S&P Global
Ratings

Research

Presale:

Servpro Master Issuer LLC (Series 2022-1)

January 19, 2022

PRIMARY CREDIT ANALYST

Craig J Nelson
New York
+ 1 (212) 438 8124
craig.nelson
@spglobal.com

SECONDARY CONTACT

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

ANALYTICAL MANAGER

Ildiko Szilank
New York
+ 1 (212) 438 2614
ildiko.szilank
@spglobal.com

Preliminary Rating

Class	Preliminary rating	Balance (mil. $)	Anticipated maturity	Legal maturity (years)
A-2	BBB- (sf)	$260	January 2029	30

Note: This presale report is based on information as of Jan. 19, 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

Servpro Master Issuer LLC's (Servpro) $260 million series 2022-1 issuance is an incremental issuance from the securitization of Servpro's whole business. The transaction proceeds, after appropriate fees and expenses, will be used to for general corporate purposes, which may include a return of capital to shareholders. The series 2022-1 note issuance will increase leverage to approximately 7.6x (total debt to adjusted EBITDA as of the trailing 12 months (TTM) ended Nov. 30, 2021) if the series 2019-1 class A-1 variable funding note is fully drawn (or at approximately 7.0, if it is not drawn). Including the proposed $260 million series 2022-1 notes and assuming a full draw of the series 2019-1 class A-1 variable funding note, total debt outstanding for the Servpro Master Issuer LLC master trust is expected to be approximately $1.112 billion as of the April 2022 payment date.

The transaction's key credit features include:

- Servpro's 100% franchised business;
- Servpro's strong brand recognition;
- The backup manager's ability to maintain cash flow continuity in the event of a manager bankruptcy;
- Servpro's long operating history of 55 years;
- The company's stable historic performance metrics, including cumulative average growth rate of approximately 13% since 1998 and positive same-store sales growth over the past 10 years;
- The business' geographic concentration, with the three largest states comprising approximately 27% of annualized systemwide sales as of the TTM ended Sept. 30, 2021; and
- The company's high adjusted leverage of over 7x.

Transaction Timeline

Expected closing date	Week of Jan. 24, 2022.
First interest payment date	April 2022.
Anticipated repayment date	January 2029.
Legal maturity date	January 2052.
Note payment frequency	Quarterly.

Participants

Sole structuring advisor and lead bookrunners	Barclays Capital Inc.
Manager	Servpro Industries LLC.
Backup manager	FTI Consulting Inc.
Master issuer	Servpro Master Issuer LLC.
Guarantors	Servpro SPV Guarantor LLC, Servpro Franchisor LLC, Servpro Distribution LLC, and Servpro Assets LLC.
Trustee	Citibank N.A.
Servicer	Midland Loan Services (a division of PNC Bank N.A.).

Rationale

The preliminary rating assigned to Servpro's senior secured class A-2 series 2022-1 notes reflects our view of:

- The strength of the Servpro brand, including the likelihood for the brand to survive through a Servpro bankruptcy and the brand's capacity to continue generating sufficient cash flow from business operations, provided adequate servicing remains in place.
- The acquisition of franchise area developers. Servpro has completed the previously disclosed buyout of existing franchise area developers' contracts in exchange for ending the commissions the area developers receive. This is expected to result in a meaningful increase in annual securitized net cash flow.
- The replaceable manager. The manager's responsibilities are generally limited to sales, general, and administrative (SG&A) functions, which we believe increases the likelihood of a successful replacement if the current manager is terminated. The transaction also has a backup manager, FTI Consulting Inc., which will be established at the transaction's closing. FTI has reviewed the business' cost structure relative to the sizing of the management fee and believes the cost structure is adequate should FTI need to step in.
- The legal isolation of the assets. Substantially all of the business' cash-generating assets will be sold through a "true sale" to the securitization issuer and guarantors, which are bankruptcy-remote entities, by the transaction's closing date. This should decrease the likelihood that existing Servpro creditors could disrupt cash flow to the securitization following a manager bankruptcy. Legal opinions related to true sale and nonconsolidation are expected to be provided by the transaction's closing.
- The asset performance is not fully correlated with manager performance. A system of restoration services will likely continue to generate cash flow following the manager's bankruptcy because individual franchisees generally operate independently from the manager (except SG&A functions, which we believe can be transferred to a backup manager).
- The cash flow coverage. Given the brand's strength, the replaceable manager, and the legal isolation of the assets from the manager, we projected long-term cash flow for the business. Our analysis incorporates cash flow haircuts reflecting our view of how the business' assets could weaken in adverse economic conditions. Under these conditions, our analysis shows that

the cash flow the business generates are sufficient to meet the rated notes' debt service obligations.

