

# LANDandBUILDINGS

## Land and Buildings Nominates Two Directors for Taubman Centers Board of Directors

*- Delivers letter to Taubman shareholders –*

- Believes new, independent oversight needed to reverse dismal performance, unlock substantial trapped value and drive comprehensive change at the Company –*
- Attempts to privately engage with Taubman Centers have been futile and it is now time for shareholders' voices to be heard in the Boardroom –*
- Highly-qualified nominees Charles Elson and Jonathan Litt have the right mix of governance expertise and sector experience to address the numerous issues that have persistently plagued the Company –*
- Changes since Land and Buildings' initial engagement have been solely cosmetic and designed to preserve the status quo, in our view –*

**Stamford, CT**, March 2, 2017 – Land & Buildings Investment Management, LLC (together with its affiliates, "Land and Buildings") today issued the following letter to shareholders of Taubman Centers, Inc. (NYSE: TCO) ("Taubman," "Taubman Centers" or the "Company") announcing the nomination of two highly-qualified director candidates for election at Taubman's 2017 Annual Meeting. The full text of the letter follows:

March 2, 2017

Dear Fellow Taubman Shareholders:

At Land and Buildings, we are focused on long-term solutions that maximize value for all shareholders. In 1992, I attended the Taubman IPO roadshow at the Plaza Hotel in New York, and my prior firm acquired shares at the IPO. For 14 years I published investment opinions on Taubman, oftentimes documenting the numerous missteps of this management team. For the past eight years, since I founded Land and Buildings, we have continued to meet with management and analyze the investment opportunity at Taubman.

Since the first half of 2016 and as recently as last week, we have had an active engagement with Taubman Chairman, President and CEO Bobby Taubman, and implored him to take action to address the deplorable state we find the Company in today. Unfortunately, Bobby Taubman has made it clear to us that he prefers to dig in his heels against shareholders rather than reach an amicable resolution that addresses the level of change that we believe is necessary at the Company. As such, Land and Buildings has nominated two highly-qualified director candidates for election to the Taubman Centers Board of Directors (the "Board") at the 2017 Annual Meeting:

- **Charles Elson**, a professor and leading authority on corporate governance, with a track record of effectively serving as a director on corporate boards characterized by notoriously bad corporate governance and helping address anti-shareholder issues at these companies.
- **Jonathan Litt**, an advocate of shareholder rights with decades of experience in the mall and REIT industry and extensive expertise in developing strategies to maximize long-term shareholder value in the sector – both as an investor and public company director.

We believe the crux of the matter is this: Bobby Taubman, the Chairman, President and CEO of Taubman Centers, runs Taubman Centers as if he is the only shareholder – despite having what we view as a de

minimis economic interest in the Company – and has a demonstrated history of running roughshod over the Taubman Centers independent Board members and common shareholders. Bobby Taubman's history of disenfranchising Taubman Centers' common shareholders is well documented and includes (among other transgressions):

- Making Board-level decisions without consulting the independent Board members.<sup>1</sup>
- The Taubman Family successfully seeking to change Michigan law that shielded the Company from a hostile bid, according to the Wall Street Journal.<sup>2</sup>
- The Taubman Family's serendipitous acquisition of super voting securities for \$38,400 without shareholder approval, garnering the Taubman Family near absolute control over many matters of the Company that require a two-thirds majority vote, in our view.<sup>3</sup>
- Replacing directors through a plurality vote (whoever gets more votes) is likely the only path to reign in the Taubman Family and have independent shareholder voices heard in the boardroom.

