor LLC, Jimmy John's Franchisor SPV LLC, and Jimmy John's Buying Group SPV LLC
Trustee	Citibank N.A.
Servicer	Midland Loan Services (a division of PNC Bank N.A.).
Manager	Jimmy John's Franchise LLC.
Backup manager	FTI Consulting Inc.

Rationale

The preliminary 'BBB (sf)' ratings assigned to Jimmy John's Funding LLC's $825 million senior notes series 2022-1 reflect the following:

The company's brand strength and its perceived ability to survive a bankruptcy of Jimmy John's and, provided that adequate servicing remains in place, the brand's resulting capacity to continue generating sufficient cash flows from business operations.

The business is 98% franchised.

With the purchase by Inspire, performance has improved, largely due to strategic closures, shared Inspire services, the company's now larger scale, and best practices that come with a large multi-brand company. For example, 2021 was the first year that Jimmy John's extended limited time offers. The Inspire umbrella has contributed to the 17% increase in average unit volume (AUV) and a rise in digital sales to 49% of total sales from 29% prior to the 2019 acquisition.

The projected cash flows supporting the notes have a DSCR of 1.82x in the base case and 1.47x in the downside scenario.

There is a fully funded reserve account (or LOC equivalent) equal to three months of interest payments.

The transaction's back-up manager, FTI Consulting Inc. (FTI), is able to replace the current manager in the event of a manager termination event to assume sales, general, and administrative (SG&A) functions. We believe the business' cost structure relative to the management fee size is adequate should FTI need to step in.

The control structure, whereby the servicer bears the responsibility as the control party.

The transaction structure and the isolation of the assets.

Environmental, Social, And Governance (ESG) Factors

Our rating analysis considered the potential exposure of the transaction to ESG credit factors, which, in our view, is in line with others in the corporate securitization sector. We have generally accounted for these ESG factors, along with other factors, in our business volatility score and cash flow assumptions.

Under the environmental credit factors, we consider the additional costs restaurant chains would face due to increased environmental regulations or climate events, such as extreme storms or floods. In our opinion, Jimmy John's supply chain is not an outlier in greenhouse gas emissions or pollutants, and every branded restaurant is subject to a variety of federal, state, and local environmental laws and regulations.

Under the social credit factors, we consider the exposure restaurant chains have to public health risks and changes in demographic trends. The poignant example of the coronavirus pandemic demonstrates how health and safety fears can cause widespread temporary disruptions to businesses, which, in turn, could have an impact on collateral performance backing the securitization. The restaurant industry is dependent on consumer discretionary spending, which can materially diminish during economic downturns. However, Jimmy John's has partially offset this with its drive-thru offerings, off-premise sales, and increased delivery penetration. In addition, restaurants are vulnerable to food borne illness, labor shortage, and increased costs, including any increase to the federal minimum wage.

Under governance credit factors, we consider how Jimmy John's executes and monitors its overall strategy, along with internal controls, additional oversight from Inspire, and risk management, within our operational risk assessment framework. Jimmy John's experienced management team, with a strong track record through multiple economic and business cycles and demonstrated resilience during recessions, are examples of its operational strength.

Strengths And Weaknesses

Strengths

We believe the transaction strengths include the following:

- Jimmy John's relatively long operating history (over 30 years), which spans multiple economic downturns.
- The brand's strong nationwide visibility, with 2,674 stores as of October 2021.
- Over 98% of the stores are franchised, and the largest single franchisee only represents 4% of systemwide sales as of October 2021.
- A simple and highly profitable business model with minimal assets required for operations and a limited menu. Also, a strong digital platform contributing nearly 50% of sales.
- Overall stable AUV and store count, which has led to relatively steady royalty payments.
- The securitization structure, with Midland Loan Services (the servicer) acting as the control party, Jimmy John's having the option to replace the servicer (subject to the satisfaction of the rating agency condition), and the servicer's obligation to make interest and collateral protection advances if deemed recoverable.
- Since Jimmy John's joined Inspire Brands in 2019, it has brought down costs at a corporate level because of shared services, as well as providing scale and access to the best practices that a multi-brand parent can offer.
- Performance tests, such as rapid-amortization and cash-trap.

