Shareholders Should Not Be Fooled By Taubman’s Claims

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• Taubman Centers, Inc. ("Taubman" or the “Company”) recently released a polished investor presentation touting its purported accomplishments, but the Company can’t change the facts – the reality is that all is not well at Taubman, which has experienced persistent and consistent underperformance over the past 1-, 3- and 5-year periods.

• Taubman’s total shareholder return has lagged its Class A Mall Peers since the 2017 Annual Meeting by **22%**, due primarily to three factors: (i) the same underlying resistance to truly embrace good corporate governance; (ii) the same operational deficiencies; and (iii) the same stubborn approach to capital allocation.

• Don’t be fooled by Taubman’s focus on just one of two options in Land & Buildings’ proposal to eliminate the dual-class voting structure – it will only be as dilutive as the Taubman Family is unreasonable.

• The Taubman Board of Directors (the “Board”) appears complicit in entrenching the Taubman Family – and spending valuable shareholder dollars in yet a another proxy contest – even after a majority of common shareholders voted to support the election of Land & Buildings’ two director nominees, including Jonathan Litt, at the 2017 Annual Meeting.

• If one looks just below the surface, it is clear that the fundamental issues in the boardroom have not been adequately addressed, and the actions that have been taken were largely in reaction to the harsh glare of shareholder pressure.

Source: Company filings, Bloomberg data
Note: See Land & Buildings’ definitive proxy statement filed with the SEC on April 25, 2018 for additional detail; Taubman Family consisting of Chief Executive Officer, President and Chairman Robert “Bobby” Taubman, Chief Operating Officer and director William “Billy” Taubman, Gayle Taubman Kalisman and the A. Alfred Taubman Restated Revocable Trust (collectively, the “Taubman Family”); Based on the tabulation of the voting results for the 2017 Annual Meeting, excluding the Taubman Family; Class A Mall Peers defined by Land & Buildings as GGP, Inc., The Macerich Company, and Simon Property Group Inc., which are the only U.S. publicly traded regional mall companies (in addition to TCO) that primarily own class A, high sales productivity, enclosed regional malls (collectively, “Class A Mall Peers”); Total Shareholder Return of GGP, MAC, SPG and TCO calculated from May 31, 2017 through November 9, 2017, prior to activism reported by REIT Wrap on November 10, 2017.
Our proposal is to eliminate the dual-class voting share structure

Taubman ignores in its presentation a critical part of our non-binding advisory proposal:

First, the Board must act on the non-binding advisory proposal

Second, the proposal clearly outlines two options the Board can pursue to eliminate the dual-class voting share structure:

**Option A** – “such other amount of shares of Common Stock as Taubman Centers, Inc. and the members of the Taubman family shall agree”

Or…

**Option B** – “8,000,000 shares of Common Stock”, which reflects the exchange ratio approved by 98% of shareholders of Forest City in 2017

Taubman’s Board of Directors focuses only on the issuance outlined in option B, ignoring option A, which is to eliminate the dual-class voting share structure through a negotiation between the Board and the Taubman Family.

Source: Company filings, Forest City Realty Trust, Inc. (“Forest City” or “FCE”) filings
Eliminate the Dual-Class Voting Share Structure

A complex chart can’t explain away the fact that the dual-class voting structure is harming shareholders.

Taubman’s dual-class voting structure serves one primary purpose – helping the Taubman Family avoid taxes, in our view.

Taubman’s dual-class voting structure has disenfranchised common shareholders for years – A dual-class structure has no place in the modern REIT era, represents a conflict of interest with common shareholders and disenfranchises shareholders.

Why do only 3 out of the 83 publicly-traded U.S. REITs covered by Green Street Advisors still have dual-class share structures if they truly align economic incentives and benefit all shareholders?

Taubman’s argument is akin to a convertible preferred equity holder having voting rights for its economic interest as if it had converted.

Don’t be fooled by Taubman’s misleading comments on Land & Buildings’ proposal – it’s about eliminating the shareholder-unfriendly dual-class voting share structure.

Source: Company filings, Bloomberg data, Wall Street research, Land & Buildings’ research; The Taubman Family owns Operating Partnership (OP) Units in a separate company and not common stock of Taubman Centers for the purpose of not paying taxes, in our view.
Taubman is Cherry-Picking its Peers and Distorting Performance, In Our View

Taubman has underperformed its Class A Mall Peers by 20%, 24% and 56% over the past 1-, 3- and 5-year periods through the unaffected share price date.

Recent and Long-Term Total Shareholder Returns Compare Favorably with Regional Mall Peers

Taubman is attempting to take credit for the strong rally its shares enjoyed after reports of activist, Elliott Management, took a stake in the Company.

