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BREAKING NEWS

Debt-laden former Southern Cross care homes finally sold

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PUBLICATION DATE: 3RD NOVEMBER, 2014

The UK's third largest care homes operator NHP was finally sold today after a complex round of negotiations to get the deal back on track, and six years after the default of the £1.17bn whole loan secured on the business and its properties.

Formation Capital, a US private equity firm specialising in healthcare, has entered a binding agreement to buy the company NHP/HC-One, for £477.67m.

The business was still laden with £1.17bn of outstanding debt when a sales process was launched just over a year ago, including £610m of senior debt, securitised in Titan-Europe 2007-1, and a multi-tranched, £560m subordinated B loan.

The background to the saga has been complex and drawn out and illustrates the huge problems faced in trying to workout CMBS deals that suffered preciptious valuation falls. After the 'Libra' loan moved into special servicing in 2009 a consensual debt restructuring failed and the business's original principal tenant, Southern Cross, collapsed.

In 2011, HC-One took over NHP to stabilise its performance, then last year, special servicer Capita Asset Services started a sales process.

The sales process was subsequently delayed twice: first due to court proceedings over the determination of the controlling party, brought by note trustee US Bank when Anchorage Capital, owner of at least £60m of subordinate notes, took action to try and replace Capita asserting that it, Anchorage, was the controlling class in the deal.

Anchorage was not successful but in June this year the sales process was derailed again when Anchorage and the deal's swap provider Credit Suisse made an alternate proposal for a sale which was not backed by the class A noteholders. At the same time, Credit Suisse asserted that the special servicer did not have the power to release certain guarantees and the question came to the fore of whether the unpaid swap payments rank above or below the class A noteholders.

Then, three months ago in August, Capita brought in debt advisory firm Brookland Partners to negotiate with the swap provider, Class As, bidders and NHP/HC-One. As a result, a resolution was reached to release the guarantees and 75% of the class As agreed to 'be restricted' enabling a resolution to sell to be passed.

The issue over the ranking of the unpaid swap - variously calculated at between £75m (by Capita) and £90m (by Credit Suisse)- still has to be resolved, but the sale of the business will go through irrespective of the outcome, on 12 November.

If it is determined that the swap ranks super senior over the class As, they will not be fully repaid. If it's deemed not to be, then they would be.

The total proceeds will increase slightly, to £507m in total, due to the previous sale of some properties.

Jeremy Jensen, CRO at NHP, said Brookland had done "an outstanding job and been pivotal in the successful outcome of creditor and bidder negotiations".

Capita said in a stock exchange statement this afternoon: "A binding sale and purchase agreement has been executed in respect of the sale of all the subsidiaries of the borrower, though the sale of all the shares of NHP Holdco 1".