Weaknesses

We believe the transaction weaknesses include the following:

- Jimmy John's operates in a highly competitive industry with relatively low barriers to entry. It competes with many other regional and national chains within the "fast-casual" and sandwich segment of the restaurant industry.
- Same-store sales were negative from 2016 to 2020. Year to date, however, same-store sales have held strong at a cumulative annual growth rate of 17%, driven by increased digital exposure, limited time offers, and the company's loyalty program.
- Despite operating since 1983, Jimmy John's began its national franchise efforts in 1994, but only had 100 stores by 2001. Most of the significant growth has taken place in the past 21 years, suggesting it may have lower brand awareness than other restaurant systems.
- A meaningful portion of income is from the buying group, which is derived from negotiated vendor contracts. While many of these relationships date back to before 2007 and most of the vendors are rated at an investment-grade level ('BBB-' or higher), there is a possibility of increased volatility from this cash flow source.
- Varying commodity prices can affect the cost of food supplies.

Mitigant factors

We believe the transaction's weaknesses are partly mitigated by the following factors:

- Jimmy John's differentiates itself from competitors by providing customers with products made from high-quality ingredients with a limited menu, fast execution, and rapid delivery.

- After spending years focusing on speed of service, the company is now focusing on promotional pricing, as well as increasing marketing campaigns that stress a variety of fresh offerings. The company believes this will continue to pull up same-store sales.
- Our stress scenarios for store count declines, AUVs, and buying group revenue are relatively conservative compared to historical performance.
- The transaction documents allow the servicer to appoint a successor manager to replace the manager if certain events occur, with the backup manager acting as the interim manager.
- Jimmy John's longstanding relationships with various suppliers and proprietary recipes reduce reliability on any particular suppliers.
- The company monitors its franchisees at a regional level, using key performance indicators such as total sales, sales growth, transaction count growth, average check, customer service metrics, and other metrics to assess operational and profitability levels.
- Jimmy John's maintains an intense focus on brand standards and has regional business coaches who visit each store for at least eight full days per year.

Key Credit Metrics And Peer Comparisons

Table 1

Key Metrics and Peer Comparisons

Brands	Series	S&P Global Ratings' credit rating(ii)	Store count (no.)	AUV (mil. $)	Franchised (%)(iii)	International (%)(iii)	Operating history (from founding)	Concept type	Leverage (total debt/adj. EBITDA)(iv)	Min. base-case DSCR (v)	Min. downside DSCR(v)
Jimmy John's(i)	2022-1	BBB (sf)	2,657	1.9	98.0	-	Over 30 years	QSR	6.2	1.8	1.5
Jack in the Box	2022-1	BBB (sf)	2,218	1.9	93.0	-	Over 30 years	QSR	5.6	1.8	1.4
Planet Fitness	2022-1	BBB- (sf)	2,193	1.7	90.0	2.9	Over 30 years	Fitness	7.7	2.0	1.3
Jersey Mike's	2021-1	BBB (sf)	2,027	1.1	99.0	0.1	Over 30 years	QSR	5.4	2.0	1.5
Dunkin' Brands	2021-1	BBB (sf)	20,552	1.0	100.0	43.0	Over 30 years	QSR	6.7	1.7	1.4
Driven Brands	2021-1	BBB- (sf)	3,331	1.1	84.0	19.0	Over 30 years	Auto services	5.5	1.8	1.4
Taco Bell	2021-1	BBB (sf)	6,895	1.8	93.0	8.9	Over 30 years	QSR	4.9	1.8	1.6
Sonic	2021-1	BBB (sf)	3,524	1.7	92.0	-	Over 30 years	QSR	6.5	1.8	1.6
ServiceMaster Brands	2021-1	BBB- (sf)	2,624	1.2	99.0	31.0	Over 30 years	Restoration services	8.0	1.8	1.4
Five Guys	2021-1	BBB- (sf)	1,684	1.3	73.0	18.0	Over 30 years	QSR	7.8	1.7	1.5
Hardee's/Carl's Jr.	2021-1	BBB (sf)	3,834	1.3	94.0	26.0	Over 30 years	QSR	7.2	1.8	1.4

Table 1

Key Metrics and Peer Comparisons (cont.)