Does Taubman really believe lower quality mall landlords are appropriate peers?

Source: Company filings, Land & Buildings’ research and views on Taubman
Note: Returns since 2017 Annual Meeting based on unaffected total returns through November 9, 2017 prior to activism reported by REIT Wrap on November 10, 2017; 5-, 3- and 1-year trailing returns calculated using November 9, 2017 as end date.
Taubman’s Stated Commitment to Strong Governance and Shareholder Responsiveness is Disingenuous

Taubman’s presentation fails to answer a number of important questions:

• Why did it require shareholder pressure for Taubman to begin making any substantial corporate governance changes?

• Why did the Board appoint two new ‘independent’ directors that have ties to the Taubman Family and the Company rather than truly independent directors?

• Why was Land & Buildings’ attempt at a collaborative dialogue with the three recently appointed ‘independent’ directors rebuffed?

• Why has the Taubman Family repeatedly used the dual-class voting share structure to the detriment of Taubman shareholders?

• Why has the Board refused our request to evaluate the elimination of the dual-class voting structure in light of numerous industry participants, including the SEC, highlighting concerns with such structures?

• Why did all three proxy advisory firms recommend the election of Land & Buildings’ nominees and thus, the removal of the Chairman and Lead Director at the 2017 Annual Meeting?

• Why not add Mr. Litt, who was already supported by a majority of common shareholders at the 2017 Annual Meeting?

Source: Company filings, Land & Buildings’ research and views, ISS, Glass Lewis and Egan Jones 2017 reports, Bloomberg article “SEC Official Slams Dual-Class Shares Used by Alphabet, Snap” dated February 15, 2018

Board-Driven Responses to Shareholder Focus Areas

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<tr>
<th>What We Heard from Shareholders</th>
<th>How We Responded – Recent Governance Changes</th>
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<tr>
<td>1. Increase independence of the Board</td>
<td>Engaged Heidrick &amp; Struggles, a leading independent director search firm, to identify recent appointees</td>
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<td>2. Improve board diversity and reduce tenure</td>
<td>Since 2016, appointed four new independent directors, including two women</td>
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<td>3. Accelerate board refreshment</td>
<td>Through Heidrick &amp; Struggles, launched extensive search process to identify qualified, independent directors for nomination who offer skills highlighted by shareholders</td>
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<tr>
<td>4. Implement annual elections for directors</td>
<td>Amended the Company’s bylaws to initiate transition to annual election for directors</td>
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These enhancements were the result of direct engagement with shareholders in late 2016 and early 2017.
Taubman’s Capital Allocation is a Far Cry From Disciplined, In Our View

Does Taubman also believe that “patience” is needed when it comes to its pattern of reductions of development yields, delayed stabilizations and impairments?

How does Taubman’s debt-to-EBITDA ratio rising above its targeted range for a multi-year period constitute “disciplined liability management”?

Taubman gave up on its Chesterfield development after years of struggles:

“Taubman Centers Inc. is effectively waving a white flag in its four-year retail battle with Simon Properties...Both shopping centers opened within weeks of each other, leaving many analysts and experts puzzled over why Taubman, which had yet to tinker with outlet malls, would try to compete with the more prominent Simon”

— St. Louis Post-Dispatch, April 27, 2018

“...we would not chase the stock given lingering concerns about the business and questions about the announced Prestige Outlet redevelopment deal that simply highlight one of the reasons why activists have circled the company...Prestige Outlets Chesterfield redevelopment agreement highlights prior capital allocation mistakes”

— Deutsche Bank, April 27, 2018

If elected, Mr. Litt intends to motion to form a capital allocation committee to assess ways to drive shareholder value and focus on projects with the best risk/reward profile

Source: Company filings, Wall Street Research, St. Louis Post-Dispatch: “A new life for Taubman Prestige Outlets in Chesterfield”, April 27, 2018
Taubman’s Operating Results Continued to Underperform in 1Q18

Taubman’s operating statistics are skewed – the Company elects to only include specific new development assets in lease-up in certain metrics, such as NOI, and conveniently excludes languishing assets such as the Mall of San Juan.

Taubman’s EBITDA margins declined by 230 bps in the first quarter of 2018, while its Class A Mall Peers EBITDA margins increased by 60 bps.

Taubman’s 2018 FFO per share consensus estimates have declined by 12% since the beginning of 2017, which highlights the Company’s poor operating results and capital allocation decisions.