Unfortunately, the independent Board members have not held Bobby Taubman accountable, which has resulted in horrible total returns when compared to peers. The poor track record of the independent directors includes:

- In a 2003 federal case captioned, Simon Property Group, Inc. v. Taubman Centers Inc., the Federal Court found that the plaintiff had "demonstrated a likelihood of success on its claim that the [Taubman Centers] Board breached its fiduciary duty."<sup>4</sup>
- Unilaterally rejecting a takeover offer at a substantial premium.<sup>5</sup>
- Current Board not enforcing nor responding to our calls to enforce ownership limits against the Taubman Family contained in the Company's Charter.
- Maintaining a staggered stale, male and clubby board, in our view, with some Board members on over 20 years and on average, over 15 years.<sup>6</sup>
- Supporting combined Chairman and CEO roles.
- Overseeing pledging of more than one-third of Taubman Family's operating partnership units.<sup>7</sup>

Changes by the Company since our initial engagement have solely been cosmetic and have only occurred to preserve the status quo, in our view:

- Shrinking and subsequently expanded the Board, which we believe likely violated the Company's Charter.<sup>8</sup>
- Naming Cia Buckley Marakovits to the Board.
- Designating existing Board member Myron E. (Mike) Ullman III in newly created role of lead director.

We estimate about 50% upside in the shares to close the gap to our and other analysts' net asset value estimates of approximately \$106 per share. We believe Taubman's malls are insulated from many of the broader issues facing brick and mortar retail as its malls are highly sought after by retailers, resulting in strong sales and rent growth.

Our highly-qualified nominees, Charles Elson and Jonathan Litt, have the right mix of governance expertise and sector experience to address the numerous issues that have persistently plagued the Company and unlock significant long-term shareholder value, in our view.

Common shareholders have suffered under the leadership of Bobby Taubman as poor capital allocation, bloated G&A, inferior operating margins and abysmal corporate governance have caused sub-par returns. Over the past 1, 3, and 5 years, Taubman has underperformed its high-quality class A mall REIT peers by 4%, 29%, and 57%, respectively.<sup>9</sup> Troublingly, despite having highlighted many of these issues in recent months, the status quo has continued: 2016 was another year of inferior net operating income and EBITDA margins with bloated G&A costs compared to its high-quality peers. Poor capital allocation decisions continue to plague the Company and development/re-development spending is expected to rise further in 2017 to \$400 million.

Figure 1: Taubman Inferior Total Returns Stem From Numerous Issues Plaguing the Company, in Our View

Total Shareholder Return			
	1-Year	3-Year	5-Year
<b>TCO</b>	<b>-1%</b>	<b>20%</b>	<b>65%</b>
High Quality Peer Avg.	3%	49%	122%
<b>TCO Underperformance</b>	<b>-4%</b>	<b>-29%</b>	<b>-57%</b>

Note: Reflects total returns for the trailing 1, 3 and 5 year periods through October 14, 2016. Class A mall peers utilized throughout letter are General Growth Properties (NYSE: GGP), The Macerich Company (NYSE: MAC) and Simon Property Group (NYSE: SPG).

Source: Land and Buildings, Bloomberg

Figure 2: Taubman's Inferior Margins Demonstrate Nearly Total Disregard for Cost Control, in Our View

G&A as a % of Revenue					
	2012	2013	2014	2015	2016
<b>TCO</b>	<b>4.8%</b>	<b>5.6%</b>	<b>5.9%</b>	<b>6.4%</b>	<b>6.1%</b>
High Quality Peer Avg.	1.4%	1.6%	1.6%	1.6%	1.5%
<b>TCO Bloated G&amp;A</b>	<b>3.3%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>4.8%</b>	<b>4.6%</b>

NOI Margin					
	2012	2013	2014	2015	2016
<b>TCO</b>	<b>64.2%</b>	<b>64.3%</b>	<b>64.1%</b>	<b>67.9%</b>	<b>64.5%</b>
High Quality Peer Avg.	70.4%	71.2%	71.8%	72.8%	71.8%
<b>TCO Inferior Operating Margins</b>	<b>-6.2%</b>	<b>-6.9%</b>	<b>-7.7%</b>	<b>-4.9%</b>	<b>-7.3%</b>

EBITDA Margin					
	2012	2013	2014	2015	2016
<b>TCO</b>	<b>57.0%</b>	<b>58.1%</b>	<b>52.6%</b>	<b>59.2%</b>	<b>59.6%</b>
High Quality Peer Avg.	65.0%	65.2%	65.8%	67.2%	66.5%
<b>TCO Poor EBITDA Margin</b>	<b>-8.0%</b>	<b>-7.1%</b>	<b>-13.2%</b>	<b>-8.0%</b>	<b>-6.9%</b>

Note: Figures reflect pro rata ownership of assets; Land and Buildings estimates used where the Company does not disclose each metric.