Brands	Series	S&P Global Ratings' credit rating(ii)	Store count (no.)	AUV (mil. $)	Franchised (%)(iii)	International (%)(iii)	Operating history (from founding)	Concept type	Leverage (total debt/adj. EBITDA)(iv)	Min. base-case DSCR (v)	Min. downside DSCR(v)
Wendy's	2021-1	BBB (sf)	6,838	1.8	95.0	14.0	Over 30 years	QSR	6.9	1.8	1.5
Domino's	2021-1	BBB+ (sf)	17,644	0.9	98.0	64.0	Over 30 years	QSR	6.4	1.8	1.4
SERVPRO	2021-1	BBB- (sf)	1,860	1.5	100.0	-	Over 30 years	Restoration services	8.1	1.7	1.4
Arby's	2020-1	BBB- (sf)	3,520	1.2	66.0	0.2	Over 30 years	QSR	5.9	1.5	1.3
Planet Fitness	2019-1	BBB- (sf) (vi)	1,899	2.1	96.0	2.7	29 years	Fitness	6.5	1.7	1.3
Jack in the Box	2019-1	BBB (sf)	2,240	1.5	94.0	-	Over 30 years	QSR	4.9	1.9	1.6
Applebee's/IHOP	2019-1	BBB (sf)	3,652	2.2	98.0	7.0	Over 30 years	CDR	6.0	1.7	1.4
Jimmy John's	2017-1	BBB+ (sf) (vii)	2,690	0.8	98.0	-	Over 30 years	QSR	5.2	1.8	1.7
Cajun Global	2017-1	BBB- (sf)	1,588	0.7	85.0	32.0	Over 30 years	QSR	5.2	1.8	1.4
TGIF	2017-1	B (sf)	903	2.7	94.0	48.0	Over 30 years	CDR	5.6	1.3	1.0

(i)Preliminary. (ii)Rating is for the senior-most securitization note issued. (iii)% of total store count. (iv)As reported. (v)As of each series' closing date unless otherwise noted. 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. Driven Brands--Driven Brands Funding LLC (Maaco, Meineke, and others). 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 VFN). Taco Bell--Taco Bell Funding LLC. Focus Brands--Focus Brands Funding LLC (Carvel, Cinnabon, Auntie Anne's, and others). Hardee's/Carl's Jr.--Hardee's Funding LLC/Carl's Jr. Funding LLC. Sonic--Sonic Capital 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. AUV--Average unit volume. DSCR--Debt service coverage ratio. QSR--Quick-service restaurants. VFN--Variable funding note.

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 sought to comply with stay-at-home orders. This led to an increase in delivery orders and ticket sizes due to more people working from home. However, with the rollout of several vaccines globally and the easing of the COVID-19 pandemic-induced lockdowns, the shift to delivery slowed in 2021.

Looking to 2022, the restaurant industry as a whole stands to benefit from high levels of customer savings, as well as a tight job market and the possibility of declining COVID-19 cases, all of which will support consumer spending. Still, full-service restaurants face the reality that pent-up demand for in-person dining will decline over time, and that consumer spending will eventually return to pre-pandemic levels. Additionally, commodity cost inflation and wage increases will continue to pressure restaurant margins. In the face of these market dynamics, we expect customers will tend to trade-down from full-service restaurant offerings to more affordable quick-service options. Overall, we expect that the first half of 2022 will be strong for restaurant operators, before returning to more reasonable levels of performance in the second half of the year. Still, we acknowledge that uncertainty regarding possible surges in COVID-19 cases due to variants could affect this outlook.