Source: Company filings, Bloomberg data, Class A Mall Peer filings
Notes: FFO per share consensus estimates based on changes in 2018 consensus estimates from Bloomberg from February 9, 2015 through May 8, 2018.
Mr. Litt is Better Suited Than Billy Taubman is on Maximizing Value For All Common Shareholders, In Our View

Land & Buildings was compelled to file materials to call a Special Meeting to ensure the Company followed through on its promises, after private requests were ignored. If there was no shareholder pressure, no substantive governance changes would have likely occurred—a true shareholder representative in the boardroom (Mr. Litt) can seek to ensure interests of common shareholders get the appropriate attention.

The Taubman Family and the Board have repeatedly ignored shareholder voices, including at last year’s Annual Meeting when non-Taubman shareholders voted to elect Land & Buildings’ nominees, including Mr. Litt, and when they spurned Simon’s tender offer in 2003.

Taubman’s poor EBITDA margins and pattern of capital allocation errors highlight the need for more independent oversight in the boardroom. Why does Taubman need two Taubman Family members, who are both officers of the Company, on the Board? How is Billy Taubman, Taubman’s Chief Operating Officer, supposed to provide an independent review when the Company’s operating performance—which he is responsible for—massively underperforms its Class A Mall Peers?

Mr. Litt is better positioned to serve the interests of all common shareholders, not Billy Taubman, whose economic interests are in a different entity.

Source: Company filings, Land & Buildings’ research and views
Taubman’s Claims Are Not Truly Representative of the Analyst Community’s Opinions

Only One Analyst Recommends Buying the Stock

Our Analysts Think We’re On Track: Reactions to 1Q 2018 Earnings Results

- "TCO reported a solid start to the year, with a number of key metrics accelerating sharply in the quarter. Importantly, underlying fundamentals appear to be firming, and the total portfolio ended the quarter 94.5% leased, which bodes well for future leasing." – KeyBanc

- "We noticed comp center measures, including NOI and sales per sq. ft. did exceedingly well, in the newest comp centers – International Market Place in Hawaii, CityOn.Xi’an in China, and Studio正是 in South Korea were especially strong." – Bank of America Merrill Lynch

- "Overall we would characterize this evening’s earnings report as better than expected for TCO, results beat us by a wide margin from both an NOI and FFO perspective." – Evercore ISI

- "Despite retail headwinds, [1]Q18 tenant sales per square foot grew 12.4% y-o-y while TTM tenant sales per square foot grew 5.0% to a record high $837. Overall, a very solid quarter for TCO to lead to stock outperformance at market open." – Jefferies

- "TCO reported results ahead of expectations with strong SS NOI, moderate releasing spreads, and solid tenant sales growth. The company’s assets in Asia and Hawaii are contributing to SS and overall tenant sales growth and should continue to contribute positively." – Boenning

Source: Wall Street research
Note: Sell-side analyst ratings as of 5/9/18
Taubman has Underperformed its Class A Mall Peers Based on Various Metrics

Core FFO Per Share Growth

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<thead>
<tr>
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<th>Trail 5 Years</th>
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<tbody>
<tr>
<td>TCO</td>
<td>4%</td>
<td>28%</td>
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<tr>
<td>Class A Mall Peers</td>
<td>28%</td>
<td>71%</td>
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TCO Underperformance: -24%

Dividend Per Share Growth

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TCO Underperformance: -36%

Consensus estimates of Taubman’s FFO per share continue to decline:

Taubman FFO/Share Consensus Estimates

- Consensus estimates of Taubman’s FFO per share continue to decline:

Source: Company filings, Bloomberg data, Land & Buildings’ research
Note: Reflects FFO growth between 2013 and estimated 2018 full-year results; Reflects recurring dividends per share growth between 2012 and 2017; FFO per share consensus estimates reflects Bloomberg data from February 19, 2015 through May 8, 2018
Taubman Continues to Put Philosophy and Aesthetics Ahead of Basic Economics

• On March 8, 2016, Taubman announced that a $500 million investment in Beverly Center in Los Angeles was necessary – the investment community protested given significant unanswered questions and concerns, including the following:

“Based on conversations with investors, we think the market believes that TCO is spending $500M, or 100% of the total expected investment in Beverly Center, to merely preserve 2015 NOI when the project stabilizes in 2020.”

–KeyBanc, March 11, 2016

“Yet Another Low Development Yield at Beverly Center”

–UBS, March 8, 2016

“What’s most puzzling is why the company did not address the capex/redevelopment needs of the asset earlier knowing that Century City went through a prior redevelopment in 2007 that led to a gradual market share loss for Beverly Center....”

–Evercore ISI, March 10, 2016

Source: Company filings, Wall Street research
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