

Hercules (Eclipse 2006-4) Plc
Quarterly Surveillance Report for the
Collection Period
26 July 2020 – 25 October 2020
Issue Date: 3 December 2020

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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.

Link Asset Services 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: £60,933,532.27

Special Servicing

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

<u>Date</u>	
20 November 2020	https://ww2.linkassetsservices.com/media/pyfpm0jp/hercules-eclipse-2006-4-ris-notice-2020-11-20.pdf

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

Update on the Strategy for the Portfolio

Of the trading care homes initially marketed in the summer of 2019, five homes have now been sold, with a further three homes currently in legal documentation.

The marketing process for the sale of the further fifteen trading care homes which commenced in Autumn 2019 has been concluded and the Propcos and the Special Servicer have reviewed the final offers in conjunction with the agent.

Prior to the Covid-19 pandemic, offers had been accepted on twelve of the fifteen care homes. An offer on one further home has been accepted post the lock-down period commencing.

Subsequently, six of these offers were withdrawn, two homes have been sold, with the remainder in various states of progress, as the buyers have had to focus on their existing care homes, in light of the on-going challenges within the care home sector.

Subsequent to the 6 October Announcement, contracts have been exchanged for the sale of a further two trading care home for a total gross sale consideration of £3.025m.

As these offers progress, the Special Servicer will update noteholders accordingly.

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, has resulted in any non-essential visits being prohibited.

This in turn means that no visits by buyers advisors (e.g. valuers) are currently permitted and hence, the anticipated timeframes for progressing the current offers are expected to be elongated as a consequence.

In addition, it is unclear as to the effect the current pandemic will have on the various regulators and their ability to respond to applications from buyers to change the registration of the care homes.

UK-mainland portfolio

Closed properties

Currently, there are 4 closed properties remaining of which:

- three (Copper Beeches, Heathmount and Silver Birches, situated on the same site); and
- one Mountwood situated on a separate site

are currently being evaluated for possible alternative use including residential redevelopment.

A “pre-app” request has been submitted to the local planning authority in relation to the redevelopment of the site upon which the Copper Beeches, Heathmount and Silver Birches properties are situated, and a response has now been received from the planners. A data-room will now be established for use in the future sale of the property and also a sales agent selected to undertake the marketing for sale of the site.

A “pre-app” request has also been submitted to the local planning authority for the residential redevelopment of the Mountwood site and a response has now been received from the planners. A data-room will now be established for use in the future sale of the property and also a sales agent selected to undertake the marketing for sale of the site.

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 Exchange</u>
Closed	England	4	0	0%	0	0	0

As the sales processes for the remaining 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 eight care homes being marketed for sale or are in legal documentation following a marketing process. Of these eight, all are currently in the legal process.

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 Exchange</u>
Trading	England	35	6	17%	6	6	3
"	Scotland	6	0	0%	0	0	0
"	Wales	2	2	100%	2	2	0
"	NI	7	0	0%	0	0	0
	Total	50	8	16%	8	8	3

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 typically taking between 12 - 24 weeks to conclude.

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

Northern Ireland portfolio

As previously disclosed, the sale of the Northern Ireland business has been placed on hold.

No resolution of the issues preventing the sale has been achieved. Based on the current information available to the Special Servicer, it is now considered unlikely that a sale of the Northern Ireland portfolio will proceed as previously envisaged.

Consequently, the Special Servicer, in conjunction with the Asset Manager has started exploring an alternative approach to the disposal of the Northern Ireland homes, likely a combination of individual home sales and the sale of clusters of two or more care homes, depending upon the interest shown during the marketing process.

A process for selecting a sales agent to undertake the alternative strategy is currently being pursued.

For the avoidance of doubt (and as outlined in the latest trading statement in Schedule 1), the financial performance of the Northern Ireland business continues to be positive. As the revised 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 Exchange</u>
Closed	England	4	0	0%	0	0	0
NB – the 4 remaining closed homes in England (3 of which are situated on the same site) are currently the subject of “pre-app” planning proposals, to maximise recoveries from a future sale of them, as they provide residential and commercial redevelopment opportunities.							
<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 Exchange</u>
Trading	England	35	6	17%	6	6	3
“	Scotland	6	0	0%	0	0	0
“	Wales	2	2	100%	2	2	0
“	NI	7	0	0%	0	0	0
	Total	50	8	16%	8	8	3
	Total	54	8	15%	8	8	3

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

<http://loans.linkassetservices.com>

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