- The liquidity available in the form of a reserve account that is funded with three months of interest expenses and/or a letter of credit.

Our analysis incorporates audited and unaudited financial results. These include audited financials through Sept. 30, 2021, as well as quarterly servicer reports for the first three quarters of 2021 and management certificates for December 2020, October 2021, and November 2021, which, as disclosed in the transaction's offering documents, are preliminary and have not yet been audited. We also considered additional information from management, based on a cash-accounting basis. Our final ratings could differ from the preliminary ratings if there is a material difference between the reported metrics and the audited financials for the TTM period considered.

Environmental, Social, And Governance (ESG) Factors

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

Under environmental credit factors, we consider the energy and greenhouse emissions, waste and recycling, water usage and chemical disposal of Servpro's current 1,923 locations as of Sept. 30, 2021, as well as the environmental impact of its vehicle fleet.

Under social credit factors, we consider how employees in the restoration sector may be exposed to public health risks, particular those involved in the neutralization of biohazards, including mold, mildew, and surfaces potentially contaminated with viruses and bacteria. However, we note that Servpro employees utilize personal protective equipment and are properly trained to mitigate these risks.

Under governance credit factors, we consider how Servpro executes and monitors its overall strategy, as well as internal controls and risk management, which are within our operational risk assessment framework.

Key Credit Metrics And Peer Comparisons

Table 1

Key Credit Metrics And Peer Comparisons(i)

Brands	Series	S&P Global Ratings' current credit rating(ii)	Store count (no.)	AUV (mil. $)	Franchised (%)(iv)	International (%)(iv)	Operating history (from founding)	Concept type	Leverage (total debt/adjusted EBITDA)(v)(vi)	S&P Global Ratings' min. base-case DSCR(vi)	S&P Global Ratings' min. downside DSCR(vi)
SERVPRO(ii)	2022-1	BBB- (sf)	1,923	1.7	100.0	0.0	Over 30 years	Restoration services	7.0	1.7	1.4
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

Table 1

Key Credit Metrics And Peer Comparisons(i) (cont.)

Brands	Series	S&P Global Ratings' current credit rating(ii)	Store count (no.)	AUV (mil. $)	Franchised (%)(iv)	International (%)(iv)	Operating history (from founding)	Concept type	Leverage (total debt/adjusted EBITDA)(v)(vi)	S&P Global Ratings' min. base-case DSCR(vi)	S&P Global Ratings' min. downside DSCR(vi)
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	0.0	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
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
Arby's	2020-1	BBB- (sf)	3,520	1.2	66.0	0.2	Over 30 years	QSR	5.9	1.5	1.3
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)	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	0.0	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
Focus Brands	2018-1	BBB (sf)	6,191	0.3-1.7	98.0	22.0	Range between 1934 and 2000	QSR, casual dining, coffee, etc.	5.8	1.6	1.5
Jimmy John's	2017-1	BBB+ (sf)	2,690	0.8	98.0	0.0	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)Rating is for the senior-most securitization note issued. (ii)Preliminary. (iii)Percent of total store count. (iv)As reported. (v)As of each series' closing date unless otherwise noted. ServPro--ServPro Master Issuer LLC. Planet Fitness--Planet Fitness Master Issuer LLC. Jersey Mike's--Jersey Mike's Funding LLC. Dunkin' Brands--DB Master Finance LLC (AUV represents domestic for both brands, leverage assumes no VFN). Driven Brands--Driven Brands Funding LLC (Maaco, Meineke, and others). Taco Bell--Taco Bell Funding LLC. Sonic--Sonic Capital LLC. ServiceMaster Brands--ServiceMaster Funding LLC. Five Guys--Five Guys Funding LLC. Hardee's/Carl's Jr.--Hardee's Funding LLC/Carl's Jr. Funding LLC. Wendy's--Wendy's Funding LLC. Domino's--Domino's Pizza Master Issuer LLC. Arby's--Arby's Funding LLC. Jack in the Box Funding LLC (Jack in the Box). Applebee's/IHOP--Applebee's Funding LLC/IHOP Funding LLC (Dine Brands Global). Focus Brands--Focus Brands Funding LLC (Carvel, Cinnabon, Auntie Anne's, and others). Jimmy John's--Jimmy John's Funding LLC. Cajun Global--Cajun Global LLC (Church's Chicken). TGIF--TGIF Funding LLC. AUV--Average unit volume. DSCR--Debt service coverage ratio. QSR--Quick-service restaurants.

