

# LANDandBUILDINGS

## **Land and Buildings Issues Open Letter to the Independent Directors of the Board of Taubman Centers**

- *Reiterates Extreme Disappointment in the Independent Directors' Persistent Failure to Improve Performance -*
- *Details Clear and Concise Plan to Unlock Trapped Value -*
- *Criticizes Abysmal Track Record and Qualifications of Directors up for Election in 2017 -*
- *Land and Buildings Remains Committed to Helping Fix the Company, Even if it Must Nominate Directors and Engage in an Election Contest -*

**Stamford, CT**, January 24, 2017 – Land & Buildings Investment Management, LLC ("Land and Buildings") today issued an open letter to the independent directors of the Board of Directors of Taubman Centers, Inc. (NYSE: TCO) ("Taubman" or the "Company"), which describes its continued frustrations with the Board's independent directors and their failure to address the Company's undervaluation, while also detailing Land and Buildings' plan to help solve the Company's problems.

In the letter, Land and Buildings states that if the Company does not address the serious issues highlighted in the letter, and fails to expeditiously undertake a plan similar to that proposed by Land and Buildings, it is prepared to nominate directors for election at the Company's 2017 Annual Meeting of Shareholders.

The full text of the letter follows:

January 24, 2017

VIA ELECTRONIC MAIL

Taubman Centers, Inc.  
200 E. Long Lake Road, Suite 300  
Bloomfield Hills, MI 48304-2324  
Attn: Independent Members of the Board of Directors

Dear Independent Members of the Board of Directors of Taubman Centers:

Since our initial engagement with the Company last year, we have been deeply disappointed with the lack of response you, as independent directors, as well as management, have undertaken to unlock the Company's substantial trapped value. As we have explained in our previous open letters and presentation (each of which can be found at [www.SaveTaubman.com](http://www.SaveTaubman.com)), we believe there is a tremendous opportunity to unlock this value, which would allow the Company's stock to reach its net asset value of \$106 per share, or approximately 50% upside from the current level.

In our well-informed opinion, Taubman Centers is severely undervalued, as a result of abysmal corporate governance, a bloated cost structure, inferior operating margins and a lack of capital allocation discipline. Unfortunately, this undervaluation is difficult for the Company's shareholders to attempt to address because of the Taubman Family's 30% voting power on corporate matters, which, combined with the

Company's super-majority voting requirements, effectively gives the Taubman Family overpowering control in most corporate situations. As a result of the Taubman Family's overwhelming control over the Company, the election of Board members' plurality voting requirement is the only significant venue where shareholders' voices can be heard and not simply drowned out by the interests of the Taubman Family.

Since our initial engagement, we have attempted, to no avail, to have constructive discussions with Chairman and CEO Bobby Taubman regarding ways to address the Company's significant undervaluation. Regrettably, Bobby seemingly only wants to do things the way Bobby wants to do things, regardless of the effects his poor decisions have on shareholders. Troublingly, the same pattern appears to be persisting with the Taubman Family in general—the Family consistently puts its interests ahead of common shareholders and you, the independent directors, continue to let this happen.

The reactions by the Company since our initial engagement have been cosmetic in nature at best, and fall far short of the change necessary. Specifically:

- Myron Ullman was appointed to a newly created role of lead independent director, a role which appears to lack any meaningful powers that could change the status quo of prioritizing the Taubman Family's interests first to the detriment of all other shareholders;
- Cia Buckley Marakovits was added to the Board only after the Company violated its charter by shrinking the size of its Board following a then Board member's resignation.

We believe there is a clear path to unlocking substantial value for all shareholders and freeing the Company to reach or exceed its current net asset value of \$106 per share. These are the steps you should take to reassure shareholders, including Land and Buildings, that the Company is on the right path:

- Modernizing corporate governance, including de-staggering the Board, reducing the tenure of the Board, separating the Chairman and CEO roles, and having shareholders vote on the Taubman Family's preferred stock voting rights;
- Improving operations by reducing bloated G&A, especially costs associated with the Asia platform and development, and improving margins from current levels that are materially inferior to the Company's peers;
- Improving capital allocation by ceasing all new major external growth initiatives until a robust capital spending structure is enacted, selling underperforming assets and exiting Asia;
- Communicating a philosophy shared by best in class management teams—the Company is for sale every day for the right price, and such a sale will be explored if the aforementioned strategy does not unlock value.

As you know, due to Taubman's shareholder-unfriendly staggered Board, only the seats of Bobby Taubman, Myron Ullman and Cia Buckley Marakovits are up for election at the 2017 Annual Meeting. There are compelling reasons why the Company would be better off with directors who have a strong track record of maximizing value for all shareholders, are credible in the public institutional real estate investment community and are strong advocates for best in class corporate governance, as the directors up for election have a poor track record, or no track record, in the public markets:

- Bobby Taubman has been CEO for more than 25 years, and his actions have most recently resulted in the stock trading at a substantial discount to those of Company peers and NAV, while shareholder returns have also materially lagged its peers. Bobby's and his Family's actions have repeatedly shown that the interests of the Taubman Family are being put before the interests of common shareholders.

- Myron Ullman is now on his second stint as a Board member of Taubman. Shareholders would be remiss to forget that Mr. Ullman was on the Taubman Board in 2003, when a Federal Judge found that the Board was likely in breach of its fiduciary duty to shareholders after Board members, in response to the Company's rebuffing of Simon Property Group, changed the Company's by-laws to make it more difficult for shareholders to call special meetings. Further, as a member of the Taubman Centers Audit Committee, Ullman failed to respond to our concerns about likely material violations of the Company's charter due to the Taubman Family exceeding its ownership limit.
- Cia Buckley Marakovits is new to the Board and her appointment was in reaction to our efforts. While our due diligence suggests that she has a good professional reputation, she lacks the public company real estate experience that we believe is critical at Taubman, and she is unlikely to change the status quo in the boardroom where Bobby appears to run roughshod over you, the independent directors of the Board. Given the Company's track record, we have to see this as a calculated move to earn "points" with shareholders and corporate governance experts – both of whom should see through it.

If the Company does not address the serious problems we have highlighted and fails to expeditiously undertake a plan similar to the one we outlined above, we are prepared to nominate replacement directors who understand what is necessary to unlock shareholder value. Although our strong preference is to work collaboratively with you, and avoid the Board and management's distraction of a time-consuming election contest, we are committed to doing whatever is necessary to improve Taubman for the betterment of all shareholders.

We look forward to your response.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jon", enclosed in a light gray rectangular box.

Jonathan Litt

Founder & CIO

Land and Buildings Investment Management, LLC