



Loan Review Summary

ENSIGHT
CRC GROUP, LLC
Credit Risk Consulting

Review as of: 03/31/18	Review Purpose: New Loan	Review Date: 04/17/19	Reviewer: Bob Dunlap
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Borrower Identity

Name: JJ SANDWICH GROUP LLC	Type: Operating Entity
Business: Jimmy Johns franchisee	

Loan Information

Information for Loan #: 6000003 Bank Risk Grade: 3.75 Pass Grade

Original Amount: \$1,277,600	Date Opened: 05/18/17	Original Maturity: 05/18/20
Current Balance: \$1,252,275	Committed Exposure: \$1,252,275	

Original Purpose: To refinance existing term debt on four existing stores and finance \$808,000 of the \$941,500 purchase (85% LTC) of two additional existing Jimmy Johns locations in Orlando.

Refinance Amount: \$469,600

Settlement Statement: Yes

Advance Terms: Fully advanced at loan closing

Interest Rate: 5.50% Type: Variable Change Date Freq: Monthly
 Index: Prime Rate Margin: 1.50% Floor: 5.25%

Loan Payment Type: Prin + Int Amount: \$15,210 Amortization: 84 Months

Frequency: Monthly

Loan Payment Status: Current

Loan Officer: Bill Long

Loan Approved: Yes Approver: Officers Loan Committee Appropriate Authority: Yes

Does the Loan Conform with Approval: Yes

Options for Maturity Extension: At maturity, to extend the maturity 4 years on the same terms subject to satisfactory performance.

Collateral Information

Non-Real Estate Collateral (P)

Description: UCC-1 on all corporate assets

Assignment Date: 05/18/17	Assignment Perfected: Yes
UCC-1 State Rec Date: 05/20/17	UCC-1 County Rec Date: 05/19/17

Appraisals

Date: 04/15/17	Type: Business Valuation	Amount: \$2,150,000
Reviewed: Yes	Accepted: Yes	Orig LTV: 59.4%

Security Agreement: Yes Security Agreement Satisfactory: Yes

Property Insurance: Yes	Amount: \$755,000	Exp Date: 11/25/18
Liability Insurance: Yes	Amount: 1MM/1MM/2MM/3MM	Exp Date: 11/25/18
Workman Comp Insurance: Yes	Amount: \$500,000	Exp Date: 11/25/18

Monitored Advance: N/A

Comments: The valuation is based on the December 2016 Restaurant Research QSR industry 5.11 X's multiple of pro forma EBITDA for the 6 stores. The UCC-1 on all business assets would provide little value in liquidation; recovery in liquidation primarily relies on franchisor assistance in marketing the franchised operation.

Original LTV: 59.4%

Total Appraisal Value: \$2,150,000

Total Current LTV: 58.2%

Borrower/Co-Borrower Financial Analysis

EIN: **_****7777

Name: JJ SANDWICH GROUP LLC

Type: Operating Entity

Type of Financial: Tax Return - S Corp/Ptrshp Year: 2016

Signed: Yes

Current: Yes

Balance Sheet-Selected Entries('000)			
Assets		Liabilities	
Cash/MS	\$163	A/P & OCL	\$22
Trade A/R	\$6	N/P LOC	
Inventory	\$23	CPLTD	\$96
Total Current Assets	\$192	Total Current Liabilities	\$118
Fixed Assets - net	\$934	Term Debt	\$386
		Member Loan	\$400
Total Assets	\$1,195	Total Liabilities	\$904
Current Ratio	1.6 X's	Total Operating Leases	\$125
Intangible Assets	\$18	Book Capital Equity	\$291
Due From Shareholder	\$0	Due To Shareholder	\$400
Net Due Shareholder	\$400	Adj Tangible Capital/Eq	\$673
Debt to Adj TNW Ratio	1.3 X's	Cash Distribution	\$100
		Net Cash Distribution	\$100

Income Statement-FYE	
Revenue	\$1,842
Gross Profit	\$1,361
Interest	\$56
Depreciation/Amort.	\$54
Ordinary Y/Pre-Tax Y	\$112
Rent	\$164
Discretionary Owner Comp	\$75
Non-Deduct Expense	\$7
EBITDA	\$222
Debt Service	\$92
DSCR	2.41 X's
Funded Debt/EBITDA	2.17 X's
Adj Cash Flow	\$215
Adj Cash Flow DSCR	2.34 X's
Adj EBITDAR	\$279
FCCR	1.09 X's
Operating Leverage Ratio	2.18 X's

Bank Underwriting DSCR Calc	
Cash Flow/EBITDA	\$222
DSCR	2.44 X's

Loan Underwriter and Reviewer Generally Agree: Yes

Financial Performance Trend: Stable

Comments: 2016 adjusted cash flow of \$215M provided for a satisfactory DSCR of 2.34 X's for the refinanced portion of the debt. The 2016 FCCR was a marginally acceptable 1.09 X's (due primarily to the cash distribution of \$100M) and the Operating Leverage Ratio was 2.18 X's prior to the acquisition. Member Loans are subordinated to the term loan.