Industry Overview

The restoration and reconstruction services industry is highly competitive with low barriers to entry. The market is highly fragmented, consisting of mostly smaller, regional firms. Service time and the ability to respond to jobs quickly is a key factor to overall customer satisfaction.

Servpro Business Overview

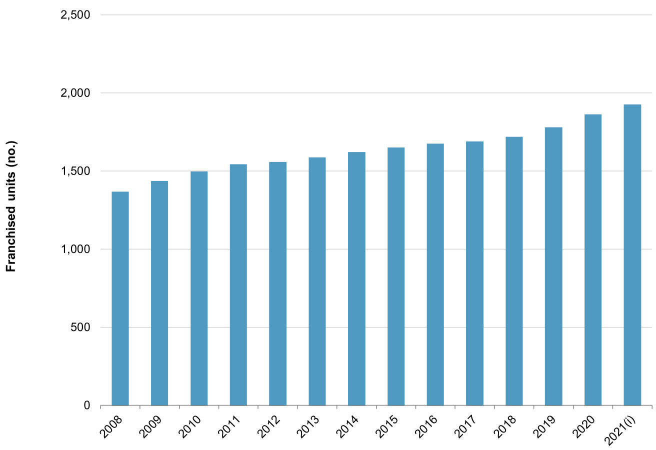
Servpro is a leading franchisor in the restoration and reconstruction services industry. The company is based in Gallatin, Tenn. and has national franchising platforms in the U.S. and Canada. Servpro's 100% franchised system consists of 942 franchisees in approximately 1,923 locations as of Sept. 30, 2021 (see charts 1 and 2). Systemwide sales were approximately $3.337 billion as of Nov. 30, 2021, and the average unit volume per annum was approximately $1.7 million (see charts 3 and 4).

Servpro's franchisee base operates in all 50 states, with 51% of franchisees owning approximately one license. The franchise network has modest revenue concentration with the largest franchise generating about 2% of system sales as of the TTM ended November 2021. The system has a tenured franchisee base, with 60% of owners in the system for 10 years or longer as of Sept. 30, 2021. During the TTM ended Sept. 30, 2021, Servpro's blended franchise gross royalty rate was 4.8%. On average, a Servpro franchise generates approximately $1.7 million in revenue per year.

The brand has shown resiliance during the COVID-19 pandemic, in our view. In the initial stages of the pandemic, there was significant demand for SERVPRO's commercial cleaning business, which offset the lower demand for its core restoration and reconstruction services due to mild weather and the pandemic. As the demand for commercial cleaning returned to pre-COVID-19 levels due to increased knowledge and awareness of the virus' mode of transmission, residential construction and subcontract services have become notable drivers of growth for the system. The segment's growth increased 38% year over year as of Sept. 30, 2021.