Jimmy John's

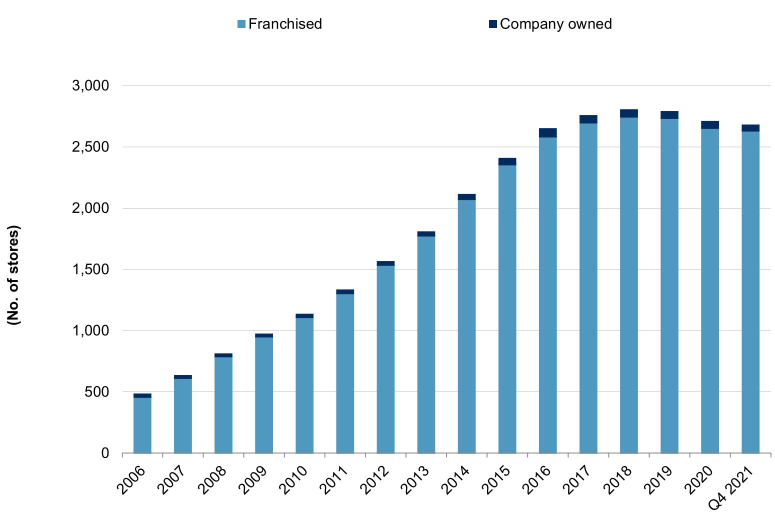
Based in Champaign, Ill., Jimmy John's LLC operates and franchises a chain of quick-service sandwich restaurants. Jimmy John's aims to deliver fresh and quality sandwiches "Freaky Fast®."

As of October 2021, Jimmy John's has over 2,650 restaurants in 43 states and the District of Columbia, and approximately $2.3 billion in last-12-month systemwide sales. Jimmy John's Buying Group SPV LLC manages and negotiates all vendor contracts with support from Inspire's supply chain team.

Jimmy John's franchisee base is diverse, with 662 U.S. franchisees operating an average of approximately four restaurants each, and the largest franchisee operating approximately 4% of total branded restaurants. Of these 662 franchisees, 270 are single-restaurant operators. The top 10 franchisees in the U.S. have an average tenure of approximately 16 years.

Chart 1

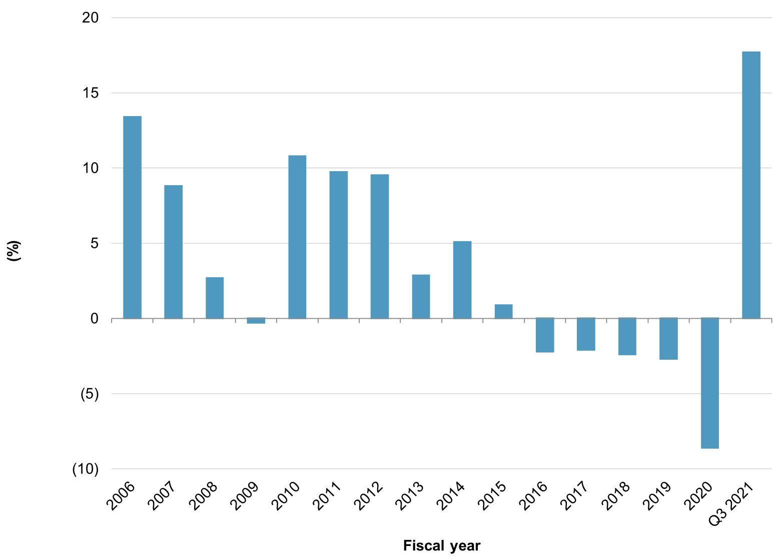
Historical Store Count



Source: Jimmy John's Funding LLC.

Chart 2

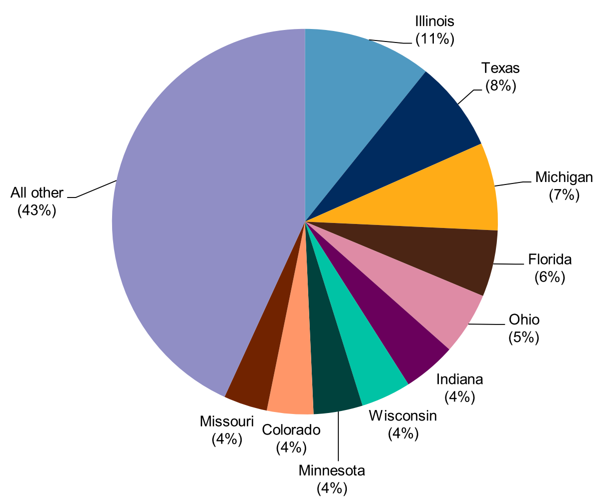
Historical Systemwide Same-Store Sales Growth



Source: Jimmy John's Funding LLC.