Source: Land and Buildings, Company reports, Bloomberg

### Additional Biographical Information on Nominees

#### **Charles Elson**

Charles Elson is the Edgar S. Woolard, Jr., Chair in Corporate Governance and the Director of the John L. Weinberg Center for Corporate Governance at the University of Delaware. He is also a "Consultant" to the law firm Holland & Knight.

He formerly served as a Professor of Law at Stetson University College of Law in St. Petersburg, Florida from 1990 until 2001. His fields of expertise include corporations, securities regulation and corporate governance. He is a graduate of Harvard College and the University of Virginia Law School, and has served as a law clerk to Judges J. Harvie Wilkinson III and Elbert P. Tuttle of the United States Court of Appeals for the Fourth and Eleventh Circuits. He has been a Visiting Professor at the University of Illinois

College Of Law, the Cornell Law School, and the University of Maryland School of Law, and was a Salvatori Fellow at the Heritage Foundation in Washington, D.C. and is a member of the American Law Institute.

Professor Elson has written extensively on the subject of boards of directors. He is a frequent contributor on corporate governance issues to various scholarly and popular publications. He served on the National Association of Corporate Directors' Commissions on Director Compensation, Director Professionalism, CEO Succession, Audit Committees, Strategic Planning, Director Evaluation, Risk Governance, Effective Lead Director, and Board Diversity and was a member of its Best Practices Council on Coping With Fraud and Other Illegal Activity. He also served on the National Association of Corporate Directors' Advisory Council. He is Vice Chairman of the ABA Business Law Section's Committee on Corporate Governance and was a member of its Committee on Corporate Laws.

He is presently a member of the Board of Directors of HealthSouth Corporation, a healthcare services provider and Bob Evans Farms Inc., a restaurant and food products company.

### **Jonathan Litt**

Jonathan Litt has over 24 years of experience as a global real estate strategist and an investor in both public real estate securities and direct property. Mr. Litt founded Land and Buildings in the summer of 2008 to take advantage of the opportunities uncovered by the global property bubble. Previously, Mr. Litt was Managing Director and Senior Global Real Estate Analyst at Citigroup where he was responsible for Global Property Investment Strategy, coordinating a 44-person team of research analysts located across 16 countries.

Mr. Litt was recognized as a leading analyst since 1995, achieving the prestigious Institutional Investor Magazine #1 ranking for 8 years and top five ranking throughout the period. Mr. Litt also achieved a top ranking from Greenwich Associates since 1995. Before moving to the sell-side in 1994, Mr. Litt worked on the buy-side investing in public real estate securities and buying real property during his tenure at European Investors and BrookHill Properties, where his career began in 1988. Mr. Litt served on the Board of Directors at Mack-Cali from March 2014 to August 2016.

Mr. Litt graduated from Columbia University in 1987 with a BA in Economics and NYU's Stern School of Business in 1990 with an MBA in Finance. Mr. Litt can often be seen on CNBC or quoted in the Wall Street Journal and other industry publications. He is also the director of a not-for-profit, the Children with Dyslexia Scholarship Fund, which provides children with scholarships to secondary schools that specialize in dyslexia.