Chart 1

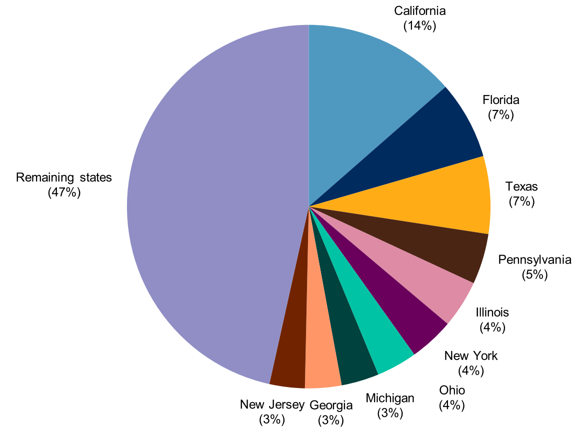
Historical Store Count



(i)As of the trailing 12 months ended Sept. 30, 2021. Source: Servpro Master Issuer LLC.

Chart 2

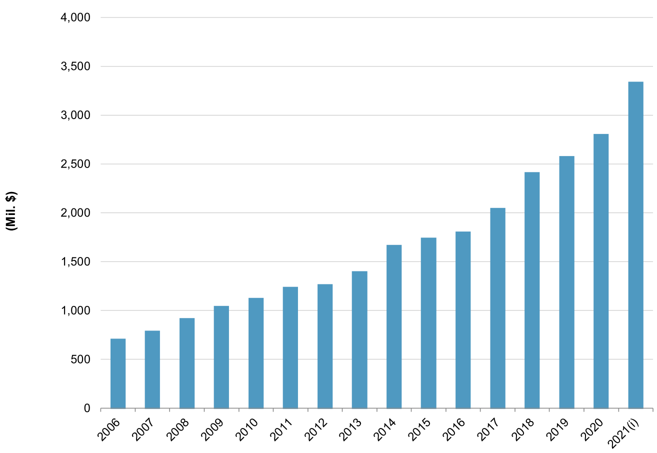
Domestic Store Count Concentration



As of Sept. 30, 2021. Source: Servpro Industries LLC.

Chart 3

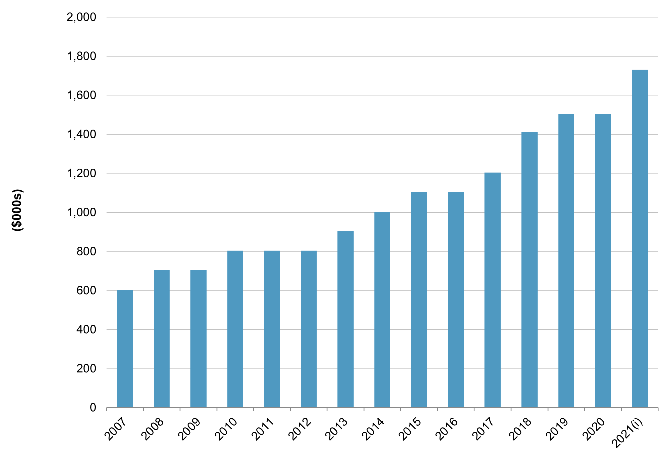
Total Systemwide Sales



(i)As of the trailing 12 months ended Nov. 30, 2021. Source: Servpro Master Issuer LLC.

Chart 4

Average Unit Volume



(i)As of the trailing 12 months ended Nov. 30, 2021. Source: Servpro Master Issuer LLC.

Lines of business

Servpro provides restoration and cleaning services to residential and commercial customers following loss events or disasters. The company derives most of its business from "everyday loss" events, which represent approximately 90% of sales (see chart 5). These losses include broken pipes, flooding, and small house fires. Servpro also provides services to "large loss" events, which represent approximately 10% of systemwide sales, and result from catastrophic events, such as hurricanes, tornados, or large-scale flooding. Servpro leverages its relationships with insurance