Chart 3

Domestic Store Count Concentration
As of Q3 2021



Source: Jimmy John's Funding LLC.

Collateral

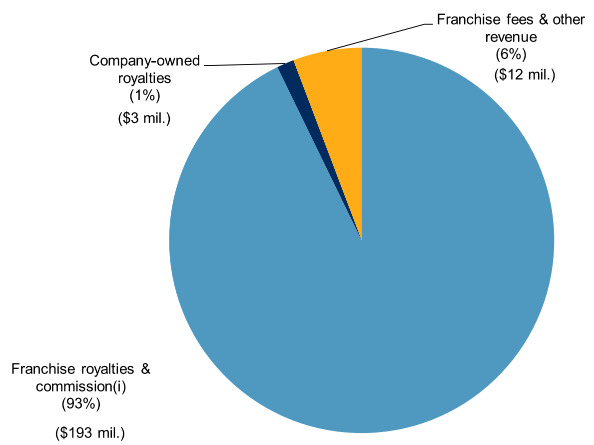
The notes will be secured by a security interest in substantially all of the issuer's and guarantors' assets, and will include:

- Existing and future U.S. franchise agreements;
- Development agreements and related franchise royalties and fees;
- Synthetic royalties on existing and future U.S. company-owned restaurants;
- Jimmy John's Buying Group vendor payments and fees;
- Existing and future U.S. intellectual property;
- Certain transaction accounts; and
- A pledge of the equity interests in the issuer and its subsidiaries.

Chart 4 illustrates the relative initial contributions of the various cash flow streams to the transaction.

Chart 4

Securitization Collections



Source: Jimmy John's Funding LLC. (i)Includes franchise royalty revenues and revenue from Buying Group contracts.

(For more details on each category of securitization collections, see table 4 below.)

Credit Analysis And Assumptions

Key credit considerations

Table 2 shows our key credit considerations for the transaction.

Table 2

Key Credit Considerations

Long operating history	Jimmy John's was founded in 1983. The brand has survived multiple economic downturns and has built a loyal customer base. This supports the likelihood that brand loyalty/recognition (and thus sales) will continue even in the event the manager is replaced.
High franchised percentage	As of Oct. 3, 2021, franchisees operated 98% of the Jimmy John's systemwide stores. We believe a high percentage of franchised stores provides the transaction with better cash flow stability and independence from the manager than transactions with lower percentages of franchised stores.
Large domestic geographic concentrations	The highest state and metropolitan geographic concentration of cash flows comes from the top three states, Illinois (10.7%), Michigan (8.5%), and Texas (6.0%). The rest of the stores are spread across 43 states, with 484 restaurants in the pipeline.

Rating methodology

Table 3 shows our specific conclusions for each of the five analytical steps in our ratings process.

Table 3

Credit Rating Step

Step	Result	Comment
Step 1		
Eligibility analysis	Pass	Our hypothesis is that a system of franchised restaurants will continue to generate cash flow following a bankruptcy of the manager, as individual franchisees generally operate somewhat independently from the manager (aside from general and administrative functions, which we believe can be transferred to a back-up). As long as the brand has sufficient customer loyalty, royalty revenue will continue to be available to service securitization debt assuming the assets have been isolated via a "true sale" to a bankruptcy remote special-purpose entity. Given we do not believe that substantially all cash flow from the system will be at risk following the bankruptcy of the manager, our subsequent analysis quantifies the impact of the correlated cash flow decline from the Jimmy John's system, and compares that to ongoing required interest and principal payments to the rated debt.
Step 2		
Business volatility score (BVS)	4(i)	Inspire Brands' BVS is '3' (derived from a business risk position of satisfactory). Before it was acquired, Jimmy John's had a BVS of '5', and it is our view that a transaction rating should not change solely based on an acquisition. As such, after the acquisition, we applied a two-notch negative adjustment to Inspire's BVS of '3' to arrive at a BVS of '5'. From there, we applied a one-notch positive adjustment because the transaction's cash flows are revenue-based and the system has demonstrated stability over more than 20 years, leaving the Jimmy John's business with a BVS of '4'.
Cash flow assumptions	See table 4 below	
Min. base DSCR	1.82x	Principal and interest are fully paid in this scenario.
Anchor	bbb-	Determined according to table 1 of our corporate securitization criteria, "Global Methodology And Assumptions For Corporate Securitizations," published June 22, 2017.