EIN: **-****0000

Name: (JJ Target Stores)

Type: Operating Entity

Type of Financial: Internally-Prepared FS - FYE Date: 12/31/16

Signed: No

Current: Yes

Balance Sheet-Selected Entries('000)	
Assets	Liabilities

Income Statement-FYE	
Revenue	\$1,171
Gross Profit	\$865
Interest	\$48
Depreciation/Amort.	\$16
Ordinary Y/Pre-Tax Y	\$68
Rent	\$64
EBITDA	\$132
Debt Service	\$157
DSCR	0.84 X's

Bank Underwriting DSCR Calc	
Cash Flow/EBITDA	\$132
DSCR	0.84 X's

Loan Underwriter and Reviewer Generally Agree: Yes

Financial Performance Trend: Not Applicable

Comments: 2016 historical cash flow of \$132M for the two purchased locations would have provided for a DSCR of .84 X's for the purchase money portion of total debt service. 2016 Pro Forma Global Business Cash Flow, as indicated below, of \$347M provides for a projected DSCR of 1.40 X's.

Global Business Cash Flow: \$347

Global Business Debt Service: \$248

Global Business DSCR: 1.40 X's

Guarantor Financial Analysis

SSN: ***-**-1432

Name: Paul Christy

Type: Individual

Guaranty Type: Specific Amount: Full

PFS Date: 12/31/16 Signed: Yes Current: Yes

PTR Year: 2016 Signed: Yes Current: Yes

Financial Statement-Selected Entries('000)			
Assets		Liabilities	
Cash	\$115	Cash Collateral Loans	
Market Securities	\$347	Margin Loans	
CVLI	\$25	Life Policy Loans	
Annuities/Retirement	\$1,920	Other Notes Payable	\$75
Residences	\$1,000	Residence Mortgages	\$635
Part Int/Closely Held	\$1,800	Related Mortgages/NP	
Total Assets	\$5,335	Stated Net Worth	\$4,595

Tax Return-Selected Entries('000)	
W2	\$225
Schedule B	\$3
Schedule E - K-1's	\$1,040
K-1 Distributions	\$530
Est Personal Cash Flow	\$758
DTI	12.7%

Unencum Liquid Assets	\$487	Adjusted Net Worth	\$2,332
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Bank Underwriting Calculation	
Personal Cash Flow	\$650
Total Debt Payments	\$88
DTI	13.5%
Global DSCR	2.25 X's

Credit Report - Yes	
Date	04/10/17
Score	775
Total Mo Payments	\$8,015

Loan Underwriter and Reviewer Generally Agree: Yes

Financial Performance Trend: Stable

Comments: Paul Christy is a CPA partner with KPMG in Orlando, receiving guaranteed payments and distributions totaling 470M in 2015 & 590M in 2016 in addition to 2016 combined W2 income of \$225M that provided for a DTI of 11.8%, with excess outside recurring annual cash flow of approximately \$700M. Paul Christy owns 20% of the Borrowing entity.

SSN: ***-**-8954

Name: Janet Christy

Type: Joint/Spouse

Guaranty Type: Specific Amount: Full

Spouse provides joint PFS &PTR with Borrower

Credit Report - Yes	
Date	04/10/17
Score	790

Comments: Janet Christy was previously a district manager for a Jimmy Johns franchisee for 5 years. Janet Christy is an 80% owner of the Borrowing entity and is responsible for the overall management of store operations.

Reviewer Calculation of Global Debt Service Coverage Ratio (in '000)

Borrower Cash Flow	\$347	Borrower Debt Service	\$248
Ind. Guarantor(s) Discretionary Income*	\$360	Ind. Guarantor(s) Debt Service**	\$96
<i>* Adjusted for estimated income tax and cost of living</i>		<i>** Credit Bureau debt service</i>	
Global Available Cash Flow	\$707	Global Debt Service	\$344
Reviewer Estimated Global Debt Service Ratio	2.06 X's		
Bank Global Debt Service Ratio	2.25 X's		
Loan Underwriter & Reviewer Generally Agree	Yes		

Summary Analysis of Risks to Repayment

Repayment

Priority	Source	Description	Metric	Value
Primary	Borrower Cash Flow	2016 BTR and 2016 target stores cash flow	DSCR	1.40 X's
Secondary	Guarantor Support	2016 PTR	Global DSCR	2.25 X's
Tertiary	Collateral Liquidation	Apr. 2017 Business Valuation	LTV	59.4%

Reg O Loan: No

Document Exceptions

No Document Exceptions

Financial Exceptions

No Financial Exceptions

Loan Policy/Underwriting Exceptions

No Policy/UW Exceptions

Financial Covenants

No Financial Covenants

Adequacy: None when there should be

Comments: A minimum FCCR covenant of 1.15 X's would have been appropriate to control the level of cash distributions during the loan term.

Loan Weaknesses: Soft collateral and the increased operational risk generally associated with a fast food restaurant franchisee.

Loan Strengths: Pro forma DSCR of 1.40 X's, based on historical store performances. Global DSCR of 2.25 X's, with substantial outside recurring income for Paul Christy.

Loan Underwriting presentation: Thorough

and the Financial Analysis of the source of Repayment: Thorough

Loan Underwriting structural support: Moderate

Comments on Loan Underwriting: Loan underwriting was thorough and the loan structure is satisfactory, other than the lack of the additional loan structural support that would have been provided by the suggested financial loan covenant.

Global Cash Flow Calc: Yes Stress Testing: Yes Level: Multiple-Level Is Adequate: Yes

Bank Risk Grade: 3.75 CRC Rec Grade: 3.75 Credit Grade Outlook: Insufficient

Credit Risk Comments: The risk grade 3.75 is appropriate for the credit risk related to the acquisition of the two additional existing Jimmy Johns store locations until satisfactory performance is proven.

Significant Credit or Loan Structure Issues: No