 2782236

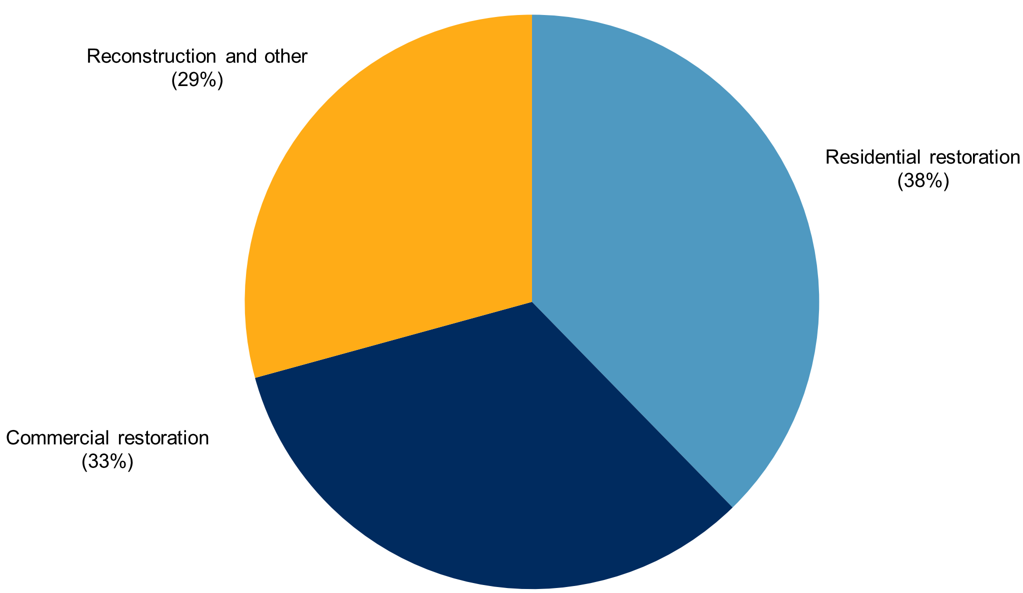
companies to generate approximately 80% of its leads and most of its residential claims reimbursement. As of Nov. 30, 2021, Servpro had programs with 102 insurance companies, including seven of the top 10 property and casualty insurance companies.

Servpro's major business lines include the core residential restoration and mitigation, commercial restoration and mitigation, and reconstruction businesses (see chart 5).

The residential restoration and mitigation business comprised approximately 38% of systemwide sales as of the TTM ended Sept. 30, 2021. Common residential losses include storm, fire, and water damage. As of the TTM ended Sept. 30, 2021, profits from water damage restoration represented approximately 25% of total sales. Servpro is considered the industry leader in the residential restoration and reconstruction sector, based on systemwide sales and a compound annual growth rate (CAGR) of 6% since 2008.

Chart 5

Business Line As % Of Systemwide Sales
As of the TTM ended Sept. 30, 2021



TTM--Trailing 12 months. Source: Servpro Master Issuer LLC.

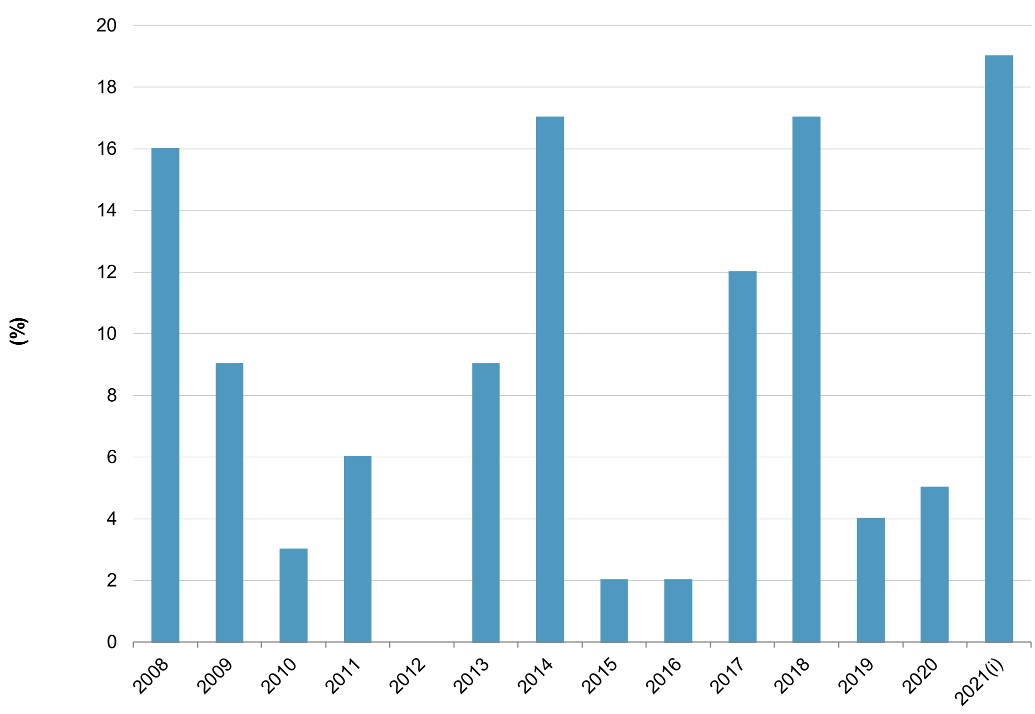
Servpro's commercial restoration and mitigation business, which was formally created in 2012, comprised approximately 33% of systemwide sales as of the TTM ended Sept. 30, 2021. In 2016, Servpro introduced its commercial business growth initiative through the commercial accounts participation agreement program (CAPA). For the period between fiscal year 2016 and the TTM ended Sept. 30, 2021, the commercial business had a CAGR of 22%. The CAPA program is designed to educate franchisees on the commercial business, specifically targeting advertising and national account management. Since implementing the CAPA program in 2016, Servpro's total systemwide sales have remained positive, with year-over-year growth averaging 11% over the past five years (see chart 6).