Table 3

Credit Rating Step (cont.)

Step	Result	Comment
Min. downside run DSCR	1.47x	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, and the anticipated repayment dates, as well as liquidity and deleveraging triggers are all comparable to other rated transactions.
Step 5		
Comparable rating analysis	No adjustment	This transaction does not have any metric that is a significant negative outlier, and is generally in line with the range for nearly all metrics. When looking at other 'BBB' rated transactions as the peer set, this seems relatively consistent.

(i)The mappings from business risk position to BVS are: excellent=1; strong=2; satisfactory=3; fair=4; weak=5; and vulnerable=6. DSCR--Debt service coverage ratio. AUV--Average unit volume.

Cash flow assumptions

Table 4 shows our cash flow assumptions for the transaction.

Table 4

Cash Flow Assumptions

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

AUV--Average unit volume.

Sensitivity Analysis

Sensitivity run 1: management fee stress

Using the rating run stress scenario in table 4, we assumed that the management fee increased by approximately 240% (translating to an approximately 42% reduction in cash flow relative to the base case). In our opinion, the additional management fee stresses what could occur if the company experienced a bankruptcy. While the management fee is currently outlined in the transaction documents, we believe that that such fees could be renegotiated in a potential bankruptcy scenario. Under this scenario, the model indicated that the transaction would still be able to pay timely interest and full principal payments by its legal final maturity.

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 45%. We examined several event risks associated with cash flow losses, including no royalties from the top 10 franchisees and no operating profit or royalties from company-owned stores. Under these scenarios, the model showed that the transaction would be able to pay timely interest and full principal by the legal final maturity date.

Structural Protection Summary

The transaction's structural features and credit enhancements are generally consistent with those of other recent corporate securitizations rated by S&P Global Ratings (see table 5).

Table 5

Structural Features

Test	
Rapid amortization DSCR trigger (P&I)	1.2x
Cash flow sweep DSCR trigger (P&I)	1.75x (50% trap) and 1.5x (100% trap)
Longest ARD range(i)	10 years
Scheduled amortization through ARD (%)	1.0
Manager termination DSCR trigger (IO)	1.2x
Event-of-default DSCR trigger (IO)	1.1x
Management fee	The management fee comprises a fixed portion of $9.5 million plus $10,000 for every $100,000 of annual aggregate retained collections.

(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 classes. DSCR--Debt service coverage ratio. P&I--Principal and interest. ARD--Anticipated repayment date. IO--Interest only.

Payment Priority

The transaction includes class A-1 variable-funding notes that will pay interest and class A-2 notes that will pay interest and principal (except in certain circumstances) quarterly from weekly distributions in the priority shown in table 6. Currently, the transaction includes no senior subordinated or subordinated notes; however, the transaction may issue such notes if certain conditions are met.

