

**Hercules (Eclipse 2006-4) Plc**  
**Quarterly Surveillance Report for the**  
**Collection Period**  
**26 July 2022 – 25 October 2022**  
**Issue Date: 12<sup>th</sup> December 2022**

## INDEX

1. Deal Overview	3
2. Special Servicing	4
3. Contact Details	7
4. Link to Deal Summary Report	7
5. Disclaimer	8

# 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: £50,749,855.47**

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### Special Servicing

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

<u>Date</u>	
14 November 2022	<a href="#">hercules-eclipse-2006-4-ris-notice-2022-11-14.pdf (bcmglobal.com)</a>

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, twenty-two properties marketed as trading care homes have now been sold.

In addition, fourteen properties marketed as closed care homes have now been sold.

Currently, six trading care homes and seven closed care homes 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 seven 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 and the remediation of the presence of Japanese knotweed on site (plus on-going preventative management of future reoccurrence), 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.
- 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. 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 property and a sales agent has been engaged to undertake the marketing for sale of the site.
- a closed care home located in Huddersfield that was deemed uneconomic to continue operating and which having been marketed for sale, is currently under offer and in the legal process.
- a further closed care home located in Huddersfield that was deemed uneconomic to continue operating and which having been marketed for sale, is currently under offer and in the legal process.
- a closed care home located near Glasgow that was deemed uneconomic to continue operating and which having been marketed for sale, is currently under offer and in the legal process.

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	6	100%	2	2	0
“	Scotland	1	1	100%	1	1	0

	Total	7	7	100%	3	3	0
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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	20	6	30%	5	5	1
"	Scotland	4	0	0%	0	0	0
"	NI	7	0	0%	0	0	0
	Total	31	6	19%	5	5	1

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.

#### England portfolio

In light of the progress made to date with the existing marketing processes, the Special Servicer discussed with the Asset Manager and the Operator, the possibility of commencing the marketing of a further batch of care homes.

Following this review, six trading care homes located in England have been selected for disposal and a sales agent has been engaged to undertake the marketing for sale of the homes, which is likely to commence in Q1 2023.

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, 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 (which is an existing owner and operator of care homes in the province) 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.

Subsequently the sales agent pursued some interest that had previously been expressed in the portfolio, however this has not come to fruition.

Notwithstanding the absence of interest, 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.

Upon review, the Special Servicer and Asset Manager have concluded that the portfolio will be put up for sale in early 2023.

#### 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	6	100%	2	2	0
“	Scotland	<u>1</u>	<u>1</u>	<u>100%</u>	<u>1</u>	<u>1</u>	<u>0</u>
		7	7	100%	3	3	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	22	8	30%	5	5	1
“	Scotland	5	1	0%	0	0	0
“	NI	<u>7</u>	<u>7</u>	<u>0%</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Total	34	16	19%	5	5	1
	Total	41	19	34%	8	8	1

#### **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 \(bcmglobal.com\)](http://bcmglobal.com/investor-relations)

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