Servpro's reconstruction business contributed approximately 29% of systemwide sales as of the TTM ended Sept. 30, 2021, and it has been identified as a key focus for future growth. Servpro's reconstruction business is utilized after initial restoration services have been provided, and it is intended to return a customer's home or business back to its pre-loss condition. The services offered include drywall installation, kitchen and bath remodeling, insulation, and painting services, among others. Although the reconstruction segment is a lower margin business, the average project size (approximately $10,000) is almost twice that of the mitigation segment. In 2018, Servpro introduced the reconstruction accounts participation agreement (RAPA) program, which serves as an introduction to national insurance carriers for the reconstruction business.

Systemwide same-store sales growth spiked in 2014 due to a major polar vortex, according Servpro management. the increase after 2017 was driven by the launch of the CAPA and RAPA programs, and the increase in 2021 was primarily driven by growth in the commercial restoration segment, which has been Servpro's fastest-growing line of business since the introduction of the CAPA program (see chart 6). We also note that inflation-driven increases in product pricing have likely contributed to the systemwide sales metrics within the recent period. However, the impact of inflation is partially mitigated by Servpro's use of pricing software that accounts for long-term trends in market data for labor, equipment, and consumables, rather than short-term fluctuations in these inputs.

Chart 6

Historical Systemwide Same-Store Sales Growth/Decline



(i)As of the trailing 12 months ended Sept. 30, 2021. Source: Servpro Master Issuer LLC.

Franchise area developers

Servpro previously utilized franchise area developers that act as recruiters and trainers for new franchisees on its behalf. The services the area developers performed included training, consulting, compliance checks, and other day-to-day franchise support. In return, the area developers received approximately 20%-60% of gross royalties from their locations as commissions, depending on the services provided. During the series 2021-1 issuance, Servpro announced that it intended to buy out the area developer contracts. The buyout was expected to eliminate the royalties paid to area developers, allowing Servpro to capture incremental royalty payments. As of Dec. 31, 2021, Servpro closed the buy-out of all area developer contracts.