Sincerely,



Jonathan Litt

Founder & CIO  
Land and Buildings Investment Management, LLC

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**CERTAIN INFORMATION CONCERNING THE PARTICIPANTS**

Land & Buildings Investment Management, LLC together with the other participants named herein (collectively, "Land & Buildings "), intends to file a preliminary proxy statement and accompanying proxy card with the Securities and Exchange Commission ("SEC") to be used to solicit votes for the election of its slate of highly-qualified director nominees at the 2017 annual meeting of stockholders of Taubman Centers, Inc., a Michigan corporation ("TCO" or, the "Company"),

LAND & BUILDINGS STRONGLY ADVISES ALL STOCKHOLDERS OF THE COMPANY TO READ THE PROXY STATEMENT AND OTHER PROXY MATERIALS AS THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. SUCH PROXY MATERIALS WILL BE AVAILABLE AT NO CHARGE ON THE SEC'S WEB SITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). IN ADDITION, THE PARTICIPANTS IN THIS PROXY SOLICITATION WILL PROVIDE COPIES OF THE PROXY STATEMENT WITHOUT CHARGE, WHEN AVAILABLE, UPON REQUEST. REQUESTS FOR COPIES SHOULD BE DIRECTED TO THE PARTICIPANTS' PROXY SOLICITOR.

The participants in the proxy solicitation are anticipated to be Land & Buildings Capital Growth Fund, LP, a Delaware limited partnership ("L&B Capital" ), L & B Real Estate Opportunity Fund, LP, a Delaware limited partnership ("L&B Opportunity"), Land & Buildings GP LP, a Delaware limited partnership ("L&B GP"), Land & Buildings Investment Management, LLC, a Delaware limited liability company ("L&B Management"), Jonathan Litt and Charles Elson.

As of the date hereof, L&B Capital directly owns 185,600 shares of Common Stock, \$0.01 par value, of the Company (the "Shares"). As of the date hereof, L&B Opportunity directly owns 97,600 Shares. As of the date hereof, 435,247 Shares were held in certain accounts managed by L&B Management (the "Managed Accounts"). L&B GP, as the general partner of each of L&B Capital and L&B Opportunity, may be deemed the beneficial owner of the (i) 185,600 Shares owned by L&B Capital and (ii) 97,600 Shares owned by L&B Opportunity. L&B Management, as the investment manager of each of L&B Capital and L&B Opportunity, and as the investment advisor of the Managed Accounts, may be deemed the beneficial owner of the (i) 185,600 Shares owned by L&B Capital, (ii) 97,600 Shares owned by L&B Opportunity, and (iii) 435,247 Shares held in the Managed Accounts. Mr. Litt, as the managing principal of L&B Management, may be deemed the beneficial owner of the (i) 185,600 Shares owned by L&B Capital, (ii) 97,600 Shares owned by L&B Opportunity, and (iii) 435,247 Shares held in the Managed Accounts. In addition, as of the date hereof, Mr. Litt directly owns 436 shares of the Company's 6.5% Series J Cumulative Redeemable Preferred Stock, no par value. As of the date hereof, Mr. Elson does not own any Shares.

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<sup>1</sup> Excerpts from Simon Property Group, Inc. v. Taubman Centers, Inc., 261 F. Supp. 2d 919, 939 (E.D. Mich. 2003)

<sup>2</sup> Dean Starkman, "Taubmans Take Law Into Their Own Hands", The Wall Street Journal, June 17, 2003

<sup>3</sup> Daniel Gross, "Mall Rats", Slate, February 25, 2003

<sup>4</sup> Excerpts from Simon Property Group, Inc. v. Taubman Centers, Inc., 261 F. Supp. 2d 919, 939 (E.D. Mich. 2003)

<sup>5</sup> Sherri Day and Andrew Ross Sorkin, "Simon Group Gives Up Hostile Bid for Taubman Centers", The New York Times, October 9, 2003

<sup>6</sup> Based on board composition, excluding most recent appointment of Cia Marakovits, prior to Land and Buildings' public involvement

<sup>7</sup> Taubman Form DEF 14A filed April 12, 2016

<sup>8</sup> Taubman Form 8-K filed on September 30, 2016 announcing the resignation of then director William Parfet from the Board and that the size of the Board was reduced from 9 to 8 directors rather than leaving the size of the Board at 9 with one vacancy.

<sup>9</sup> Reflects total returns for the trailing 1, 3 and 5 year periods through October 14, 2016. Class A mall peers utilized throughout report are General Growth Properties (NYSE: GGP), The Macerich Company (NYSE: MAC) and Simon Property Group (NYSE: SPG).