

Hercules (Eclipse 2006-4) Plc
Quarterly Surveillance Report for the
Collection Period
26 January 2022 – 25 April 2022
Issue Date: 14th June 2022

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Deal Overview

Deal Overview

The transaction originally consisted of thirteen loans totalling £401.36m, secured by one hundred and thirty six properties and originated by Barclays Bank PLC.

The loans varied in size from £3.89m to £83.18m with a weighted average of £52.72m and they similarly varied from single asset/single tenant to multi asset/multi-tenant. All but one of the loans have since been prepaid or liquidated.

The one remaining loan (the Ashbourne Portfolio A loan), originally of £79.94m, is a super-senior portion of the senior tranche of the Ashbourne Portfolio Whole Loan that also has two further senior tranches, a mezzanine tranche and a junior tranche.

BCMGlobal acts as both Primary and Special Servicer to the Issuer.

Special Servicing

Ashbourne Portfolio A Loan

Loan balance at cut-off £79,944,421

Current loan balance: £53,666,098.42

Special Servicing

Investors will find the most recent update to noteholders via the links in the table below:

<u>Date</u>	
16 May 2022	hercules-eclipse-2006-4-ris-notice-2022-05-19.pdf (bcmglobal.com)

The contents of the most recent update are substantially as follows:

Update on the Strategy for the Portfolio

To date, since the launch of the piecemeal disposal strategy for the portfolio, seventeen properties marketed as trading care homes have now been sold.

In addition, fourteen properties marketed as closed care homes have now been sold. Currently, nineteen trading care homes and a closed care home are being marketed for sale.

Ultimately, it is the intention of the Special Servicer, working with the Asset Manager and the Operator to continue preparing batches of trading homes for future marketing for sale so that eventually the entire portfolio is sold and recoveries made for the Lenders.

Covid-19

An update on the effects the current Coronavirus outbreak is having on the UK-mainland and Northern Ireland operations is included in the respective trading updates set out in Schedule 1 of the notice.

In terms of the effects on the disposal strategy, the lock-down of the care home sector and specifically the Larchwood Care business during 2020/21, resulted in any non-essential visits being prohibited.

This in turn meant that no visits by buyers' advisors (e.g. valuers) were permitted and hence, the anticipated timeframes for progressing the sales were elongated as a consequence.

As the restrictions have eased, this has enabled the Operators to permit more widespread, third-party access to the properties and this easing supports the continued intention to market further care homes for sale in the next 12 months.

UK-mainland portfolio

Closed properties

Currently, there are six closed properties remaining namely:

- three (Copper Beeches, Heathmount and Silver Birches, situated on the same site) and following the receipt of the “pre-app” response from the planners on the site, a data-room has been established for use in the sale of the properties and a sales agent has been engaged to undertake the marketing for sale of the site.

Marketing of the three-property site was completed and an offer accepted. Subsequently, the proximity of Japanese knotweed close to the boundary of the site (& the neighbouring property) precluded the buyer from progressing matters and they withdrew their offer.

Whilst the presence of the knotweed has historically been managed by a specialist contractor, it is now to be aggressively treated and where possible removed, such that it will permit the re-marketing of the site to commence within the next 3 months.

- a closed care home located in Droitwich that was deemed uneconomic to continue operating and has potential “alternative use” opportunities that could provide enhanced recoveries in a future sale process.

This property is currently being reviewed for possible residential redevelopment options, in advance of being marketed for sale.

- a closed care home located in Huddersfield that was deemed uneconomic to continue operating and which is now being marketed for sale.
- a closed care home located in Huddersfield that was deemed uneconomic to continue operating.
- This property is currently being reviewed for possible residential redevelopment options, in advance of being marketed for sale.
- A sales agent has been selected to undertake the marketing of the property and once sales particulars have been prepared together with floor plans and an EPC, depending upon the prospects for residential redevelopment (which may result in the sales process being deferred), marketing will commence

Below is a summary of the number of closed care homes remaining in the Ashbourne portfolio.

