

Taurus CMBS (Germany) 2006-1 p.l.c
Quarterly Surveillance Report for the
Collection Period
July 2022 – January 2023
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Deal Overview

Deal Overview

This deal is a CMBS transaction comprised at inception of a multi-borrower pool of nine commercial mortgage loans, four of which were originated by Merrill Lynch International Bank Limited and Merrill Lynch Capital Markets Bank Limited and five by Capmark Bank Europe plc. The portfolio was secured by 35 commercial properties and approximately 2,400 residential units at origination and the aggregate initial loan balance was EUR 571.088 million.

Interest and Principal are paid quarterly in arrears on 22 January, April, July and October, with Notes scheduled to amortise according to a modified pro rata structure and Excess Spread being distributed to the X Note holders.

The deal benefits from a Liquidity Facility in the amount of EUR 40 million (equivalent to 7.00% of the initial principal balance of the collateral) decreasing over time in line with the principal balance outstanding on the notes provided by Lloyds TSB Bank by way of a 364 day revolving facility.

Activity since last reporting (Special Servicing)

Bremen Loan

The collateral for this loan comprises a shopping centre in Vegesack, Bremen, built on a plot of approximately 33,500sqm. The property, completed in spring 2003, is built on two levels and includes a car park with over 1,200 spaces. The centre has circa 35,500sqm of lettable space.

As reported previously, the Borrower was unable to repay the Bremen Loan on the scheduled Loan Maturity Date of 18 October 2010, causing a non-payment breach. The Servicer, acting in accordance with the Servicing Agreement, determined that a Servicing Transfer Event had occurred and as such, the Bremen Loan became a Specially Serviced Loan as of 8 November 2010.

The Special Servicer obtained an updated valuation in November 2013 with the reported Market Value being EUR 29.1 million and a further updated valuation dated April 2015 showing a drop in Market Value to EUR 14.4 million. At that time the Special Servicer decided against disclosing the drop in value to the market in order not to negatively affect the marketing of the property.

In the meantime the Special Servicer consented to a sale and purchase agreement with an agreed purchaser to acquire the property which had been signed by the Insolvency Administrator of the Bremen Borrower on 13 April 2017 (referring to the RIS notice published on 21.04.2017)

The purchase price amounting to EUR 17.5 million had been received into a notary trust account as agreed and the hand-over of the property took place on 12.07.2017.

Following expiry of the right to withdraw granted to the purchaser in the sale and purchase agreement, on the 16th August 2017 the notary transferred EUR 15.5m to the Special Servicers account (for distribution to the securitisation at the October 2017 note payment date). The remaining EUR 2.0 million was been held back by the Insolvency Administrator to cover representations, warranties, liabilities and to ensure a solvent winding up of the borrower. From the overall EUR 2.0 million retained funds by the Insolvency Administrator, EUR 500,000 was retained to be released to the lenders not earlier than 15 months after the sale providing no claims have been made against the representations and warranties of the seller and this together with additional funds was paid across to the securitisation in Jan 2019. The remaining EUR 1.5 million was retained by the Insolvency administrator to pay for all costs fees and expenses incurred from the sale of the Bremen Property as well as those expenses incurred for the

orderly liquidation of the Bremen Borrower. The Insolvency Administrator has agreed to provide regular billing/account reporting in respect of liquidation of the borrower.

Aug 2020 up date

During this period the Insolvency Administrator of the Borrower Company made a distribution of c€300k as part of the insolvency process which is still on-going and is traditionally a drawn out process when managed by the Courts. It is not yet known when the Insolvency will be closed and when the final distributions to the creditors will be made.

Nov 2020 up date

There has been no distributions in this period and despite further requests to the Insolvency Administrator they have not confirmed as to when the final distributions to the creditors will be made.

Feb 2021 up date.

There has been no distributions in this period and despite further requests to the Insolvency Administrator they have not confirmed as to when the final distributions to the creditors will be made.

May 2021

During this period the Insolvency Administrator (IA) of the Borrower Company made a distribution of c€100k as part of the insolvency process and these funds were paid to the cash manager for distribution in April. The IA has finalised his report and will file it with the German Court in mid May and once they have reviewed it they will call a final hearing and it is anticipated it will be finally closed at the end of the Summer.

August 2021

The Insolvency Administrator submitted his report to the court in May which was checked by an external auditor without objection. The IA contacted the judicial official who will arrange a final hearing in October/November this year.

November 2021

The final hearing is scheduled for the end of November, the estimated final distribution after deduction of fees and costs is likely to be minimal as the lender has already received receipts from the sale proceeds and rental receipts. The final distribution is anticipated to be paid in January 2022.

January 2022

As reported the bankruptcy proceeding is in final phase but frustratingly the process has been prolonged and final funds were not distributed as anticipated in January.

The insolvency administrator for the borrower has reported to the Special Servicer that only tax issues are outstanding and the tax accountant will file the final tax return during

February at which point the the finance office will determine whether there is a final claw back or a final tax payment that will become due.

This decision will effect the recovery and thus without this the final distribution cannot be made to the secured creditor.

The administrator has indicated that they hope to receive the final tax note before April but states he is unable to speed up proceedings in his capacity.

April / July 2022

Frustratingly there has been very little progress during this period. Regular contact has been maintained with the Insolvency Administrator (IA) for the borrowing entity. In April the IA confirmed the tax issue was still proceeding and without the final tax statement he could not finalise the bankruptcy proceeding. We received further information that the tax authorities will try to finalise the tax issue by the end of September so this will continue to be monitored.

Oct 2022 / Jan 2023

During this period the Insolvency Administrator was further frustrated by the slow pace of the German tax office and without their final determination of any taxes owed the IA is unable to close the bankruptcy proceedings. In late October the tax office requested further information and this was duly provided by the IA.

No further information was received by year end but in early 2023 the IA advised us that the tax office were soon to finalise their position and it is expected they will authorise the release of final funds during Q1 23 which are not expected to be significant after any fees and costs are settled.

Contact Details

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