Table 6

Payment Priority(i)

Priority	Payment
1	Solely with respect to indemnification amounts, insurance/condemnation, and asset disposition proceeds: to the trustee, then the servicer, for unreimbursed advances; to the manager for any unreimbursed manager advances; if on or after a class A-1 notes renewal date, principal on the class A-1 notes; to prepay the outstanding principal amount of all senior notes (other than the class A-1 notes); to prepay the outstanding principal amount of all senior subordinated notes; and to prepay the outstanding principal amount of all subordinated notes.
2	To the trustee, then the servicer, for unreimbursed advances and accrued interest thereon; then to the manager for any unreimbursed manager advances; and then to the servicer all servicing fees, liquidation fees, and workout fees.
3	Successor manager transition expenses, if any.(i)
4	Weekly management fees(i).
5	Capped securitization operating expense amount; and so long as an event of default has occurred and is continuing, to the trustee and the servicer, all uncapped accrued and unpaid fees, expenses, and indemnities.
6	Senior notes accrued quarterly interest amount, and the class A-1 notes accrued quarterly commitment fees amount, and any accrued and unpaid series hedge payment amount.
7	The capped class A-1 notes administrative expenses amount.
8	Senior subordinated notes accrued quarterly interest amount, if any.
9	Any senior notes interest reserve account deficit amount and any senior subordinated notes interest reserve account deficit amount, in alphanumerical order of designation.
10	The senior notes accrued scheduled principal payment amount; any senior notes scheduled principal payment deficiency amount; amounts then known by the manager that will become due under any class A-1 note purchase agreement before the immediately succeeding quarterly payment date for the cash collateralization of letters of credit issued under such class A-1 note purchase agreement; and for any series of class A-1 notes for which their renewal date has not occurred, any outstanding principal amounts due and payable.
11	Supplemental management fee, if any.
12	On or after any class A-1 note renewal date, if the class A-1 notes have not been repaid on or before such date, all remaining amounts to the class A-1 notes until their outstanding principal amount is reduced to zero.
13	If no rapid amortization event has occurred and is continuing, during a cash-trapping period, the cash-trapping amount.
14	If a rapid amortization event has occurred and is continuing, all remaining amounts to pay down the class A-1 notes, then to pay down each remaining class of senior notes, and then to pay down any senior subordinated notes.
15	Excess receipts reserve required amounts.
16	As long as no rapid amortization event has occurred and is continuing, any senior subordinated notes accrued scheduled principal payment amount; and then senior subordinated notes' scheduled principal payment deficiency amount, if any.
17	Subordinated notes accrued quarterly interest amount, if any.
18	So long as no rapid amortization event has occurred and is continuing, the subordinated notes accrued scheduled principal payment amount, if any; and then the subordinated notes' scheduled principal payment deficiency amount, if any.
19	If a rapid amortization has occurred and is continuing, all remaining amounts to pay down the principal of the subordinated notes until reduced to zero, if any.
20	Uncapped securitization operating expenses.
21	Excess class A-1 notes adminstrative expenses amounts
22	Class A-1 notes' other amounts.

Table 6

Payment Priority(i) (cont.)

Priority	Payment
23	After the ARD, any senior notes accrued quarterly post-ARD additional interest amount.
24	After the ARD, any senior subordinated notes accrued quarterly post-ARD additional interest amount.
25	After the ARD, any subordinated notes accrued quarterly post-ARD additional interest amount.
26	Pro rata, any accrued and unpaid series hedge payment amount that constitutes a termination payment payable to a hedge counterparty, and any other due and unpaid amounts payable to a hedge counterparty.
27	Any unpaid premiums and make-whole prepayment consideration.
28	Any remaining funds at the direction of the issuer.

(i)Ratings do not address the likelihood of receiving post-ARD interest. 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.

We view Jimmy John's performance as an important part of analyzing and monitoring the performance and risks associated with the transaction. While company performance will likely have an effect on the transaction, factors such as cash flow, debt reduction, and legal framework are main components of our analysis.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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 | ABS: Global Methodology And Assumptions For Corporate Securitizations, June 22, 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

- Jimmy John's Funding LLC Series 2017-1 Ratings Placed On CreditWatch Negative, March X, 2022
- The Pandemic Persisted in 2021--And So Did U.S. Retailers and Restaurants, Feb. 25, 2022
- Economic Outlook U.S. Q4 2021: The Rocket Is Leveling Off, Sept. 23, 2021
- Jimmy John's Funding LLC Notes Series 2017-1 Ratings Raised On Two Classes; One Rating Discontinued, March 29, 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
- Why Social Media Should Be A #trendingtopic In Corporate Securitization Analysis, June 9, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016