Collateral

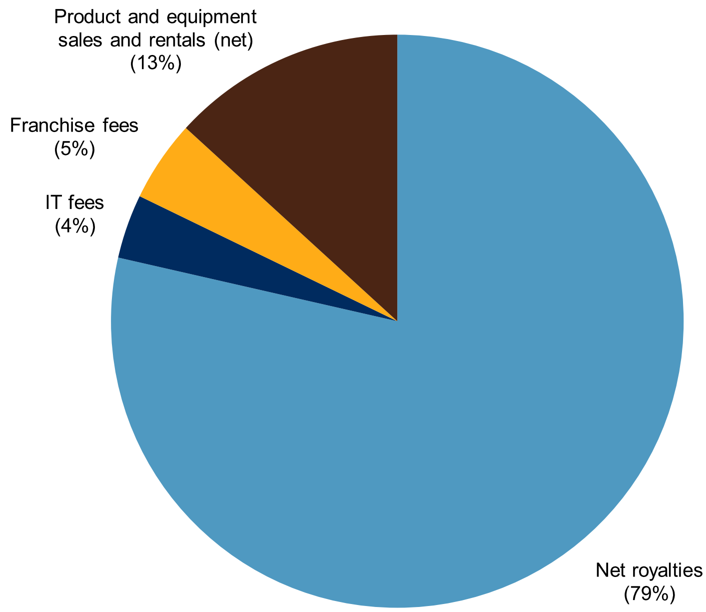
The notes will be secured by a security interest in substantially all of the guarantors' assets and include:

- Contributed and new franchise and development agreements and the related franchisee payments,
- Existing and future product supply contracts relating to vehicles and equipment,
- Securitization intellectual property (IP) and IP license agreements,
- Transaction accounts,
- Contributed and new product supply and related assets,
- Membership interests in the securitization entities, and
- Any interest reserve letter of credit.

Chart 7 shows the various cash flow streams' relative initial contributions to the transaction.

Chart 7

Securitized Cash Flow Source
As of the TTM ended Sept. 30, 2021



TTM--Trailing 12 months. Source: Servpro Master Issuer LLC.

Key Credit Considerations

Table 2

Key Credit Considerations

Long operating history	Servpro was founded in 1967. The brand has survived multiple economic downturns and has built a loyal customer base. This supports the likelihood that brand loyalty and recognition (and thus sales) will continue even if Servpro Industries LLC is replaced as the manager.
High franchised percentage	As of Nov. 30, 2021, franchisees operated 100% of Servpro's domestic franchise units. We believe a high franchised percentage provides the transaction with better cash flow stability and independence from the manager than transactions with a lower percentage of franchised units.
Stable performance metrics	Since 2008, the Servpro system has sustained consistent years of positive same-location sales and a compound annual growth rate (CAGR) of approximately 10% CAGR of systemwide sales. The company has over 20 consecutive years of positive systemwide sales growth.

Credit Rating Methodology

Table 3 details 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	We believe franchised restoration locations would likely continue to generate cash flow if the manager files 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 should 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 that substantially all cash flow from the franchise system will be at risk if a manager bankruptcy occurs, our subsequent analysis quantifies the impact of the correlated cash flow decline from the franchise system and compares that to ongoing required interest and principal payments to the rated debt.
Step 2		
Business volatility score (BVS)	4(i)	Servpro's business risk profile assessment is weak. This maps to an unadjusted BVS of '5'(i), which we adjusted upward by one notch to '4' because the cash flow is revenue based and the system has demonstrated stability for more than 30 years.
Cash flow assumptions	See table 4 below	
Minimum base DSCR	1.69x	Principal and interest are fully paid in this scenario.
Anchor	bb+	Determined based on table 1 of our corporate securitization criteria, "Global Methodology And Assumptions For Corporate Securitizations," published June 22, 2017.
Minimum downside run DSCR	1.38x	Principal and interest are fully paid in this scenario.
Step 3		
Resiliency score	Satisfactory	Determined based on table 3 of the Corporate Securitization criteria.
Resiliency adjusted anchor	bbb	Determined based on table 4 of the Corporate Securitization criteria.
Step 4		
Modifier analysis	1 notch down	This structure is an outlier from a leverage perspective. However, the anticipated repayment dates and the liquidity and deleveraging triggers are comparable to those of other transactions.
Step 5		
Comparable rating analysis	None	Servpro is in a stable but fragmented industry. It has higher margins than other whole business concepts and is comparable to other nondiscretionary service providers such as ServiceMaster and Driven Brands.

(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. DSCR--Debt service coverage ratio. BVS--Business volatility score.

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	20	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. Business consumer services.
All other securitization collections	0	30	All other securitization collections.