<u>Status</u>	<u>Location</u>	<u>No of homes</u>	<u>For sale</u>	<u>%age for sale</u>	<u>Offer Accepted</u>	<u>In the legal process</u>	<u>Contracts Exchanged</u>
Closed	England	6	1	17%	1	1	0

Once the marketing processes have been launched and the sale of the closed properties develop toward a conclusion, the Special Servicer will update noteholders accordingly.

Trading care homes

Following the completion of the various sales, currently there are four care homes that having been marketed for sale, are now in legal documentation.

Below is a summary of the number of trading care homes remaining in the Ashbourne portfolio.

<u>Status</u>	<u>Location</u>	<u>No of homes</u>	<u>For sale</u>	<u>%age for sale</u>	<u>Offer Accepted</u>	<u>In the legal process</u>	<u>Contracts Exchanged</u>
Trading	England	24	11	46%	3	3	1
"	Scotland	6	1	17%	1	1	1
"	NI	7	7	100%	0	0	0
	Total	37	19	51%	4	4	2

Currently, a trading care home located in Scotland that has been deemed uneconomic to continue operating, is in the process of being closed.

The Special Servicer has chosen not to identify such assets so as not to detract from the future trading and marketing for sale of such businesses, however it will update noteholders as the various disposal processes develop.

For those trading homes that are in the course of legal documentation, approval will be required from the relevant regulator for the proposed change of registration to the proposed new owner, with the latter taking up to 26 weeks to conclude.

As the sales processes for the remaining trading care homes develop toward a conclusion, the Special Servicer will update noteholders accordingly.

Going forward, the Special Servicer in conjunction with the Asset Manager and the Operator, will continue to select further batches of care homes to be assessed for possible disposal and thereafter placed with a sales agent for marketing.

Northern Ireland portfolio

As previously disclosed, following the conclusion of the marketing process, the primary bidders completed visits to the care homes, to enable them to refine and ultimately finalise their bids.

Following receipt of best & final bids, a preferred bidder was selected to proceed to the second phase of due diligence, toward eventually completing the acquisition of the portfolio.

Whilst the preferred bidder commenced its due diligence, the funder supporting the acquisition withdrew from the transaction, for reasons entirely outside of the control of the

preferred bidder, the Special Servicer or the Borrower and unconnected to the portfolio itself.

Consequently, the sales agent is now pursuing the interest previously expressed in the portfolio and other avenues of interest, as we consider that a sale of the entire business, compared to individual home sales, will maximise recoveries to the lenders.

Notwithstanding this recent turn of events, the Northern Ireland portfolio continues to operate at consistently high levels of occupancy and EBITDARM generation, as evidenced by the most recent quarterly trading update herein. As the renewed marketing process develops, the Special Servicer will update noteholders accordingly

Larchwood portfolio summary

Below is a summary of the number of care homes remaining in the Ashbourne portfolio, their status (e.g. Closed or Trading) and the number of properties currently being marketed for sale.

<u>Status</u>	<u>Location</u>	<u>No of homes</u>	<u>For sale</u>	<u>%age for sale</u>	<u>Offer Accepted</u>	<u>In the legal process</u>	<u>Contracts Exchanged</u>
Closed	England	6	1	17%	1	1	0
<u>Status</u>	<u>Location</u>	<u>No of homes</u>	<u>For sale</u>	<u>%age for sale</u>	<u>Offer Accepted</u>	<u>In the legal process</u>	<u>Contracts Exchanged</u>
Trading	England	24	11	46%	3	3	1
"	Scotland	6	1	17%	1	1	1
"	NI	7	7	100%	0	0	0
	Total	37	19	51%	4	4	2
	Total	43	20	47%	5	5	2

FURTHER UPDATES

The Special Servicer continues to evaluate various options in relation to maximising recoveries under the Priority A Loan. The Special Servicer will continue to update the Issuer as the process develops.

Contact Details

For any questions, please contact:

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Link to the Deal Summary Report
[Investor relations \(bcmglobal.com\)](#)

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