(i)For AUV. AUV--Average unit volume.

Sensitivity Analysis

Sensitivity run 1: management fee stress

Using the base-case assumptions outlined in table 4, we determined that the management fee could increase by as much as 305% (equivalent to an approximately 33% 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. We believe the additional management fee stresses could occur if Servpro experienced a bankruptcy. While the management fee is outlined in the transaction documents, we believe those fees 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 is approximately 53%. We examined several event risks associated with cash flow losses, including the royalty losses from the top three geographies by store count and from top 10 franchisees. Under these scenarios, our analysis showed that the transaction could 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 similar recently rated corporate securitizations (see table 5).

Table 5

Structural Features

Test	Result
Rapid amortization DSCR trigger (P&I)	1.20x; system sales less than $1.135 billion.
Cash sweep DSCR trigger (P&I)	1.75x (50% sweep).

Table 5

Structural Features (cont.)

Test	Result
ARD horizon(i)	Seven years.
Scheduled amortization through ARD (%)	1.0%.
Senior leverage ratio nonamortization test (total debt/EBITDA)	5.00x (no scheduled amortization if the holding company leverage ratio is less than or equal to this level.
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 retained collections. According to the transaction documents, the fixed component is assumed to be $9.2 million annually, and the variable component is assumed to be $15,550 per $100,000 of retained collections over the preceding four most recently ended quarterly fiscal periods. The management fee is also subject to a 2% annual increase of the fixed component if the increased amount does not exceed 35% of 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.

Payment Priority

Following the series 2022-1 issuance, the transaction will include class A-2 notes from three series (2019-1, 2021-1, and 2022-1), which will pay interest and principal quarterly from weekly distributions in the priority shown in table 6. The transaction currently doesn't 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	From indemnification, permitted asset dispositions, and insurance and 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 renewal date has occurred or a rapid amortization event has occurred and is continuing, pay the class A-1 notes; then pay all other senior notes; then to the senior subordinated notes, if any; and then to the subordinated notes, if any.
2	To the trustee; then to the servicer; then, on and after the 2022 springing amendments implementation date, to the backup manager 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	Monthly management fees.
5	Capped securitization operating expense amount; and then, and prior to the 2021 springing amendments implementation date, if an event of default has occurred and is continuing, the post-default capped trustee expense amount to the trustee.
6	Interest on the senior notes, the class A-1 note commitment fee amount, and the hedge payments, if any.

Table 6

Payment Priority (cont.)

Priority	Payment
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	On or after any class A-1 notes 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 a rapid amortization has occurred and is continuing, all remaining amounts to pay down the class A-1 notes, then to pay down the remaining senior notes, and then to pay down any senior subordinated notes.
14	As long as no rapid amortization event has occurred and is continuing, any senior subordinated note accrued scheduled principal payment amount, and then any senior subordinated note scheduled principal payment deficiency amount.
15	Interest on the subordinated notes, if any.
16	As long as no rapid amortization event has occurred and is continuing, any subordinated note accrued scheduled principal payment amount, and then and senior subordinated note scheduled principal payment deficiency amount.
17	If a rapid amortization has occurred and is continuing, all remaining amounts to pay down the subordinated notes, if any.
18	If a cash flow sweeping event has occurred, to the class A-2 and A-1 notes, pro rata, the lesser of the cash flow sweeping percentage of the available funds after items 1-17 in the payment waterfall are paid in full, and the aggregate class A-1 and A-2 outstanding balance.
19	Uncapped securitization operating expenses.
20	Uncapped class A-1 note administrative expenses amounts.
21	Class A-1 note other amounts.
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 make-whole prepayment considerations.
27	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.

We view Servpro's performance as an important part of analyzing and monitoring the performance and risks associated with the transaction. While company performance will likely affect the transaction, we believe other factors, such as cash flow, debt reduction, and legal framework, also contribute to our overall analytical assessment.

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

- Economic Outlook U.S. Q1 2022: Cruising at a Lower Altitude, Nov. 29, 2021
- Credit FAQ: The Key Ingredients For Whole Business Securitization Ratings, Feb. 22, 2019
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016